




# James Fisher and Sons Public Limited Company

Annual Report and Accounts | 2007



This Report and Accounts includes statements which may be forward-looking. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Group to be materially different from future results, performance or achievements

expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group, present and future business strategies and the environment in which the Group will operate in the future. These forward-looking statements speak only at the date of this Report and Accounts. The

Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

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## Highlights

“2007 was another good year for James Fisher, with organic growth the prime source of increased profitability. Robust cash flow enabled the Company to spend £15.2 million on acquisitions and still reduce financial gearing.”

Timothy C. Harris, Chairman

### Group Revenue



### Profit from continuing operations before tax\*



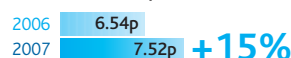
### Basic earnings per share



### Basic earnings per share after adjustment for separately disclosed items



### Final dividend per share



\* profit before separately disclosed items

- › Strong revenue and profit growth
- › 63% of profit from organic growth
- › £15.2m spent on acquisitions:
  - › Buchan Technical Services
  - › Pump Tools
  - › NDT
- › Successful Everard integration

## Group Overview

James Fisher is a leading provider of marine services. The Group, whose headquarters are based in Barrow-in-Furness, Cumbria, is led by an executive team supported by management throughout the Group who are committed to developing the business for the benefit of the shareholders and other stakeholders.

### Principal Group Activities

#### Offshore Oil Services

Engaged in the manufacture, rental and sale of specialist equipment, and the provision of related specialist labour, to the offshore sector.

#### Specialist Technical Services

Principal activities comprise the hire and sale of large scale pneumatic fenders, the design and supply of systems for monitoring strains and stress in structures and equipment, the design and assembly of electrical penetrators, ship to ship services, non-destructive testing, and the provision of services to the nuclear decommissioning industry.

#### Defence

Focused on the design, construction and operation of submarine rescue vehicles and the operation of surface ships.

#### Marine Oil Services

Engaged in the sea transportation of clean petroleum products.



# Chairman's Statement

## Highlights

2007 was another good year for James Fisher with profit on continuing operations before tax up 21% on 2006 and basic earnings per share up by 16%. Particular highlights were:

- > organic growth was the prime source of increased profitability
- > the Everard integration has been successfully completed and returns are approaching planned levels; and
- > robust cash flow enabled the Company to spend £15.2 million on acquisitions and still reduce financial gearing.

## Strategy

James Fisher's goal is to be recognised as the UK's leading marine service company. Its strategy is to grow its marine service activities based on its core expertise of the practical application of technical and operational skills in the marine sector.

Key factors of this strategy are:

- > to use the strong cash flows from marine oil services (tankships) to grow the marine support divisions of offshore oil, specialist technical and defence by capital investment and acquisitions
- > to encourage organic growth in these marine support divisions
- > to focus on high cash generating, high margin niche businesses
- > to develop the Group's ship management activities into one of the UK's leading marine 'centres of excellence' based on tankships, which can be leveraged in the other marine services divisions

The results are released against an uncertain global economic backdrop. While it would be unrealistic to suggest that James Fisher is immune from the general economy, we believe it is well placed to ride out and indeed prosper in any upcoming storm because:

- > it has a proven track record generating cash and organic profit growth
- > its businesses are firmly established in three of the fastest growing market sectors, eg offshore oil, marine and port related services
- > a growing proportion of group revenue (2007 37% - 2006 30%) is now generated outside the UK
- > as a service business it is largely unaffected by cyclical swings in asset values
- > it has good, long-term relationships and credit lines with its banks and healthy margins on its bank covenants

## Offshore Oil Division

### 2007 Divisional Result £8.6m (2006: £7.3m)

Profits grew 17% over last year, with both margins and returns on capital employed (including goodwill) steady at around 33% and over 16% respectively. Organic profit growth was 57%. The only acquisition in Offshore Oil during the year was of Buchan Technical Services Limited in May for net cash of £3.5 million.

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“James Fisher has a proven track record generating cash and organic profit growth. Its businesses are firmly established in three of the fastest growing market sectors.”

## Divisional Results

### Offshore Oil



### Specialist Technical Services



### Defence



### Marine Oil Services



## Chairman's Statement continued

This division is evenly split between its bases in Stavanger, Norway and Aberdeen. It enjoys a number of distinct market niches – hiring, customising and selling specialist equipment, together with the associated labour, to the offshore market. This equipment includes compressors, generators, reels, winches and other lifting equipment. Increasingly it is going with established European based contractors beyond the North Sea into the new oil provinces of the world.

Its customers operate across the oil production, construction and maintenance markets as well as exploration. These markets remain strong with good prospects reflecting the global economy's demand for oil.

### Specialist Technical Services Division

#### 2007 Divisional Result £6.3m (2006: £4.3m)

This division enjoyed strong revenue and profit growth in 2007, with revenue up 69% and profits 47% greater than in the previous year. Of this profit growth, 74% was organic. Overall margins were slightly lower at 9.5% in 2007, from 10.9% last year. This was primarily caused by the start up costs of James Fisher Inspection and Measurement Services Limited (JFIMS).

This division is well placed strategically in the service markets related to world shipping, port related services and offshore, all of which are growing rapidly. It also has a modest exposure to the UK nuclear decommissioning market which has potential, but is not yet as fast growing as other markets in which this division operates.

The FenderCare group, the James Fisher cluster most directly related to world shipping and ports development, again enjoyed strong growth in all its activities.

The Straininstall group, whose prime expertise is the application of strain and similar gauges, enjoyed a strong year in its first full year in the Group. It too is focused on the port and shipping industries, but its applications include a wider range than FenderCare, including the rail industry. We made a small acquisition in February 2008 for £3.0 million net cash – JCM Scotload Limited, which is involved in the design and application of strain gauges – to strengthen the Straininstall cluster.

James Fisher's "downhole" cluster based on Remote Marine Systems Limited (RMS) was strengthened by the purchase of the Aberdeen based Pump Tools Limited (Pumptools) for £7.4 million net cash in October 2007. RMS and Pumptools produce related, specialist electrical submersible pump (ESP) equipment for the oil industry and will shortly start joint marketing. In the typical James Fisher way they enjoy strong market niches in a fast growing market and we are optimistic about this cluster's growth potential.

James Fisher's nuclear cluster is based on the core skills of remote handling and plant characterisation for nuclear decommissioning and inspection measurement services. The nuclear decommissioning industry in the UK is currently in a state of confusion and some restriction of funds. Our policy is to identify, and invest in, market sectors where our skills are not commodotised and can command a decent margin. In line with this policy, in July 2007 we strengthened our start-up, JFIMS, through the acquisition of Inspection Holdings Limited and its main operating subsidiary, NDT Inspection and Testing Ltd (NDT), for £1.0 million net cash.

The JFIMS start-up has been successful and to plan and we expect our nuclear cluster to show real progress in 2008.

### Defence Division

#### 2007 Divisional Result £3.0m (2006: £3.0m)

The 2007 operating profit result was 8% better than 2006 when a one off tax credit of £0.2 million from Foreland Shipping Limited, our military roll on-roll off (ro-ro) shipping associate company, is eliminated from the result for the earlier year. Margins on a like for like basis remained steady at 26%. The defence division has two principal activities: the design, construction and operation of submarine rescue equipment and the operation of surface ships with the services associated thereto.

Submarine rescue has been particularly active in 2007 with the construction of rescue vehicles for the South Korean (delivery end 2008) and Singaporean (1st half of 2009) navies well underway. The Korean contract is for the straightforward delivery of a rescue vehicle and is funded by stage payments throughout the build period. The Singaporean contract is more comprehensive as we work together with our partners, Singapore Technologies Marine Limited (ST Marine) the Singapore naval dockyard, to provide a through life rescue service until 2029. We are funding the construction of the rescue vessel from our own resources until its sale in 2009 to a 50/50 joint venture company with ST Marine, who are providing the mother ship. It is then planned to re-finance the joint venture company with Singaporean banks. Both Korean and Singaporean vessels, which share a similar design, are under construction in our Renfrew base and progress to date has been to plan both in terms of costs and timeline. We have taken revenue of £4.4 million and profit of £0.3 million on the Korean contract in the 2007 results. No revenue or profit has been taken on the Singaporean contract and costs to date of £3.8 million have been included in work in progress.

For the surface vessels Foreland, the military ro-ro PFI company in which we have a 25% shareholding, continues to prosper. During the year we were awarded the management of the lay-up of three corvettes built by BAe Systems for the Brunei Navy. One of these has since been re-activated and has successfully completed a series of sea trials. This exercise demonstrated the range of marine skills that James Fisher offers, skills which are becoming increasingly rare in the UK.

#### Marine Oil Services Division

##### 2007 Divisional Result £8.6m (2006: £5.8m)

There was much activity in this division in 2007 owing to the Everard acquisition made on 28 December 2006. The Everard fleet was commercially, operationally and managerially integrated with James Fisher Tankships to form James Fisher Everard Limited by the half year, when we announced one off merger costs of £800,000 which had been charged directly against profit. Despite this, profit for the full year 2007 was 48% higher than 2006 and importantly margins at 11.3% (12.4% after adjustment for the £800,000 merger costs) were close to those of 2006 (12.7%). The return on capital was 12% in 2007, unchanged from 2006, the great majority of which is effectively tax free because of the tonnage tax. Through greater productivity with a larger fleet our aim is to push margins and return on capital closer to those achieved by James Fisher in earlier years, eg 2005, margin 15%, ROCE 13%.

Highlights of a busy year included the entry to trade of the last two of the four Everard 4,000 tonne newbuildings, *mt Superiority* and *mt Supremity* and the re-financing of the first three of them as bareboat charters raising £22.6 million. We also sold two older ships, *mt Severn Fisher* and *mt Agility*, for £3.3 million cash booking a profit of £0.2 million. A further vessel, *mt Alacrity*, has been sold in January 2008 for £1.5 million net cash.

James Fisher Everard has recently been awarded a contract from the European Maritime Safety Agency (EMSA) to provide standby oil recovery services. This contract is for the provision of three tankers from the James Fisher Everard fleet which have been prepared to receive emergency oil recovery equipment so that they can be called on in case of an oil slick emergency. It has an initial three-year period from 31 March 2008, renewable for a further three years and will provide gross revenue earnings of £1 million per annum.

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“James Fisher continues to grow in terms of employee numbers. We are now increasingly able to offer qualified people of talent, engineering work to support our technically based marine support activities.”



“The Company is well placed in its markets to continue to produce good growth and value for our shareholders.”



## Chairman's Statement continued

### Directors and Employees

There have been no changes to the Board during the year other than William Everard who stood down as Technical Director of the Fleet in September after the merger of the two fleets to create James Fisher Everard. I would like to thank William for his contribution to the process. He will continue to represent the Company in a number of industry bodies.

Actuarial losses on defined benefit schemes during the year caused a £4.6 million charge to reserves compared to a £4.1 million write-back in 2006 with the industry MNOPF scheme for officers, the main cause. This scheme is now the primary area of focus because all of the other schemes have been closed to new entrants but as an industry scheme it is less easy to influence. Realistically increased deficits must be anticipated in 2008 owing to a likely combination of lower interest rates together with increased life expectancy assumptions.

James Fisher continues to grow in terms of employee numbers and in 2007 employed over 1,300 people. Particularly interesting is that we are now increasingly able to offer qualified people of talent, engineering work to support our technically based marine support activities and much of this work is in Cumbria and the North where such employment is particularly beneficial. I would like to recognise and thank all at James Fisher for their contribution in making 2007 another successful year.

### Outlook

James Fisher has a proven track record, consistently generating cash and organic profit growth.

Trading so far in 2008 has met management expectations. Our main markets of shipping, offshore and port services continue to be strong. Both the offshore oil and specialist technical divisions are well positioned to continue to grow profits organically, as they have in recent years. We shall continue to support them by selective capital expenditure and further "bolt on" acquisitions.

In Defence our main task in 2008 will be to deliver the Korean and Singaporean submarine contracts on time and to budget. If we achieve this, our global leadership of this market will be confirmed. Our aim for Marine Oil must be to consolidate the progress made in 2007 with James Fisher Everard and, through hard work and increased productivity, to improve margins to the historical levels earned by James Fisher.

The Company is well placed in its markets to continue to produce good growth and value for our shareholders.

**Timothy C. Harris**  
Chairman

# Review of Operations

## Principal Group Activities

The principal activities of James Fisher, organised by division, are as follows:

### Offshore Oil Services

Engaged in the manufacture, rental and sale of specialist equipment, and the provision of related specialist labour, to the offshore sector.

### Specialist Technical Services

The hire and sale of large scale pneumatic fenders, the design and supply of systems for monitoring strains and stress in structures and equipment, the design and assembly of electrical penetrators, ship to ship services, non-destructive testing, and the provision of services to the nuclear decommissioning industry.

### Defence

Focused on the design, construction and operation of submarine rescue vehicles and the operation of surface ships.

### Marine Oil Services

Engaged in the sea transportation of clean petroleum products.

### Group results

Group revenue increased to £182.0m in 2007, up by 54% on 2006 (£118.1m), and this generated a profit from continuing operations before taxation and separately disclosed items of £19.2m, compared to a 2006 profit on the same basis of £15.9m. The increase of 21% reflects strong organic growth across the Group's divisions. Profit from continuing operations after adjusting for separately disclosed items was £19.1m compared to 2006 profit on the same basis of £14.1m, an increase of 36%

The Group Income Statement for 2007 details the separately disclosed items and discontinued operations, the combined effect of these items is a loss of £0.089m (2006 – loss £2.146m). The total is made up of a profit on ship disposals of £0.095m (2006 – loss of £0.024m) and an exchange loss of £0.184m (2006 – gain of £0.035m). In addition 2006 separately disclosed items include profit on sale of property £1.126m, and impairment of ships £2.906m (loss) and the tax effect thereon of £0.377m.

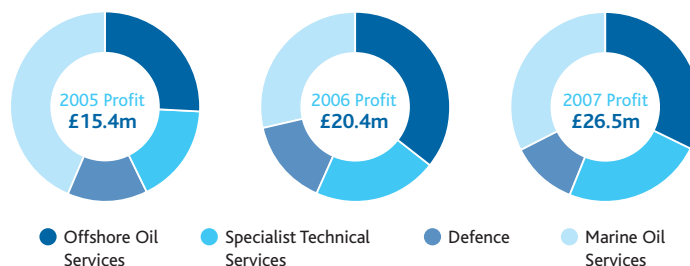
Basic earnings per share from total operations is 32.66p per share (2006 – 28.09p per share) an increase of 16%. The total profit for the year attributable to ordinary shareholders after taxation is £16.1m (2006 – profit £13.8m). The adjusted earnings per share on continuing activities is calculated before separately disclosable items and is shown to highlight the underlying trends. This was 32.85p (2006: 28.30p), an increase of 16%.

### Segmental Reporting

Details of segmental profit, revenue, margin and return on capital employed are shown in the table opposite. This shows continued strong growth, particularly in the Specialist Technical Services and Marine Oil Services divisions, with the former enjoying a 47% increase in profits and the latter a 48% increase, in each case compared to 2006.

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## Segmental Reporting



	2007	2006	2005
<b>Offshore Oil Services</b>			
Continuing operations revenue (£m)	26.3	22.0	14.9
Profit (£m)	8.6	7.3	4.0
Margin	32.6%	33.3%	27.0%
Return on capital employed	16.5%	17.9%	15.4%

<b>Specialist Technical Services</b>			
Continuing operations revenue (£m)	65.9	39.1	22.3
Profit (£m)	6.3	4.3	2.6
Margin	9.5%	10.9%	11.8%
Return on capital employed	12.6%	15%	13.6%

<b>Defence</b>			
Continuing operations revenue (£m)	13.9	11.1	9.3
Profit (£m)	3.0	3.0	2.1
Margin	21.5%	26.8%	22.7%
Return on capital employed	22.7%	27.7%	22.0%

<b>Marine Oil Services</b>			
Continuing operations revenue (£m)	75.9	45.9	44.9
Profit (£m)	8.6	5.8	6.7
Margin	11.3%	12.7%	15.0%
Return on capital employed	12.0%	12.0%	13.1%

## Review of Operations continued

### Joint Ventures

Profit derived from joint ventures during the year comprised £1.8m in respect of Foreland Shipping Limited (2006: £1.9m) and £0.5m in respect of Fender Care Nigeria Limited (2006: £0.3m).

### Strategy

As set out in the Chairman's Statement on page 3, the aim of the Group is to be the UK's leading marine services provider and the strategy employed to achieve this aim is to use the strong cash flow from our Marine Oil Services division to build the Marine Support Services divisions of Offshore Oil Services, Specialist Technical Services and Defence, where we are able to apply our core expertise of practical marine engineering and operational skills.

### Changes in Group

On 2 October 2007 the Group acquired Pump Tools Limited (Pumptools), for £7.4m net cash. Pumtools designs and manufactures specialist downhole tools and systems for the extraction of oil, typically using electrical submersible pumps (ESP), selling its products and providing operational support to oil operators, ESP manufacturers and oil service companies with a wide geographical reach.

On 23 May 2007 the Group acquired Buchan Technical Services Limited (Buchan), a privately owned Company, for £3.5m net cash. Buchan designs and supplies pumps to the oil and gas majors, pipeline commissioning and well servicing companies, including the provision of operational manpower.

On 27 July 2007 the Group acquired Inspection Holdings Limited including its main operating subsidiary, NDT Inspection and Testing Limited (NDT), for a consideration of approximately £1.0m net cash. In common with JFIMS, NDT provides non-destructive testing services to a wide range of industry sectors. An additional amount of up to £0.8m is payable contingent upon the earnings of NDT in 2007. The Group also undertook to redeem a loan note of £0.1m outstanding at completion.

Further details of the acquisitions are shown in Note 18.

On 28 June 2007 the Group sold its wholly owned subsidiary Ships Electronic Services Limited (SES) to four members of the management of SES. The cash consideration of £0.4m was equal to the net assets of SES. SES, which supplied and maintained marine navigation, communication and entertainment equipment, was a subsidiary of FT Everard & Sons Limited, itself acquired by James Fisher in December 2006.

### Taxation

The effective tax rate on continuing operations is 15.5% (2006 – 17.0%) This lower than standard rate is due to the Marine Oil Services business only incurring a nominal levy due to the UK tonnage tax regime. The Group's other divisions are subject to normal corporation tax.

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

### Dividends and earnings per share

The Board have recommended a final dividend for the year of 7.52p per share, (2006 – 6.54p per share), making a total for the year of 11.41p per share (2006 – 10.01p per share). This represents an increase of 14% on 2006.

Basic earnings per ordinary share from continuing operations in 2007 was 32.67p compared to 23.93p in 2006. Basic earnings per ordinary share from total operations in 2007 was 32.66p compared to 28.09p in 2006. Adjusted earnings per share, excluding separately disclosed items and discontinued business was 32.85p per ordinary share compared to 28.30p in 2006.

### Cash Flow

Cash generation remains a key focus of the Group. The Group's cash balance at 31 December 2007 is £13.2m compared to 2006 at £9.7m and demonstrates a continuing strong cash position.

Major funding movements in the year include the receipt of £28.4m from the sale of property, plant and equipment, principally the sale and subsequent charter back of the vessels *mt Speciality*, *mt Seniority*, and *mt Superiority*, with the sale proceeds comprising £22.6m. A total of £15.2m was paid in consideration of new subsidiary undertakings.

### Borrowings

The Group has relationships with a number of UK banks, including HSBC plc, Lloyds TSB plc, Bank of Scotland plc and The Royal Bank of Scotland plc. In Norway the Group's banker is Sparebank1 SR-Bank.

A substantial portion of the Group's borrowing is now made on an unsecured basis. Net gearing at 31 December 2007 amounted to 83% (2006: 86%).

### Treasury

#### Treasury Risk Management

The Group maintains a centralised treasury function, which operates under policies and guidelines approved by the Board. These cover funding, management of foreign exchange exposure and interest rate risk. The purpose is to manage the financial risks of the business effectively and to secure the most cost effective funding. Activities are covered by guidelines, exposure limits, controls and a system of authority. Speculative use of financial instruments is not permitted and none has occurred during the year.

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

Where appropriate, 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 the market rates on the Group profit and cash flow. Further details of the use of such instruments are set out at Note 29.

The Group monitors market trends in interest rates and if appropriate, would maintain a mixture of fixed and floating rate borrowing to reduce the impact of variations in interest rates on the Group's profit and cash flows.

#### 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. As at 31 December 2007 the Group had cash balances of £13.2m (2006: £9.7m) and undrawn committed facilities of £23.3m (2006: £38.7m) which are available to provide additional liquidity.

#### Foreign exchange risk

The Group has a number of overseas and international business operations and operates in various foreign currencies. Whilst the Group trades principally in Sterling the most important foreign currencies to the Group are US Dollars, Norwegian Kroner and Euros.

The Group's Norwegian assets and some other smaller assets are denominated in foreign currencies. The Group mitigates the effect of movement in exchange rates by arranging borrowing in the same currencies as those in which the assets are denominated.

When the Group's businesses enter into capital expenditure or financial commitments in currency other than Sterling, these commitments are hedged in some instances using forward contracts and currency swaps in order to fix the cost when converted into the functional currency. Further details of the use of such instruments are set out at Note 29.

#### Pensions

The Group operates three defined benefit schemes, the James Fisher Dockworkers Scheme, the James Fisher Shore Staff Scheme and the Everard Group Pension Fund.

The James Fisher Dockworkers Scheme is paid up. The James Fisher Shore Staff Scheme has been closed to new members since 2001 and in 2005, with the agreement of the Trustees, it was decided to phase out the scheme over five years to 2010, with future benefits accrued subject to a cap of 1.5% per annum on pensionable salaries. At 31 December 2007 the Dockworkers Scheme was in deficit by £0.9m (2006: £1.5m deficit) and the Shore Staff Scheme was in surplus by £0.5m (2006: £1.4m surplus). The Everard Group Pension Fund was closed to new entrants in April 2004 and to future accrual from March 2005. The deficit at 31 December 2007 was £nil (2006: £0.1m deficit).

continued over

**“Cash generation remains a key focus of the Group. The Group's cash balance demonstrates a continuing strong cash position.”**



## Review of Operations continued

The Group, as a former employer of members of the Merchant Navy Officers Pension Fund, is jointly and severally liable with other former employers to fund the current deficit in the scheme. The Group's liability is currently estimated at £11.0m (2006: £7.0m deficit). This is being paid by annual instalments ending in March 2014. Further details are given in Note 25 to these accounts.

### Key Performance Indicators

The Group utilises a number of different measures in order to monitor its performance, including segmental revenue and margin and Group cash flow, as detailed on pages 7 and 8 of this Review of Operations. Further measures employed are set out below.

### Return on Capital Employed

The Group's return on capital employed, measured as profit as a percentage of net assets and before interest and taxation, after adjusting net assets to take into account only the post-acquisition period relating to businesses acquired during the year was 17.15% (2006: 17.36%).

### Health and Safety

Health and safety is a matter of paramount concern to the Group across its entire operations. Given the naturally hazardous environment in which they conduct their businesses, particular attention is paid to the Marine Oil Services and Offshore Oil Services divisions. In 2007 the number of injuries amongst seafarers in the Marine Oil Services division, which injuries resulted in an individual not being able to continue with their duties for a period of time, expressed as the number of such injuries per 1 million man hours, comprised 2.17 (2006: 0.79).

### Employee Turnover

The Group recognises that as a service provider a skilled and motivated workforce is central to its success, and as such it monitors employee turnover. The number of employees who have left employment with the Group of their own volition during the calendar year in question, expressed as a percentage of the average workforce during such period comprised 13.8% (2006: 11.0%).

### Principal Risks and Uncertainties

This section sets out a number of the risks which could affect the business operations and results of the Group.

#### Competitive pressures

In common with other markets, our businesses compete with others on price and service, which competition is subject to cycles determined by the balance between supply and demand.

There exists a risk that over-tonnaging may occur in the shipping markets in which the Group operates and given the ease with which, for example, shipping assets may be moved from one geographical market to another, no regional or local market can be totally isolated from the influence of over-tonnaging in other markets should it occur. The global supply of tonnage makes it difficult to predict over-tonnaging in any particular local market with any accuracy.

#### Reputational risks for operational incidents

The results of the Group are reliant to a degree on the maintenance by the various businesses of high reputations with their customers. The Group places a particular emphasis on the safety and security of operations but notwithstanding this, it is possible that an adverse operational incident may occur, which could in turn damage the Group's reputation.

#### Pensions

The Group contributes to a number of defined benefit pension schemes. There is a risk that changes in the market conditions for bond yields and equities and changes in the actuarial assumptions (eg on life expectancy), may result in an increase in the deficits in any of such schemes from time to time. There is a further risk that the Group could be obliged to fund additional liabilities of an industry wide scheme, the Merchant Navy Officers Pension Fund, in addition to the liabilities in respect of its own employees, in relation to any other employee(s) unconnected to the Group whose employer has become insolvent.

#### Product Liability

The Group is involved in the design, manufacture and sale or hire of various items such as engineering tools, software and electronics. It is possible that the Group may become liable for losses which are incurred by customers and others in the event that any such product does not meet the agreed specifications or other quality requirements. The Group seeks to limit the impact of this risk through quality controls, by negotiating appropriate limits on its liability to customers and also through its insurance programmes.

#### Integration Benefits

The Group continues to experience growth and development through acquisitions. Integrating the operations and personnel of acquired businesses is a complex process and there is a risk that the anticipated benefits of the acquisition may not be realised in their entirety, or may be realised over a longer time span than originally envisaged. Where appropriate, the Group manages this risk through the formation of an integration committee comprised of senior managers from across the Group with significant experience of the underlying businesses, drawing on external advice and support as appropriate.

#### Recruitment and retention of talent

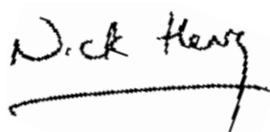
The success of the Group is dependent to a significant degree upon the skills and motivation of its workforce, including its senior management team. There is a risk that if the Group loses, or fails to attract personnel of the requisite calibre, that this could have an adverse impact on the performance of the business. The risk is mitigated by the development of appropriate remuneration incentives and skills development initiatives, designed to assist in making the Group an attractive environment in which to work.

#### Legislation and regulation

The businesses conducted by the Group are subject to numerous laws and regulations, both in the United Kingdom and overseas, which regulate matters including safety procedures, employment requirements, taxation, environmental procedures and other operating issues. Failure to comply with such laws and regulations may harm the business or the Group's reputation. The Group draws upon the expertise of various professionals, both within and outside the business in order to seek to ensure compliance with such provisions.

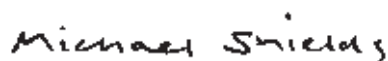
#### Financial

The Group is exposed to interest rate risk and foreign exchange risk which it seeks to manage, where appropriate, via hedging arrangements. Furthermore the loan facilities entered into by the Group include a number of financial covenants imposing limits upon matters including gearing and interest cover. Breach of these covenants would constitute events of default under such facilities which might result in these borrowings becoming immediately repayable. Recent events in the financial markets have demonstrated the risks associated with credit and liquidity. The Group has been proactive through 2007 in extending its facilities and agreeing banking covenants which give sufficient headroom to enable the Group to develop its strategy going forward. Relationships with all Group lenders have been strengthened during 2007.



**Nicholas Henry**

Chief Executive Officer



**Michael Shields**

Group Finance Director

**“The Group has been proactive through 2007 in extending its facilities. Relations with all Group lenders have been strengthened during 2007.”**



# Board of Directors



- 1 Tim Harris
- 2 Nick Henry
- 3 Mike Shields
- 4 Simon Harris
- 5 Anthony Cooke
- 6 Maurice Storey
- 7 Charles Rice
- 8 Michael Everard

- ❖ Audit Committee
- Remuneration and Nominations Committees

## Executive Chairman

### Timothy C.Harris Executive Chairman (aged 60)

Joined the board in 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. He is also currently Non-Executive Chairman of Clarkson plc and a Non-Executive Director of Neptune Orient Line Limited.

## Executive Directors

### Nicholas P.Henry Chief Executive Officer (aged 46)

Joined James Fisher in February 2003 as Managing Director of James Fisher Tankships Limited, after working for 20 years for P&O and has extensive experience in shipping, including fleet management. He was appointed Chief Executive Officer in December 2004.

### Michael J.Shields Group Finance Director (aged 60)

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.

### Simon A.Harris Managing Director James Fisher Defence (aged 47)

Joined James Fisher in March 2004 as Commercial Director of James Fisher (Shipping Services) Ltd and was appointed Managing Director of James Fisher Defence in January 2005. He was previously Operations Director of Houlder Ltd and Project Director during negotiations for the £1bn Strategic Sealift PFI (Foreland) contract in which James Fisher has a 25% holding. He joined the board in August 2005.

## Non Executive Directors

### Anthony R.C.B.Cooke Non-executive director (aged 66) ❖ ●

Joined the board in January 2002. He has wide experience in commercial shipping, having been Chairman of Andrew Weir Shipping Limited and president of the Chamber of Shipping in 1997. He is currently a director of the West of England Shipowners Mutual Insurance Company. He is also a fellow of the Institute of Chartered Accountants of England and Wales. He is the immediate past Chairman of the Baltic Exchange and is a past president of the Institute of Chartered Shipbrokers.

### Maurice Storey Non-executive director (aged 64) ❖ ●

Joined the board in December 2003. He is a chartered engineer with wide experience in operational management of ships and marine services having been responsible for ships and port operations as main board director for Stena Line UK Limited. For a number of years he held the position of Chief Executive of the Maritime Coastguard Agency. He is currently Honorary Chairman of Evergreen Marine UK Limited. He was president of the Institute of Marine Engineering, Science and Technology from March 2005 to March 2006 and President of the Chamber of Shipping from March 2006 to March 2007.

### Charles J.Rice Non-executive director (aged 54) ❖ ●

Joined the board in April 2004. He has wide experience in commercial shipping having held a number of commercial and operational roles with Overseas Containers Limited. During the 1990s he was responsible for P&O's Trans European Division progressing to a main board director of P&O in 2001. He was Managing Director of Starcross Foods Limited until November 2005 and is currently chairman of the Transport Research Foundation and Executive Director of Geoenergie Bayern GmbH and G Finanz Limited.

### F.Michael Everard Non-executive director (aged 59) ❖ ●

Joined James Fisher in December 2006 following the acquisition of FT Everard & Sons Limited in which he held the position of Chairman from 1988 to 2006. He is a past president of The Baltic and International Maritime Council, the Chamber of Shipping and the Institute of Chartered Shipbrokers. He was a non-executive director of P&O and is currently vice-chairman of The International Chamber of Shipping.

# 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 2007.

## Principal Group activities, review of operations and results.

The Review of Operations on pages 7 to 11 describes the principal activities, operations and the financial position of the Group. The results of the Group are set out in detail on pages 34 to 40 and in the accompanying notes. Further information on the business and future developments of the Group is presented in the Chairman's Statement on pages 3 to 6. The principal subsidiaries and associates are listed on pages 97 and 98.

## Business Review and Future Developments

A review of the business is presented in the Review of Operations on pages 7 to 11. A consideration of future developments is set out in the Chairman's Statement on page 6.

## Results and dividends

The Group profit for the financial year after taxation amounted to £16,135,000 (2006: profit £13,777,000). The directors recommend a final ordinary dividend of 7.52p per share (2006: 6.54p) amounting to £3,715,000 making 11.41p per share and £5,632,000 for the year. Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend, when approved by shareholders, such that the amount recognised in the accounts as described in note 12, is made up of last year's final dividend, and this year's interim. Preference dividends of £3,500 were also paid during the year, which are reflected in finance costs.

The final dividend if approved will be paid on 9 May 2008 to ordinary shareholders whose names were on the register on 11 April 2008.

## Directors and their interests

The current members of the board are listed on page 12.

Mr T.C.Harris retires by rotation and, being eligible, offers himself for re-election.

Mr N.P.Henry retires by rotation and, being eligible, offers himself for re-election.

Brief biographical details of all directors are shown on page 12.

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	
	2007 No.	2006 No.
T.C. Harris	210,223	170,861
N.P. Henry	27,907	18,562
M.J. Shields	168,769	210,538
S.A. Harris	10,636	7,015
A.R.C.B. Cooke	21,684	21,684
M. Storey	—	—
C.J. Rice	5,000	5,000
F.M. Everard	—	—

Since 31 December 2007 there have been no changes in directors' interests other than as reported below.

(i) Mr N.P. Henry increased his holdings by 1,396 ordinary shares to 29,303 ordinary shares on 16 January 2008.

In addition to the directors listed above, Mr W.D.Everard was a director until 30 September 2007.

No director was interested in the preference shares of the Company, or in the shares of any subsidiary undertaking.

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 service contracts with either the Company or any Group undertaking.

Save in respect of the deferred consideration payable to the vendors of FT Everard & Sons Limited, including Mr W.D. Everard and Mr F.M. Everard, pursuant to the share purchase agreement dated 6 December 2006, no contract in relation to the Group's business in which the directors of the Company had an interest, existed at 31 December 2007 or at any time during 2007.

During the financial year the Company has maintained cover for its directors under a directors' liability insurance policy.

### Substantial shareholders

On 17 March 2008 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)	8,887,596	17.88
Schroder Investment Management	5,452,289	10.95
Therapia Investments Limited	3,106,315	6.25
M&G Investment Management	2,385,415	4.80
Legal and General Investment Management	2,227,183	4.48
	Preference Shares	
	No.	%
Therapia Investments Limited	100,000	100

### Financial Instruments

The Group's financial risk management objectives and policies are discussed in the treasury section of the Review of Operations on pages 8 and 9.

### Charitable and political contributions

During the financial year the Group made no political contributions (2006 £nil).

Charitable contributions made during the financial year totalled £70 (2006 £525).

### Events after the balance sheet

The Group completed the sale of *mt Alacrity* on 29 January 2008. The gross proceeds from this disposal were \$3,000,000. The net proceeds of £1,454,000 were used to repay bank borrowings.

As referred to in Note 18, under the terms of the acquisition of Straininstall Group (Straininstall) on 6 October 2006, contingent consideration of £500,000 is payable to the vendors dependent on achieving certain performance conditions for the year ended 31 December 2007. In March 2008, following confirmation that the performance criteria for the year ended 31 December 2007 had been achieved, the vendors were paid £500,000 in cash and loan notes.

On 21 March 2007 the Chancellor of the Exchequer announced that he intended to phase out Industrial Buildings Allowances (IBA's) from April 2008. Had the proposed change been enacted at 31 December 2007 it would have increased the Group's deferred tax liability by £788,000.

On 16 January 2008 the Group made a payment of £750,000 to the former shareholders of FT Everard & Sons Limited representing the final instalment of contingent consideration due on the acquisition of the company.

On 11 March 2008 the Group made a payment of £800,000 to the former shareholders of Inspection Holdings Limited representing the contingent consideration due on the acquisition of the company.

On 7 February 2008 the Group acquired the entire issued share capital of JCM Scotload (Scotload) for a cash consideration of £2,985,000. Scotload designs and manufactures a range of load measurement instruments for the offshore oil and related industries.

On 30 January 2008, Scantech AS based in Norway entered into an agreement for the construction of new premises in Stavanger. This construction will be financed by a loan from SR-Bank, such loan being secured upon the premises.

### 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. Furthermore, full and fair consideration is given to disabled applicants for employment and career development. The Group also actively encourages the training of its employees through participation in industry training schemes. Additionally, both in-house and external training is provided for staff. The Group communicates with its employees through regular presentations by senior management and by means of publication of a company newsletter.

A Long Term Incentive Plan was introduced in 2001 following shareholders' approval under which the directors may award options to nominated employees.

The Savings Related Share Option Scheme was approved by shareholders at the Annual General Meeting in 2005. Under this scheme, which is a UK HM Revenue and Customs approved scheme, eligible employees may be invited to apply for options during the six months after announcement of results for any period. The options granted to each individual are related to the monthly sum the individual agrees to save under the contract, not exceeding £250 per month for a period of three, five or seven years. Options are normally exercisable at the end of the related savings contract, but early exercise is permitted in certain circumstances, for example if an individual leaves employment for specific good leaver reasons. An offer under this scheme was made in September 2007.

The Company also operates an Executive Share Option Scheme (the ESOS Scheme) which was approved by the shareholders at the Annual General Meeting in 2005. Under this scheme, which is a UK HM Revenue and Customs approved scheme, the remuneration committee has the discretion to select employees and directors of the Company and of its subsidiaries for participation in the plan each time it is operated. The shares over which options are granted in any year of operation of the plan shall not exceed 100% of an option holder's annual base salary. The options can be exercised following attainment of a performance target linked to the Company's total shareholder return (TSR) relative to a comparator group over a three year period. Following approval by the shareholders at the 2007 Annual General Meeting the comparator group was amended to comprise companies forming the FTSE Small Cap index as a whole, excluding investment trusts.

### Special business at the Annual General Meeting

At the Annual General Meeting on 1 May 2008 resolutions 7 to 10 inclusive will be special business. The special business covers: approval for the directors' authority to allot shares, the partial disapplication of pre-emption rights, the Company's authority to purchase its own shares, and approval of changes to the Articles of Association of the Company.

Details of the resolutions are set out in the Notice of Annual General Meeting on pages 100 and 101 and the explanatory Notes on pages 102 and 103.

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 2007 the Group and Company had an average number of 54 days and 49 days purchases outstanding in trade creditors respectively (2006 Group 55 days, Company 77 days).

### Additional information for shareholders

The following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK Law.

At 31 December 2007, the Company's issued share capital comprised:

	No.	£000	% of total Share capital
Ordinary shares of 25p each	49,710,193	12,428	99.8
3.5% cumulative Preference shares of £1 each	100,000	100	0.2

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and for voting rights.

### Ordinary shares

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting on page 100 specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the annual general meeting and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods) and;
- pursuant to the Listing Rules of the Financial Services Authority whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

The Company's articles of association may only be amended by a special resolution at a general meeting of the shareholders. Directors are reappointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a director but anyone so appointed must be elected by an ordinary resolution at the next general meeting. Directors who have held office for more than three years since their last appointment are eligible for re-election by rotation at the next annual general meeting.

#### **Preference shares**

The 3.5% cumulative preference shares carry a dividend of 3.5% per annum, payable half-yearly in arrears on 30 June and 31 December. The dividend rights are cumulative. The preference shares carry one vote for every £1.00 in nominal amount at meetings. On a winding up of the Company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus any accrued dividend.

#### **Significant interests**

Directors' interests in the share capital of the Company are shown in the table on page 13. Major interests (ie those greater than or equal to 3%) of which the Company has been notified are shown on page 14.

#### **Company share schemes**

The James Fisher Employee Share Ownership Trust, holds 0.63% of the issued share capital of the Company in trust for the benefit of employees of the group and their dependents. The voting rights in relation to these shares are exercised by the trustees.

#### **Change of control**

The Company is not party to any agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid.

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid. The Company is party to a number of banking agreements which upon a change of control of the Company are terminable by the bank. Furthermore the following contract permits the other shareholders to purchase the Group's shareholding in Foreland Shipping Limited and to terminate the contract in the event of a change of control of James Fisher and Sons plc or the relevant subsidiary:

Shareholders Agreement dated 22 June 2006 in relation to Foreland Shipping Limited, which is responsible for the provision of sealift capability to the MoD.

#### **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 marine operations to prevent damage to the environment. Further details are included in the statement on corporate social responsibility on pages 21 to 23.

#### **Auditors**

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and their re-appointment as auditors will be proposed at the Annual General Meeting on 1 May 2008.

#### **Directors' statement as to disclosure of information to auditors**

The directors who were members of the board at the time of approving the directors' report are listed on page 12. Having made enquiries of fellow directors and of the Company's auditors each of these directors confirms that:

- > to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
- > each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

**J.J.B. Tyler**

Secretary

17 March 2008

# Corporate Governance Statement

The Company is committed to high standards of corporate governance. The board is accountable to the Company's shareholders for good governance. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the provisions set out in the revised Combined Code issued by the Financial Reporting Council in June 2006 (the "code").

## Statement of compliance with the code

The directors consider that the Company has complied throughout the year with the provisions of the revised code.

## Board of directors

The board is the principal decision making forum for the Company. It has overall responsibility for leading and controlling the Company and is accountable to shareholders for financial and operational performance. The board approves group strategy and monitors performance. The board has adopted a formal schedule of matters detailing key aspects of the Company's affairs reserved for it to decide, including setting and monitoring group strategy, reviewing trading performance, ensuring adequate funding, examining potential acquisitions, formulating policy on key issues and reporting to shareholders. The schedule is reviewed annually.

The roles of the Executive Chairman and Chief Executive are distinct and separate with a clear division of responsibilities. The Executive Chairman is responsible for the development of policy and strategy and leads the board ensuring the effective engagement and contribution of all non-executive and executive directors. The Chief Executive has responsibility for the operational management of the Group's businesses.

All directors participate in discussing strategy, performance and financial and risk management of the Company and meetings of the board are structured to allow open discussion. The board meets at least on a quarterly basis each year and to ensure that the board is able to discharge its duties, all directors receive appropriate and timely information with comprehensive papers being issued to the board in advance of the board meetings including financial and business reports covering the Group's principal activities. The non-executive directors meet with the executive chairman on a regular basis without the executive directors present. The non-executive directors also meet at least once a year without the chairman or executive directors present.

## Board balance and independence

The board currently comprises an Executive Chairman, a Chief Executive Officer, two other executive directors, and four independent non-executive directors. The board functions effectively and efficiently and is considered to be of an appropriate size in view of the scale of the Company and the diversity of its businesses. The board considers that each director demonstrates a range of experience and is of sufficient calibre, which is vital to the success of the Group.

The board considers the non-executive directors combine broad business and commercial experience to bring independent and objective judgement to bear on issues of strategy, performance, resource and standards of conduct. The balance between non-executive and executive directors enables the board to provide clear and effective leadership and maintain the highest standards of integrity across the Company's business activities. The names and biographies of all board members are set out on page 12.

The code requires the board to determine whether its non-executive members are independent. The board considers that all non-executive directors are independent for the purposes of the code.

In addition to his role as a non-executive director, Mr F.M.Everard continues to act as Chairman of Cattedown Wharves Limited. Mr F.M.Everard is paid an annual fee of £61,750 by the Company, which includes £34,250 for his services as a non-executive director and £27,500 in respect of his role as Chairman of Cattedown Wharves Limited. The board believes that notwithstanding this factor, Mr F.M.Everard is independent in character and judgement.

In 2007 Mr M.Storey received fees of £60,000 for providing consultancy services to the Company in connection with the integration of FT Everard & Sons Limited. These services have been completed and given the short-term and specific nature of the arrangement, the board considers that Mr M.Storey remains independent in character and judgement.

The composition of the board is subject to continuing review and the provisions of the code will be taken into account in respect of the balance of the board.

Mr. Anthony R.C.B. Cooke is the senior independent non-executive director.

### Re-election of directors

At each Annual General Meeting, in accordance with the Articles of Association, one third of the directors will retire and offer themselves for re-election and each director must stand for re-election at least once every three years. The proposed re-election of directors is subject to prior review by the board.

The names of the directors standing for re-election at the 2008 Annual General Meeting are contained on page 100.

### Information, induction and professional development

The Executive Chairman ensures that all directors receive accurate, timely and clear information on all relevant matters.

The Company Secretary is responsible for advising the board, through the Executive Chairman, on all governance matters and to ensure that board procedures are followed and applicable rules and regulations are complied with. In addition, all directors have access to independent professional advice if necessary.

On appointment, new directors are given a comprehensive induction to the Group's business, including visits to the Group's major activities and meetings with senior management.

### Performance evaluation

A performance evaluation of the board and its committees during 2007 was conducted in January 2008. The evaluation was conducted internally on a confidential basis and was led by the senior independent non-executive director in conjunction with the Executive Chairman. The performance evaluation included amongst other matters a review of the conduct of, and processes for: board and committee meetings, information received, corporate governance issues and overall performance as well as an assessment of the contribution of individual directors. The non-executive directors have met to discuss the performance of the Executive Chairman. The performance evaluation was designed to assist the board in further improving performance. A performance review is conducted on an annual basis.

### Board committees

The board has established a number of committees to deal with specific aspects of the Group's affairs:

#### Audit committee

The audit committee is responsible for assisting the board in discharging its responsibilities in relation to the financial affairs of the Group, the arrangements for accounting and financial reporting and regulatory compliance, the standards of internal control and arrangements for internal audit, risk management and external auditors. The audit committee is formally constituted with written terms of reference and meets at least twice a year. All members of the committee are independent non executive directors and the committee is chaired by Mr. A.R.C.B. Cooke, the senior independent non-executive director. The board is satisfied that the audit committee have relevant and recent financial experience.

The audit committee undertakes an annual evaluation to assess the independence and objectivity of the external auditors and the effectiveness of the audit process. The audit committee has established its policy on the engagement of the external auditors to supply audit and non-audit services. The audit committee reviews the policy annually.

The Executive Chairman, Chief Executive Officer and the Group Finance Director attend meetings of the committee. In addition, the audit committee meets the external auditors privately.

The audit committee is responsible for monitoring the controls in place and determining any corrective action that it considers is appropriate in respect of internal control issues raised by the internal and external auditors.

#### Remuneration and nomination committees

Membership of the remuneration and nomination committees comprises the four non-executive directors with attendance by the Executive Chairman. The remuneration committee is chaired by Mr. A.R.C.B. Cooke, the senior independent non-executive director, and is responsible for formulating and reviewing the Group's executive remuneration policy and making recommendations to the board on the remuneration arrangements for directors. The Executive Chairman is not present when his own terms and conditions are discussed. The report on directors' remuneration is shown on pages 24 to 31.

The nomination committee is chaired by Mr A.R.C.B.Cooke, the senior independent non-executive director and is responsible for assisting the board in the formal selection and appointment of directors and succession planning, having regard to the balance and structure of the board. It also considers potential candidates and recommends appointments of new directors to the board. The appointments are based on merit having regard to their achievements and relevant experience.

The Executive Chairman attends the committees' meetings only on invitation by the chairman of the committee.

## Meetings

The number of meetings of the board, the audit, remuneration and nominations committees and individual attendance by members is shown below:

	Board	Audit	Remuneration and nominations
Total number of meetings	4	2	2
Number of meetings attended in 2007			
Mr. T.C. Harris	4	*	*
Mr. N.P. Henry	4	*	—
Mr. M.J. Shields	4	*	—
Mr. S.A. Harris	4	—	—
Mr. W.D. Everard	3	—	—
Mr. A.R.C.B. Cooke	4	2	2
Mr. M. Storey	4	2	2
Mr. C.J. Rice	4	2	2
Mr. F.M. Everard	4	2	2

\* attends by invitation

Mr. W.D. Everard resigned on 30 September 2007 and attended all meetings for which he was eligible.

In addition to the formal meetings set out above, the executive directors are in frequent *ad hoc* dialogue with the non-executive directors.

## Relations with shareholders

The Company communicates with shareholders through the annual report, interim report, preliminary announcements and the Company web site. The board takes the opportunity at the Annual General Meeting to meet and communicate with private and institutional shareholders and welcomes their involvement. Furthermore, communication with the Company's largest institutional shareholders is undertaken as part of the Company's investor relations programme. Non attributable feed back on the Institutional Presentations which is given to the Company's stock broker, is circulated to the non-executive directors. The non-executive directors have met and held discussions with major shareholders in order to develop a balanced understanding of the issues and concerns of major shareholders. In addition the outcome of any meeting by the executives with investors in governance and strategy matters is relayed back to the board.

## Internal control

The board of directors is responsible for the Group's system of internal control that is designed to provide them with reasonable assurance to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable 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 board has established an ongoing process in accordance with the guidance of the Turnbull Committee on internal control, for the identification, evaluation and management of the significant risks facing the Group, which operated throughout the year. Risk management is included as an agenda item at board meetings where there is an opportunity to discuss risk management and internal control issues and to determine a control strategy for the significant risks.

Furthermore, the risk committee which is chaired by the chief executive officer meets quarterly. The risk committee's terms of reference include the identification and monitoring of risks and ensuring the risks are being actively managed. The committee's findings are reported to the board. This process is under continual review by the board.

A full risk assessment is made to the board before any decision on major projects is made and commercial, legal and financial due diligence are carried out on any potential acquisition.

The Group's internal audit function employs a peer group review process, whereby senior financial managers from within the business conduct audits of non-related areas of the Group's activities, produce reports in respect thereof and recommend actions. The programme is co-ordinated by the Assistant Company Secretary who presents the Group Internal Audit Plan and Reports to the Audit Committee, and is responsible for ensuring that the Audit Program is met and recommendations are actioned.

The directors have reviewed the effectiveness of the Group's system of internal control as it operated throughout the year and to the date of this report. 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 defined and understood lines of authority from the board to operating units. Each operating unit is required to operate within this control environment and in accordance with established policies and procedures which includes ethical, treasury, employment, health and safety and environmental issues.

### **Information systems**

The Group operates comprehensive annual planning and budgeting systems 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 and a rolling forecast for the year is also 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 or organisational change. This schedule is subject to review by the board on an annual basis.

### **Monitoring**

The board has delegated to executive management implementation of the system of internal control. The effectiveness of the Group's internal control system is regularly reviewed by the board and the audit committee. Executive management of the various business units submit to the board detailed reports, including significant risks facing their business and how they are being controlled. There is an organisation structure which has clear lines of communication and accountability and delegation of authority rules. Business strategies are prepared at divisional level and approved by the board. Actual performance is compared to budget and significant variances are investigated. All major items of capital expenditure and significant treasury transactions are subject to approval. There is also a regular review of the Group's health and safety processes. Additional assurance that the key controls are operating as intended is provided by internal audit.

### **Whistle-blowing policy**

The board has approved a whistle-blowing policy whereby employees may express their concerns in confidence to designated officers.

# 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 its stakeholders. 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 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 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 regular 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 and safety
- > 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.
- > Do 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 services the Group offers.
- > Respect the confidentiality of each customer's business and activities.

## Human resources

The Group holds its employees in high regard and recognises that their skills, knowledge and expertise fundamentally contribute to the Group's success. The Group operates an equal opportunities policy which provides that it will not discriminate against employees, and 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 areas of performance 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 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 pursuit of good relationships the Group endeavours to understand the objectives and desires of those with whom 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 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.

#### **Health and safety**

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

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

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 the quality standard ISO9000 the International Safety Management (ISM) Code and the Oil Companies International Marine Forum Ship to Ship Transfer Guide.

The Group is fully committed to providing services in accordance with 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:

- › Continuously develop and improve the awareness and management of safety of all personnel in the Group.
- › Provide a continuously safe working environment. Operations and activities are subject to appropriate controls that include the application of safe working practices, complying with relevant legislation and 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.
- › Conduct STS operations in line with recognised industry standards and in compliance with applicable national and international 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 recycling 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.

## Environment

James Fisher and Sons plc is committed to operating a sustainable business and to the protection and conservation of the environment. As such the Group will endeavour to:

- > Include environmental concerns on an equal basis with economic and commercial considerations in decision-making.
- > Identify the environmental impacts of its operations and to take the appropriate steps to minimise or eliminate those impacts in a similar manner to health and safety risk assessments.
- > Go beyond legal compliance by subscribing to relevant industry best practice and by encouraging all staff to take voluntary steps to improve environmental performance.
- > Establish pre-defined objectives or targets to help achieve its environmental aspirations.
- > Monitor its environmental performance, to seek continuous improvement, to conduct regular reviews, and to verify progress towards meeting its environmental objectives.
- > Ensure that management at board level takes ownership of environmental issues and develop good communication flows to foster a sense of environmental responsibility in every employee.
- > Make available the appropriate resources and provide the necessary training for employees to comply with, and where appropriate exceed, their statutory environmental obligations.
- > Encourage the development and installation of new systems and/or procedures to reduce environmental impact.
- > Encourage the use of recyclable materials whenever possible, to minimise packaging and to dispose of waste in an environmentally responsible manner.
- > Encourage contractors and suppliers to apply these principles and, if necessary, require them to improve their standards to conform with the above.

Examples of specific initiatives by the Group in 2007 to protect the environment include:

- a) the application of non-toxic anti-fouling paints to a number of vessels in the fleet. Tests indicate that vessels which have received this coating achieve a 16% reduction in fuel consumption, reducing emissions of noxious gases by 450 tonnes per annum per vessel;
- b) working with suppliers to reduce the packaging delivered on board vessels and thus to reduce waste;
- c) taking delivery of the latest class of vessels which have been designed to minimise noise and are understood to operate with an exceptionally low noise signal;
- d) the conversion by James Fisher Inspection and Measurement Services of its radiography systems from wet film to digital processing. This will offer both cost efficiencies and ultimately eliminate the creation of several hundred gallons of spent film processing fluid.

The Group is also involved in a number of commercial operations which are intended to be of benefit to the environment. These include:

- a) assisting with the removal of fuel oil from the stricken MSC Napoli, thus reducing the risk of damage to the marine environment. In 2007 the Group was awarded a contract to provide pollution response services to the European Maritime Safety Agency principally in the North Atlantic region. Pursuant to this contract, in the event of an incident which might lead to oil leaking from a damaged vessel into the sea, the Group would act to seek to extract the oil from the stricken vessel, thus reducing the environmental damage caused by the incident;
- b) the transportation of bio-fuels which transportation requires the relevant vessel to be converted for use and for the crews to undertake specific training;
- c) acting as a significant supplier of equipment to an offshore project for the development of renewable energy in the form of wind power.

# Report on Directors' Remuneration

The directors' remuneration report covers all directors, both executive and non-executive, and is set out on pages 24 to 31.

The report has been approved by the board and signed on its behalf by the chairman of the remuneration committee. A resolution to approve this report will be proposed at the Company's Annual General Meeting to be held on 1 May 2008.

## Information not subject to audit

### Remuneration committee and advisers

The remuneration committee (the committee) determines on behalf of the board the Company's policy on the remuneration and terms of engagement of the executive directors and senior executives.

The committee is comprised exclusively of non-executive directors of the Company, all of whom are considered to be independent. The members of the committee during the year were:

Mr. A.R.C.B. Cooke (chairman and senior independent non-executive director)

Mr. M. Storey

Mr. C.J. Rice

Mr. F.M. Everard

The committee members have no personal financial interest other than as shareholders, in the matters to be decided. They have no conflicts of interest arising from cross-directorships with the executive directors nor from being involved in the day-to-day business of the Company. They do not hold share options nor do they participate in any Group share or pension schemes.

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

	Number of Meetings held	Number of Meetings attended
Mr. A.R.C.B. Cooke (chairman)	2	2
Mr. M. Storey	2	2
Mr. C.J. Rice	2	2
Mr. F.M. Everard	2	2

The committee met twice in the period under review. Mr. T.C.Harris, as executive chairman of the board, also attended committee meetings, at the invitation of the chairman of the committee.

The committee has appointed an independent firm of remuneration consultants, Hewitt Associates, as its principal external adviser on matters of executive directors' remuneration. Mr. T.C.Harris was consulted on matters relating to the other executive directors who report to him.

### Remuneration policy for executive directors

#### Main principles

James Fisher and Sons Public Limited Company operates in a highly competitive international 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, retaining, motivating and rewarding the necessary high calibre of individuals 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. To achieve this the remuneration package is based upon the following principles:

- > Total rewards should be set at appropriate levels to reflect the competitive market in which the Company operates, and to provide a fair and attractive remuneration package.
- > Reward elements should be designed to reinforce the link between performance and reward. The majority of the total remuneration package should be linked to the achievement of appropriate performance targets.
- > Executive directors' incentives should be aligned with the interests of shareholders. This is achieved through setting performance targets to reward increase in shareholder value, and through the committee's policy to encourage shareholding by executive directors.

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 - is seen as critical in ensuring all employees can associate with, and are focused on, 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 Savings Related Share Option Scheme, the majority of employees of the Company, and its wholly owned subsidiaries, have the opportunity to take up a shareholding interest. In September 2007 an offer was made to all eligible staff.

### **Elements of remuneration**

The executive directors' total remuneration currently consists of base salary, annual bonus coupled with a Share Matching Scheme, Executive Share Option Scheme, Long-Term Incentive Plan, pensions and other benefits. The performance-related elements, when valued at target performance levels, comprise more than 50% of the package (excluding pension benefits).

The committee decided in 2005 that further awards under the Share Matching Scheme should be suspended, and that the Executive Share Option Scheme and the Long-Term Incentive Plan should provide the long-term incentives for executive directors.

Each of the above elements of remuneration is explained in the pages which follow.

### **Base salary**

Base salaries are a fixed annual sum payable monthly in cash. The committee's policy is to set the salary for each executive director within a range around the market median for similar positions in appropriate comparator companies. Salaries for individual directors are reviewed each year by the committee, recognising the individual's performance and experience, and developments in the relevant employment market.

### **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**

Each executive director is eligible to participate in an annual performance-based cash bonus scheme. The committee reviews and sets bonus targets and levels of eligibility annually. Subject to overall performance, 70% of the bonus is based on financial targets derived from the strategic and annual plan, and 30% of the bonus is based on individual achievement and personal objectives.

The maximum level of bonus that could be earned by an executive director in 2007 was 70% of base salary. In respect of 2007, the Remuneration Committee has determined that the bonus criteria have been met and accordingly the bonuses have vested in full.

These annual bonuses are not pensionable by the Company, although the director can use them to support a personal pension.

In 2005 the Share Matching Scheme was suspended, details of the awards under this scheme are shown on page 30. Under the Share Matching Scheme, executive directors and senior management could elect to invest up to a maximum of 100% of bonus in ordinary shares to be held by the Employee Benefits Trust; provided that the shares lodged are held in the Trust for three years, the participant will receive the original shares, plus additional shares equal in number to the original shares. The committee does not intend to make further awards under the Share Matching Scheme.

Bonuses for the year to 31 December 2007 are shown in the table on page 27. Other senior executives also achieved a cash bonus for last year.

### **Long Term Incentive Plan**

Longer-term business performance improvement is rewarded under the Long Term Incentive Plan (LTIP), which was approved by shareholders in 2001. The committee may award shares annually up to a maximum of 100% of annual salary to main board directors and senior executives, subject to the achievement of a performance target, over a three year performance period. In normal circumstances the committee would expect to maintain award levels for main board directors under the LTIP at 50% of salary annually unless option grants were reduced or unavailable. Under the current performance target, no award vests unless the increase in the Company's diluted earnings per ordinary share over the performance period, at least equals the rate of inflation plus 9%. Earnings per share was selected as a performance condition as an appropriate measure of profitable growth to generate shareholder value. The committee has agreed that this measure should continue to apply for awards made in 2008. Other senior executives will participate in the LTIP in 2008.

### **Executive Share Option Scheme**

The Company has for some time operated an Executive Share Option Scheme (the 1995 Scheme). Under the 1995 Scheme options to acquire ordinary shares at an exercise price no lower than the market value (as determined in accordance with the Scheme rules) of a share at the date of grant could be awarded at the discretion of the committee subject to an overall limit of four times base salary. Details of options held by directors under the 1995 Scheme are set out on pages 28 and 29. The options may be exercised following the attainment of a performance condition measured over a continuous period of three years and which demonstrates the increase in diluted earnings per share achieved exceeds inflation and is at least 9%.

A new Executive Share Option Scheme was approved by shareholders in May 2005 - the James Fisher and Sons Public Limited Company (2005) Executive Share Option Scheme (the ESOS). The ESOS provides for the grant of options to acquire shares at a price equal to market value at the date of grant. Options over shares with a market value not exceeding 100% of a participant's base salary may be granted under the ESOS annually.

Options under the ESOS will be granted subject to a performance target which must be achieved before exercise based on the total shareholder return (TSR) performance of the Company relative to a comparator group. The committee firmly believes that the use of relative TSR as a performance measure is an appropriately objective measure of the Company's success that will both reflect relative management performance and align the interests of shareholders and executives. The comparator group comprises companies forming the FTSE Small Cap Index as a whole, excluding investment trusts. If at the end of a performance period, usually three years, the Company ranks in the upper quartile of the comparator group, all of the options will vest. If the ranking is at the median level, 40% of the options will vest. No options will vest for performance below median. For intermediate rankings between upper quartile and median, a proportionate number of options will vest reducing on a straight-line basis. Options which do not vest at the end of the performance period will lapse. Details of awards made to directors under the ESOS are on pages 28 and 29.

### Savings Related Share Option Scheme

All eligible employees including executive directors have the opportunity to participate in the James Fisher Savings Related Share Option Scheme. This is a HM Revenue and Customs approved all-employee share plan. HM Revenue and Customs does not permit performance conditions to be attached to the exercise of options. Under the Scheme, participants are granted options over James Fisher and Sons Public Limited Company ordinary shares. Each participant may save up to £250 per month over a three, five or seven year savings period to purchase the Company's shares. For the 2007 invitation to participate, the exercise price was at the market value of an ordinary share at the time the invitations to subscribe for options were issued.

### Executive chairman's remuneration package

Mr. Tim Harris, executive chairman has an agreed annual salary of £266,000 per year. In 2007 he was entitled to participate in the annual bonus scheme and awarded LTIP shares together with options under the ESOS. 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. Details of the executive chairman and other directors' emoluments are set out on page 27.

### Service contracts

It is the committee's policy that executive directors are employed on contracts subject to no more than 12 months notice. In line with this policy, 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 either side. There is no predetermined provision for compensation on termination within executive directors' service agreements. The service agreements do not have a fixed term. If it becomes necessary to consider termination of a service contract, the committee will have regard to all the circumstances of the case, including mitigation, when determining any compensation to be paid. Details of the contracts are set out below:

	Contract date	Unexpired term/ Notice period
T.C. Harris	01.12.06	6 months
N.P. Henry	01.12.06	12 months
M.J. Shields	04.12.06	12 months
S.A. Harris	04.12.06	12 months

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

	Contract date	Expiry date
A.R.C.B. Cooke	01.01.08	31 December 2008
M. Storey	01.01.08	31 December 2008
C.J. Rice	01.01.08	31 December 2008
F.M. Everard	01.01.08	31 December 2008

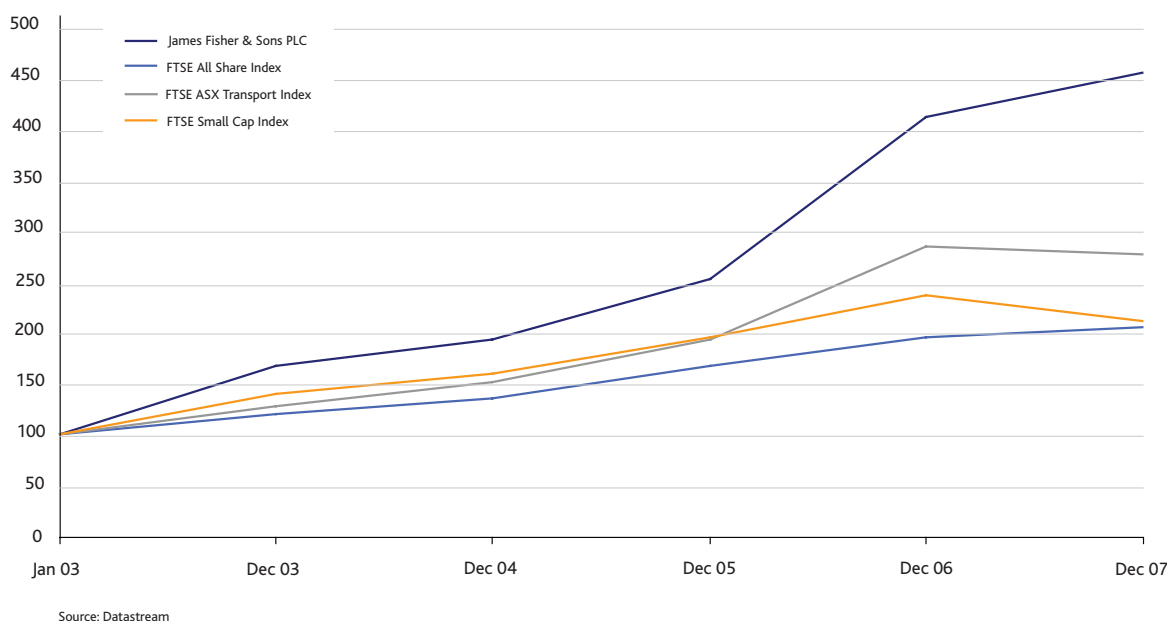
### Remuneration policy for non-executive directors

Fees for non-executive directors are determined by the board as a whole, based on independent surveys of fees paid to non-executive directors of comparable companies within the restrictions contained within the Articles of Association. The non-executive directors do not take part in discussions on their own remuneration. Remuneration comprises an annual fee for acting as a non-executive director of the Company. Save as set out on page 17 in respect of Mr F.M.Everard and Mr M.Storey, non-executive directors receive no other pay or benefits (with the exception of reimbursement of expenses incurred in connection with their directorship of the Company), do not participate in the Company's option schemes, bonus schemes or long-term incentive plans and are not eligible for pension scheme membership.

## Performance graph

The following graph shows the Company's total shareholder return compared to the total shareholder return for the FTSE All Share Index, the FTSE ASX Transport Index and the FTSE Small Cap Index. These Indices show the share price growth plus reinvested dividends and provides relevant equity indices of which the Company is a member as a basis for comparison.

The James Fisher & Sons PLC Total Return Index vs. FTSE All Share Index, FTSE ASX Transport Index and FTSE Small Cap index for the period 1 January 2003 to 31 December 2007 (rebased 1 January 2003)



## Information subject to audit

### Details of directors' remuneration

	Salary and fees £000	Annual performance bonuses £000	Benefits in kind £000	Cash in lieu of benefits £000	2007 Total £000	2006 Total £000
<b>Executive</b>						
T.C. Harris	266	186	1	16	469	411
N.P. Henry	175	123	—	14	312	249
M.J. Shields	130	91	9	—	230	201
S.A. Harris	110	77	1	10	198	182
W.D. Everard+	175	—	—	13	188	—
I.M. Serjent++	—	—	—	—	—	127
<b>Non-executive</b>						
A.R.C.B. Cooke	35	—	—	—	35	30
M. Storey+++	93	—	—	—	93	27
C.J. Rice	33	—	—	—	33	27
F.M. Everard++++	60	—	—	—	60	—
<b>Aggregate emoluments</b>	<b>1,077</b>	<b>477</b>	<b>11</b>	<b>53</b>	<b>1,618</b>	<b>1,254</b>

+ To date of resignation 30 September 2007. In addition to his salary Mr W.D.Everard was paid £100,000 in lieu of notice, included above.

++ To date of retirement 4 May 2006.

+++ In addition to his salary as a non-executive director Mr M.Storey was paid a fee of £60,000 to provide consultancy services in connection with the integration of the fleet of FT Everard & Sons Limited into the Group.

++++ In addition to his salary as a non-executive director Mr F.M.Everard was paid a fee of £27,500 as Chairman of Cattedown Wharves Limited, a subsidiary of FT Everard & Sons Limited.

Benefits in kind principally comprise car benefits, life assurance and membership of the Group's healthcare insurance scheme.

Mr. M.J. Shields is a member of the James Fisher and Sons PLC Pension Fund for Shore Staff which is a defined benefit scheme. Mr. N.P. Henry and Mr. S.A. Harris are members of the Group defined contribution scheme.

### External directorships

The executive directors are permitted to serve as non-executive directors of other companies, provided the appointment is first approved by the remuneration committee. Directors are allowed to retain their fees from such appointments. During the year Mr T.C.Harris earned £155,750 (2006: £125,000) under this arrangement.

### 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 2007 No.	Granted No.	Exercised No.	Forfeited No.	31 December 2007 No.	Gains on exercise 2007 £000
T.C. Harris	246,919	47,433	—	—	294,352	—
N.P. Henry	69,982	32,165	—	—	102,147	—
M.J. Shields	143,028	22,239	(85,769)	—	79,498	442,329
S.A. Harris	40,467	18,456	—	—	58,923	—
W.D. Everard	—	16,678	—	(16,678)	—	—
Total	500,396	136,971	(85,769)	(16,678)	534,920	442,329

The outstanding options held under the 1995 Executive Share Option Scheme, 2005 Executive Share Option Scheme, 1995 Savings Related Share Option Scheme and 2005 Savings Related Share Option Scheme were as follows:

	Number of share options					Exercise price		Date from which exercisable	Expiry date
	1 January 2007 No.	Granted during year No.	Exercised during year No.	Forfeited during year No.	31 December 2007 No.				
T.C. Harris	130,282	—	—	—	130,282	142p	*	10.03.06	10.03.13
	67,278	—	—	—	67,278	327p	**	22.06.08	22.06.15
	49,359	—	—	—	49,359	468p	**	23.03.09	23.03.16
	—	44,630	—	—	44,630	596p	**	02.04.10	02.04.17
	—	2,803	—	—	2,803	584p	++	05.01.10	05.01.17
	246,919	47,433	—	—	294,352				
N.P. Henry	40,367	—	—	—	40,367	327p	**	22.06.08	22.06.15
	29,615	—	—	—	29,615	468p	**	23.03.09	23.03.16
	—	29,362	—	—	29,362	596p	**	02.04.10	02.04.17
	—	2,803	—	—	2,803	584p	++	05.01.10	05.01.17
	69,982	32,165	—	—	102,147				
M.J. Shields	20,000	—	(20,000)	—	—	122p	*	17.10.00	17.10.07
	3,445	—	(3,445)	—	—	143p	+	01.11.07	01.05.08
	62,324	—	(62,324)	—	—	142p	*	10.03.06	10.03.13
	33,028	—	—	—	33,028	327p	**	22.06.08	22.06.15
	24,231	—	—	—	24,231	468p	**	23.03.09	23.03.16
	—	21,812	—	—	21,812	596p	**	02.04.10	02.04.17
	—	427	—	—	427	673p	++	28.09.10	28.09.17
	143,028	22,239	(85,769)	—	79,498				
S.A. Harris	14,526	—	—	—	14,526	327p	**	22.06.08	22.06.15
	4,573	—	—	—	4,573	352p	++	01.12.10	01.06.11
	21,368	—	—	—	21,368	468p	**	23.03.09	23.03.16
	—	18,456	—	—	18,456	596p	**	02.04.10	02.04.17
	40,467	18,456	—	—	58,923				
W.D. Everard	—	16,678	—	(16,678)	—	596p	**	02.04.10	02.04.17

\* 1995 Executive Share Option Scheme

\*\* 2005 Executive Share Option Scheme

+ 1995 Savings Related Share Option Scheme

++ 2005 Savings Related Share Option Scheme

Following the resignation of Mr W.D.Everard on 30 September 2007 the 2007 awards comprising 16,678 ordinary shares under the Executive Share Option Scheme were forfeited.

The options under the 1995 scheme are exercised following the attainment of a performance condition measured over a continuous period of three years and which demonstrates that the increase in diluted earnings per ordinary share achieved exceeds inflation and is at least 9%.

The options under the 2005 scheme are exercised following the attainment of a performance target linked to the Company's total shareholder return (TSR) relative to a comparator group over a three year period. The comparator group is those companies in the FTSE Small Cap index excluding investment trusts.

The market value of the 25p ordinary share at 31 December 2007 was 657p having ranged between 565p and 719p during the financial year.

Further details of share options exercised are as follows:

- i) On 12 April 2007 Mr M.J.Shields exercised options over 20,000 shares under the Executive Share Option Scheme (1995) with an exercise price of 122p per share. The market price at the exercise date was 594.50p.
- ii) On 3 September 2007 Mr M.J.Shields exercised options over 62,324 shares under the Executive Share Option Scheme (1995) with an exercise price of 142p per share. The market price at the exercise date was 670p.
- iii) On 7 November 2007 Mr M.J.Shields exercised options over 3,445 shares under the Savings Related Share Option Scheme (1995) with an exercise price of 143p per share. The market price at the exercise date was 687.5p.

The interest of directors other than those noted above, to subscribe for, or acquire, ordinary shares under the Executive and Savings Related Share Option Schemes have not changed since the year end.

### Long Term Incentive Plan (LTIP)

There is a conditional award of share options to directors following the introduction of a Long Term Incentive Plan. Interests in the share options awarded become vested in 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 2007 and 31 December 2007 the number of shares under conditional share option awards held were as follows:

	1 January 2007 No.	Granted No.	Vested/ exercisable No.	Forfeited No.	31 December 2007 No.
T.C. Harris	94,096	22,315	(34,012)	—	82,399
N.P. Henry	43,416	29,362	(7,366)	—	65,412
M.J. Shields	46,349	10,906	(16,853)	—	40,402
S.A. Harris	24,849	9,228	(6,138)	—	27,939
W.D. Everard	—	8,389	—	(8,389)	—
	208,710	80,200	(64,369)	(8,389)	216,152

		1 January 2007 No.	Granted No.	Vested/ exercisable No.	Forfeited No.	31 December 2007 No.	Exercise price	End of performance period
T.C. Harris	3 Year Award	34,012	—	(34,012)	—	—	Nil	9 March 2007
	3 Year Award	33,639	—	—	—	33,639	Nil	17 March 2008
	3 Year Award	26,445	—	—	—	26,445	Nil	14 March 2009
	3 Year Award		22,315	—	—	22,315	Nil	2 April 2010
		94,096	22,315	(34,012)	—	82,399		
N.P. Henry	3 Year Award	7,366	—	(7,366)	—	—	Nil	9 March 2007
	3 Year Award	20,183	—	—	—	20,183	Nil	17 March 2008
	3 Year Award	15,867	—	—	—	15,867	Nil	14 March 2009
	3 Year Award		29,362	—	—	29,362	Nil	2 April 2010
		43,416	29,362	(7,366)	—	65,412		
M.J. Shields	3 Year Award	16,853	—	(16,853)	—	—	Nil	9 March 2007
	3 Year Award	16,514	—	—	—	16,514	Nil	17 March 2008
	3 Year Award	12,982	—	—	—	12,982	Nil	14 March 2009
	3 Year Award		10,906	—	—	10,906	Nil	2 April 2010
		46,349	10,906	(16,853)	—	40,402		
S.A. Harris	3 Year Award	6,138	—	(6,138)	—	—	Nil	9 March 2007
	3 Year Award	7,263	—	—	—	7,263	Nil	17 March 2008
	3 Year Award	11,448	—	—	—	11,448	Nil	14 March 2009
	3 Year Award		9,228	—	—	9,228	Nil	2 April 2010
		24,849	9,228	(6,138)	—	27,939		
W.D. Everard	3 Year Award	—	8,389	—	(8,389)	—	Nil	2 April 2010
		—	8,389	—	(8,389)	—		

The scheme is unapproved for HM Revenue and Customs purposes.

On 9 March 2007 following the attainment of the necessary performance conditions the 2004 award matured and 64,369 shares were vested to the participants Mr T.C.Harris, Mr N.P.Henry, Mr M.J.Shields and Mr S.A.Harris over 34,012, 7,366, 16,853 and 6,138 shares respectively. The market value at the date of vesting and granting was 621p and 288.5p respectively.

Following the resignation of Mr W.D.Everard on 30 September 2007 the 2007 awards, comprising 8,389 ordinary shares under the Long Term Incentive Plan were forfeited.

The interest 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

As stated on page 25 the committee does not intend to make further awards under the share matching scheme.

The conditional award of share options to directors under the Company's Share Matching Scheme is as follows:

	1 January 2007 No.	Granted No.	Vested	31 December 2007
T.C. Harris	62,710	–	(32,703)	30,007
N.P. Henry	13,329	–	(5,750)	7,579
M.J. Shields	31,073	–	(16,205)	14,868
S.A. Harris	5,415	–	–	5,415
W.D. Everard	–	–	–	–
	112,527	–	(54,658)	57,869

		1 January 2007 No.	Granted No.	Vested/ exercisable No.	31 December 2007 No.	Exercise price	End of performance period
T.C. Harris	3 Year Award	32,703	–	(32,703)	–	Nil	9 March 2007
	3 Year Award	30,007	–	–	30,007	Nil	17 March 2008
		62,710	–	(32,703)	30,007		
N.P. Henry	3 Year Award	5,750	–	(5,750)	–	Nil	9 March 2007
	3 Year Award	7,579	–	–	7,579	Nil	17 March 2008
		13,329	–	(5,750)	7,579		
M.J. Shields	3 Year Award	16,205	–	(16,205)	–	Nil	9 March 2007
	3 Year Award	14,868	–	–	14,868	Nil	17 March 2008
		31,073	–	(16,205)	14,868		
S.A. Harris	3 Year Award	5,415	–	–	5,415	Nil	17 March 2008
W.D. Everard	3 Year Award	–	–	–	–		

The interest in the shares/options will become vested in the directors after a period of three years from the date of the award.

The interest of directors to subscribe for or acquire ordinary shares under the Share Matching Scheme have not changed since the year end.

On 9 March 2007 the 2004 award matured and 54,658 shares were vested to the participants Mr T.C.Harris, Mr N.P.Henry and Mr M.J.Shields over 32,703, 5,750, 16,205 shares respectively. The market value at the date of vesting and granting was 621p and 288.5p respectively.

### Directors' pension entitlements

The following director had accrued entitlements under a Group defined benefit scheme as follows:

	Age at 31 December 2007	Accrued pension 1 January 2007 £000	Accrued pension 31 December 2007 £000	Increase £000	Increase after indexation £000	Transfer value of increase after indexation £000
M.J. Shields	60	70	74	4	1	26

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 accrued benefits is as follows:

	Transfer value of accrued benefits 31 December 2007 £000	Transfer value of accrued benefits 31 December 2006 £000
M.J. Shields	1,204	1,189

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

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.

Mr N.P.Henry and Mr S.A.Harris are members of the Group's defined contribution scheme. The Company's contribution is 7% of base salary amounting to £12,000 for Mr N.P.Henry (2006: £10,000) and £8,000 for Mr S.A.Harris (2006: £7,000).

The director's interests in shares are shown in the Report of the Directors on page 13.

On behalf of the board

**Anthony R.C.B. Cooke**

Board remuneration committee chairman

17 March 2008

# Statement of Directors' Responsibilities

## Accounts, including adoption of going concern basis

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare financial statements for each financial year which present fairly the financial position of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing the financial statements, the directors are required to:

- > select suitable accounting policies in accordance with IAS 8: *Accounting Policies, Changes in Accounting Estimates and Errors*, and then apply them consistently;
- > present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- > provide additional disclosures when compliance with specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- > state that the Company and Group have complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

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 and Article 4 of the IAS Regulation. 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.

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.

# Independent Auditor's Report to the Members of James Fisher and Sons PLC

We have audited the group and parent company financial statements (the "financial statements") of James Fisher and Sons Public Limited Company for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group and Company Cash flow Statements, the Group and Company Statements of Recognised Income and Expense and the related notes 1 to 32. These financial statements have been prepared under 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, the Report on Directors' Remuneration and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

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 International Standards on Auditing (UK and Ireland).

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 and, as regards the group financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors section is consistent with the financial statements. The information given in the Report of the Directors section includes that specific information presented in the Review of Operations and Chairman's Statement that is cross referred from the Business Review and Future Developments section of the Report of Directors.

In addition we report to you if, in our opinion, 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 regarding directors' remuneration and other transactions are not disclosed,

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, 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. The other information comprises only the Report of the Directors, the unaudited part of the Report on Directors' Remuneration, the Chairman's Statement, the Review of Operations and the Corporate Governance Statement. 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 International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company'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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its profit for the year then ended;
- > the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- > 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 and, as regards the group financial statements, Article 4 of the IAS Regulation; and the information given in the Report of the Directors is consistent with the financial statements.

## Ernst & Young LLP

Registered auditor  
Manchester

Date 17 March 2008

# Group Income Statement

## For the year ended 31 December 2007

		Year ended 31 December 2007			Year ended 31 December 2006		
		Before separately disclosed items £000	Separately disclosed items note 5 £000	Total £000	Before separately disclosed items £000	Separately disclosed items note 5 £000	Total £000
Notes							
<b>Group revenue</b>	3	182,046		182,046	118,085		118,085
Cost of sales		(154,327)		(154,327)	(96,438)		(96,438)
<b>Gross profit</b>		27,719		27,719	21,647		21,647
Administrative expenses		(6,191)		(6,191)	(5,756)		(5,756)
<b>Profit from operations before separately disclosed items</b>	2	21,528		21,528	15,891		15,891
Profit on sale of property		–	–	–	–	1,126	1,126
Impairment of ship		–	–	–	–	(2,906)	(2,906)
Profit/(loss) on ship disposals		–	95	95	–	(24)	(24)
<b>Profit from operations</b>	6	21,528	95	21,623	15,891	(1,804)	14,087
Finance costs:							
Finance income (revenue)	8	375	–	375	316	–	316
Finance costs	8	(5,036)	–	(5,036)	(2,586)	–	(2,586)
Exchange (losses)/gains on loan conversion		–	(184)	(184)	–	35	35
		(4,661)	(184)	(4,845)	(2,270)	35	(2,235)
Share of post tax results of joint ventures	16	2,322	–	2,322	2,295	–	2,295
<b>Profit on continuing operations before taxation</b>		19,189	(89)	19,100	15,916	(1,769)	14,147
Taxation	9	(2,959)	–	(2,959)	(2,034)	(377)	(2,411)
<b>Profit for the year on continuing operations</b>		16,230	(89)	16,141	13,882	(2,146)	11,736
<b>Discontinued operations</b>							
(Loss)/profit for the year from discontinued operations	4			(6)			2,041
<b>Profit for the year</b>				16,135			13,777
Profit attributable to:							
Equity holders of the parent				16,078			13,780
Minority interests				57			(3)
				16,135			13,777
<b>Earnings per share</b>							
				<b>pence</b>			<b>pence</b>
<b>Basic EPS from continuing operations</b>	11			32.67			23.93
<b>Diluted EPS from continuing operations</b>	11			32.40			23.71
<b>Basic EPS on profit/(loss) from total operations</b>	11			32.66			28.09
<b>Diluted EPS on profit/(loss) from total operations</b>	11			32.39			27.83
<b>Adjusted Earnings per share</b>							
<b>Basic EPS from continuing operations</b>	11			32.85			28.30
<b>Diluted EPS from continuing operations</b>	11			32.58			28.05

# Group Statement of Recognised Income and Expense

## For the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
<b>Income and expense recognised directly in equity</b>			
Exchange differences on translation of foreign operations:			
Currency translation differences		393	189
Net investment hedge		1,041	(571)
		1,434	(382)
Fair value (losses)/gains on cash flow hedges	29	(188)	62
Share of fair value (losses)/gains of cash flow hedges in joint venture	16	(280)	39
Actuarial (losses)/gains on defined benefit schemes	25	(4,587)	4,143
		(3,621)	3,862
<b>Transfers to the income statement</b>			
On cash flow hedges		8	7
Tax on items taken directly to equity	10	(199)	(772)
Net (expense)/income recognised directly in equity		(3,812)	3,097
Profit for the year		16,135	13,777
<b>Total recognised income for the year</b>	23	12,323	16,874
Attributable to:			
Equity holders of the parent		12,266	16,877
Minority interests		57	(3)
		12,323	16,874

# Company Statement of Recognised Income and Expense

## For the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £000	Year ended 31 December 2006 £000
<b>Income and expense recognised directly in equity</b>			
Fair value of (losses)/gains on cash flow hedges	29	(188)	62
Actuarial (losses)/gains on defined benefit schemes	25	(1,513)	4,143
		(1,701)	4,205
<b>Transfers to the income statement</b>			
On cash flow hedges		8	7
<b>Transfers to the balance sheet</b>			
Tax on items taken directly to equity	10	(199)	(772)
Net (expense)/income recognised directly in equity		(1,892)	3,440
Profit for the year		6,900	7,328
<b>Total recognised income for the year</b>	23	5,008	10,768

# Group Balance Sheet

## As at 31 December 2007

	Notes	31 December 2007 £000	Restated note 18 31 December 2006 £000
<b>Assets</b>			
<b>Non current assets</b>			
Goodwill	13	67,190	55,814
Other intangible assets	14	76	60
Property, plant and equipment	15	92,311	103,620
Investment in joint ventures	16	4,217	3,575
Available for sale financial assets	17	1,370	1,370
Retirement benefit assets	25	528	–
		165,692	164,439
<b>Current assets</b>			
Inventories	19	18,471	11,268
Trade and other receivables	20	39,823	32,865
Derivative financial instruments	29	–	17
Cash and cash equivalents	21	13,221	9,655
		71,515	53,805
Non-current assets classified as held for sale	4	1,172	1,518
<b>Total Assets</b>		<b>238,379</b>	<b>219,762</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	22	12,428	12,377
Share premium	23	24,338	24,114
Treasury shares	23	(1,134)	(1,147)
Other reserves	23	878	(96)
Retained earnings	23	57,395	50,932
<b>Shareholders' Equity</b>		<b>93,905</b>	<b>86,180</b>
Minority interests	23	128	71
<b>Total equity</b>		<b>94,033</b>	<b>86,251</b>
<b>Non current liabilities</b>			
Other payables	24	2,012	2,358
Retirement benefit obligations	25	11,904	10,224
Derivative financial instruments	29	188	–
Cumulative preference shares	29	100	100
Financial liabilities	27	83,628	72,449
Deferred tax liabilities	10	2,226	1,987
		100,058	87,118
<b>Current liabilities</b>			
Trade and other payables	24	34,907	33,987
Current tax		1,940	1,207
Derivative financial instruments	29	–	55
Financial liabilities	27	7,441	11,144
		44,288	46,393
<b>Total liabilities</b>		<b>144,346</b>	<b>133,511</b>
<b>Total equity and liabilities</b>		<b>238,379</b>	<b>219,762</b>

The accounts were approved by the board of directors on 17 March 2008 and were signed on its behalf by:

**TC Harris**  
Executive Chairman

# Company Balance Sheet

## As at 31 December 2007

	Notes	31 December 2007 £000	31 December 2006 £000
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	15	7,810	7,383
Investments	17	140,565	115,551
Available for sale financial assets	17	1,368	1,368
Deferred tax assets	10	611	786
Retirement benefit assets	25	528	–
		150,882	125,088
<b>Current assets</b>			
Trade and other receivables	20	2,701	2,145
Corporate tax receivable		5,511	2,734
Cash and cash equivalents	21	1,237	815
		9,449	5,694
<b>Total Assets</b>		160,331	130,782
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	22	12,428	12,377
Share premium	23	24,338	24,114
Treasury shares	23	(1,134)	(1,147)
Other reserves	23	(189)	(9)
Retained earnings	23	17,839	17,584
<b>Total equity</b>		53,282	52,919
<b>Non current liabilities</b>			
Other payables	24	22	500
Retirement benefit obligations	25	6,578	6,689
Derivative financial instruments	29	188	–
Cumulative preference shares	29	100	100
Financial liabilities	27	78,454	52,662
		85,342	59,951
<b>Current liabilities</b>			
Trade and other payables	24	17,400	16,254
Derivative financial instruments	29	–	8
Financial liabilities	27	4,307	1,650
		21,707	17,912
<b>Total liabilities</b>		107,049	77,863
<b>Total equity and liabilities</b>		160,331	130,782

The accounts were approved by the board of directors on 17 March 2008 and were signed on its behalf by:

**TC Harris**

Executive Chairman

# Group Cash Flow Statement

## For the year ended 31 December 2007

	Notes	31 December 2007 £000	31 December 2006 £000
<b>Group profit before tax from continuing operations</b>		19,100	14,147
<b>Adjustments to reconcile Group profit before tax to net cash flows</b>			
(Loss)/profit from discontinued operations		(6)	2,042
Depreciation and amortisation		8,344	5,662
Profit on sale of plant and equipment		(735)	(377)
Profit on disposal of property		–	(1,126)
Impairment of non-current assets		–	2,906
Profit on ship disposals		(95)	(1,912)
Interest income		(375)	(316)
Interest expense		5,220	2,551
Share of profits of joint ventures		(2,322)	(2,295)
Increase in trade and other receivables		(4,669)	(3,310)
Increase in inventories attributable to submarine rescue vessels		(3,707)	(198)
Increase in other inventories		(3,203)	(1,827)
Increase in trade and other payables		4,890	2,553
Additional defined benefit pension scheme contributions		(3,147)	(2,979)
Share based compensation		587	516
<b>Cash generated from operations</b>		19,882	16,037
Income tax payments		(2,840)	(1,481)
<b>Cash flows from operating activities</b>		17,042	14,556
<b>Investing activities</b>			
Dividends from joint venture undertakings		1,416	1,275
Proceeds from the sale of property, plant and equipment		28,377	12,255
Proceeds from the sale of subsidiaries net of cash disposed of		491	–
Interest received		377	320
Acquisition of subsidiaries, net of cash acquired		(18,486)	(22,151)
Acquisition of property, plant and equipment		(22,967)	(7,424)
Acquisition of investment in joint ventures		(27)	–
Acquisition of available for sale financial asset		–	(1)
<b>Cash flows used in investing activities</b>		(10,819)	(15,726)
<b>Financing activities</b>			
Proceeds from the issue of share capital		275	170
Preference dividend paid		(4)	(3)
Interest paid		(4,932)	(2,807)
Proceeds from other non-current borrowings		43,855	28,912
Purchase less sales of own shares by ESOP		(274)	(229)
Capital element of finance lease repayments		(75)	(7)
Repayment of borrowings		(37,017)	(20,362)
Dividends paid		(5,129)	(4,499)
<b>Cash flows (used in)/from financing activities</b>		(3,301)	1,175
Net increase in cash and cash equivalents	21	2,922	5
Cash and cash equivalents at 1 January 2007		9,655	9,725
Net foreign exchange difference		644	(75)
<b>Cash and cash equivalents at 31 December 2007</b>	21	13,221	9,655

# Company Cash Flow Statement

## For the year ended 31 December 2007

	Notes	31 December 2007 £000	31 December 2006 £000
<b>Company profit before tax</b>		5,412	5,382
<b>Adjustments to reconcile Company profit before tax to net cash flows</b>			
Depreciation		579	510
(Profit)/loss on sale of property, plant and equipment		(304)	18
Interest income		(840)	(316)
Interest expense		4,545	2,551
Dividends received from subsidiaries		(12,150)	(10,000)
Reduction in provision against investments		(67)	(2,130)
Decrease in stocks		—	2
Increase in trade and other receivables		(554)	(2,151)
Increase/(decrease) in trade and other payables		3,964	(4,873)
Additional defined benefit pension scheme contributions		(1,953)	(2,979)
Share based compensation		483	500
<b>Cash generated from operations</b>		(885)	(13,486)
Income tax payments		(1,313)	(269)
<b>Cash flows used in operating activities</b>		(2,198)	(13,755)
<b>Investing activities</b>			
Dividends from subsidiaries		12,150	10,000
Proceeds from the sale of plant and equipment		323	11
Interest received		838	619
Acquisition of subsidiaries		(18,822)	(23,270)
Acquisition of property, plant and equipment		(1,025)	(614)
<b>Cash flows used in investing activities</b>		(6,536)	(13,254)
<b>Financing activities</b>			
Proceeds from the issue of share capital		275	170
Preference dividend paid		(4)	(3)
Interest paid		(3,931)	(1,837)
Net loans advanced to subsidiaries		(10,232)	9,171
Proceeds from other non-current borrowings		36,431	24,999
Purchase less sales of own shares by ESOP		(274)	(229)
Repayment of borrowings		(7,980)	(1,737)
Dividends paid		(5,129)	(4,499)
<b>Cash flows from financing activities</b>		9,156	26,035
Net increase/(decrease) in cash and cash equivalents		422	(974)
Cash and cash equivalents at 1 January 2007	21	815	1,789
<b>Cash and cash equivalents at 31 December 2007</b>	21	1,237	815

# Notes to the financial statements

## General information

The group financial statements consolidate the financial statements of James Fisher and Sons Public Limited Company (the Company) and all of its subsidiary undertakings for the year ended 31 December 2007.

The Group and Company present their financial statements under International Financial Reporting Standards (IFRS) adopted by the European Union (EU).

The Company is a limited liability company incorporated and domiciled in England & Wales.

The Company's shares are listed on the London Stock Exchange.

The Company and consolidated financial statements were approved for issue by the Board of Directors on 17 March 2008.

As permitted by section 230 of the Companies Act 1985, a separate income statement and related notes for the holding company have not been presented in these financial statements. The profit after taxation in the holding company was £6,900,000 (2006: £7,328,000).

## Statement of compliance

The consolidated financial statements and those of the Company have been prepared in accordance with IFRS adopted by the EU as at 31 December 2007 and are applied in accordance with the provisions of the Companies Act 1985.

### 1 Significant 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.

During the year the Group has adopted the following new and amended IFRS and IFRIC interpretations:

IFRS 7	Financial Instruments: Disclosures
IAS 1 (revised)	Presentation of Financial Statements
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

Adoption of these revised standards did not have a material impact on the Group's financial statements. Additional disclosures required by IFRS 7 are shown in Notes 19, 20 and 29.

### Significant accounting judgements and estimates

#### Financial and business risks

The Group's activities expose it to a variety of financial and business risks. Where possible the Group seeks to minimise these risks through its risk management policies as set out on page 19 of the Corporate governance statement.

#### Pensions

The Group and its subsidiaries participate in a number of pension schemes, including defined benefit schemes. The nature of these defined benefit arrangements, the volatility of the scheme valuations/deficits from time to time, changes in the market conditions for bond yields and equities, and sensitivity to changes in actuarial assumptions (e.g. as to life expectancy) mean that it is impossible to predict future contribution liabilities with any degree of certainty. Details of the Group pension schemes and the assumptions underlying their valuations are set out in Note 25.

#### Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy on page 44. An analysis of the Group's goodwill and the assumptions used to test for impairment are set out in Note 13.

#### Impairment of other assets

The Group reviews the carrying value of all assets for indications of impairment at each balance sheet date. If indicators of impairment exist the carrying value of the asset is subject to further testing to determine whether its carrying value exceeds its recoverable amount. The recoverable amount represents the higher of the asset's fair value less costs to sell and its value in use, which is determined by measuring the discounted cash flows arising from the asset (including ultimate realisation on disposal). Following the performance of a review in 2006 in relation to *mt Severn Fisher*, the directors concluded that the carrying value exceeded the recoverable amount and an impairment of this asset had occurred. The vessel was disposed of in December 2007. Further details are provided in Note 5.

#### Intangible assets

The measurement of intangible assets other than goodwill on business combinations requires the performance of a review of the acquired business to assess whether such assets exist and can be identified separately and reliably measured. The Group has not identified any such additional items in the business combinations which occurred during the year.

# Notes to the financial statements

## continued

### Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax risk issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

### Construction contracts

The Group's Defence division is currently undertaking two significant construction contracts which are expected to generate total revenue of £25,151,000. As set out in the accounting policy on page 45 revenue and costs have been taken into account in accordance with the stage of completion of the contracts after consideration of the expected profit and possibility of future losses arising. Although the Directors consider the possibility of losses to be remote provision for any such losses would be recognised in the income statement at the time when the loss became reasonably foreseeable. Details of the amounts included in the accounts in relation to these contracts are set out in Note 19.

### Residual values and estimated remaining lives

Assets other than vessels are depreciated to a zero residual value over their useful economic lives. Residual values for vessels are set initially at 20% of purchase cost or fair value at acquisition, which is regarded as an approximation of current residual values. Changes in the residual values and estimated lives of assets would result in adjustments to the current and future rate of depreciation and amortisation through the income statement or the creation of impairment provisions. Residual values and estimated remaining lives are reviewed annually by the directors taking into account the condition of vessels, future trading expectations and observable market transactions.

### 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. 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 purchase method of accounting.

The Group and Company financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

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 venturers under a contractual arrangement are treated as joint ventures. In the Group financial statements joint ventures are accounted for using the equity method of accounting.

The investment in joint ventures is carried in the balance sheet at cost plus the Group's post acquisition share in the change in net assets of the joint ventures less any impairment provision. The income statement reflects the Group's share of the post tax result of the joint ventures. The Group's share of any changes recognised by the joint venture in equity are also recognised by the Group in equity.

Minority interests represent the proportion of profit or loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using parent entity extension method, whereby the difference between the consideration and the book value of the share of net assets acquired is recognised as goodwill.

### Foreign currency

#### i) Group

The group financial statements are presented in sterling which is the Company's functional and presentational currency.

The net investments in overseas subsidiary undertakings are translated from their functional currency into Sterling at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets are taken directly to the translation reserve.

Exchange differences arising on monetary items forming part of the group's net investment in overseas subsidiary undertakings which are denominated in the functional currency of the subsidiary undertaking are taken directly to the translation reserve.

Exchange differences on other foreign currency borrowings to the extent that they are used to provide an effective hedge against group equity investments in foreign currency are taken directly to the translation reserve.

Exchange differences on the net investment in overseas subsidiary undertakings are recognised in the translation reserve until such time as the subsidiary is disposed of at which time they are included in the calculation of the profit or loss on disposal.

All other exchange differences on transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on settlement of monetary items or on the retranslation of monetary items at rates different from those at which they were initially recognised are taken to the income statement.

Tax charges and credits attributable to exchange differences included in the translation reserve are also dealt with in the translation reserve.

In accordance with the provisions of IFRS 1 – First time adoption of IFRS, the Group elected not to recognise the cumulative foreign currency translation differences arising in prior periods in a separate translation reserve. Therefore the cumulative foreign currency translation differences at 1 January 2004 are deemed to be zero.

## ii) Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on settlement of monetary items or on the retranslation of monetary items at rates different from those at which they were initially recognised are taken to the income statement.

All exchange differences on assets and liabilities denominated in foreign currencies are taken to the income statement except for exchange differences on foreign currency borrowings to the extent that they are used to provide an effective hedge against equity investments in foreign currencies. These are taken directly to the translation reserve.

## The Company's investments in subsidiaries and joint ventures

In its separate financial statements the Company recognises its investments in subsidiaries and joint ventures at cost. Income is recognised from these investments only if it arises from distributions received from post acquisition profits. Distributions received in excess of post acquisition profits are deducted from the cost of the investment.

## Financial assets

The Group recognises three classes of financial assets:

- > Loans and receivables
- > Available for sale financial assets
- > Derivatives

### a) Loans and receivables

These comprise non-derivative financial assets such as trade receivables with fixed or determinable payments that are not quoted in an active market and where there is no intention to trade the receivable. Such assets are carried at amortised cost using the effective interest method if the time value of money may have a significant impact on their value. Gains and losses are recognised in the income statement when the loans or receivables are derecognised or impaired as well as through the amortisation process. Loans and receivables are classified as current assets unless maturing after more than twelve months from the balance sheet date.

If there is evidence of an impairment loss on assets carried at amortised cost, the amount of the loss is measured as the difference between the carrying amount of the asset and the estimated future cash flows (after excluding amounts already provided against), discounted at the original effective interest rate. Impairment losses are recognised in the income statement.

If in a subsequent period the factors which indicated the original decision to impair the asset cease to exist or are mitigated then the previously recognised impairment loss can be reversed subject to the revised carrying value of the asset not exceeding its amortised cost at the date the impairment is reversed. Any reversal of an impairment loss is recognised in profit or loss.

A provision is made against a trade receivable only when there is objective evidence that the Group may not be able to recover all of the amount due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of a provision for doubtful debts account. Impaired debts are derecognised when they are assessed as uncollectible.

### b) Available for sale financial assets

These are non-derivatives that are either designated or not classed as another category. These are included as non current assets unless intended to be disposed of within twelve months of the balance sheet date. After initial recognition available for sale financial assets are measured at fair value with gains and losses being recognised as a separate component of equity until the investment is derecognised or deemed to be impaired at which point the cumulative gain or loss previously reported in equity is included in the income statement in the period in which it arises.

If an available for sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any previously recognised impairment loss is transferred from equity to profit or loss. Reversal of impairment provisions are not recognised in profit or loss.

# Notes to the financial statements

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### c) Derivatives

Derivative financial instruments are classified as held for trading unless they are designated as hedging instruments. Assets are carried in the balance sheet at fair value with gains or losses recognised in the income statement.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired as part of a business combination are recorded at cost which represents the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets having finite lives are amortised over their useful economic life and are assessed for impairment whenever there is an indication that they are impaired. The amortisation period is reviewed at the end of each accounting period. The amortisation of intangible assets is recognised in the income statement.

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits arising from that specific asset.

### Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and business units represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Goodwill is stated at cost less provision for impairment. The carrying value of goodwill arising on each acquisition is reviewed annually for impairment but more regularly if events or changes in circumstances indicate that it might be impaired.

For the purposes of determining impairment of purchased goodwill carried in the balance sheet, all goodwill is allocated against the appropriate combination of business units deemed to obtain advantage from the benefits acquired with the goodwill. These are designated as cash generating units (CGU). Impairment is then assessed by comparing the recoverable amount of the relevant CGU with the carrying value of the CGU's assets and liabilities and related goodwill. Recoverable amount is measured as the higher of the CGU's fair value less cost to sell and the value in use. Where relevant in order to assess the value of goodwill the Group combines a number of CGU's. Where the recoverable amount of the CGU is less than its carrying amount including goodwill, an impairment loss is recognised in the income statement.

Goodwill arising on acquisitions in the year to 31 December 1997 and earlier periods which was written off to reserves in accordance with the accounting standard then in force, has not been reinstated in the balance sheet and will continue to be accounted for in reserves even if the business to which it relates is subsequently disposed of.

For goodwill arising on acquisitions prior to 1 January 2004 amortisation ceased at transition to IFRS and it is carried at its previous carrying amount subject to provision for impairment. When an impairment loss is recognised it cannot be reversed in a subsequent accounting period, even if the circumstances which led to the impairment cease to exist.

### Warranty costs

Provision is made for warranties offered with products where it is probable that an obligation to transfer economic benefits to the customer in future will arise. This provision is based on management's assessment of the previous history of claims and probability of future obligations arising on a product by product basis.

### Separately disclosed items

The Group presents separately on the face of the income statement material items of income and expense which, because of their nature, infrequency of occurrence or the events giving rise to them, merit separate presentation to allow shareholders to understand better the financial performance of the year in comparison with previous periods and to assess better trends in financial performance.

### Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Refit costs are capitalised separately and amortised over 30 months. Other subsequent expenditure is capitalised only when it increases the future economic benefits associated with the asset to which it relates.

Depreciation is provided to write-down the cost of property, plant and equipment less accumulated depreciation to their residual value in equal annual instalments over their remaining estimated useful lives.

The principal rates used are:

Ships	4% to 10%
Freehold property	2.5%
Leasehold improvements	2.5% or over the period of the lease
Plant and equipment	5% to 20%

No depreciation is charged on assets under construction.

Residual values for vessels are set initially at 20% of purchase cost or fair value at acquisition, which the directors believe to be an approximation of current residual values. Residual values and estimated remaining lives are reviewed annually by the directors and adjusted if appropriate to reflect the relevant market conditions and expectations, obsolescence and normal wear and tear.

The cost of property, plant and equipment includes expenditure incurred during construction, delivery and modification. Where a substantial period of time is required to bring the asset into use attributable finance costs are capitalised and included in the cost of the relevant asset. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### Impairment of assets

At each reporting date the Group assesses whether there are any indications that an asset has been impaired. If any indication exists the Group makes an estimate of the recoverable amount of the asset concerned. The recoverable amount is determined as the higher of its fair value less costs to sell and its value in use. These calculations are determined for an individual asset unless that asset does not generate cash inflows independently from other assets in which case its value is determined as part of that group of assets. Where the carrying amount of the asset exceeds its recoverable amount the asset is considered to be impaired and is written down to its recoverable amount. To assess the value in use the estimated future cash flows relating to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset. Impairment losses on continuing and discontinued operations are recognised in the income statement.

If an event occurs after the recognition of an impairment that leads to a decrease in the amount of the impairment loss previously recognised the impairment loss is reversed. The reversal is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

#### Inventories

Inventories 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 stores and finished goods for sale - purchase cost on a first in first out basis;

Work in progress and finished goods - cost of direct materials and labour plus attributable overheads allocated on a systematic basis based on a normal level of activity;

Net realisable value is based on estimated selling price less the estimated costs of completion and sale or disposal.

#### Construction contracts

##### i) General

Where the outcome of a construction contract can be estimated reliably, revenue and costs relating to the construction contract are recognised in accordance with the stage of completion of the contract, in the period in which the work is performed. Contract revenue is recognised under the percentage of completion method whereby recognition is determined by reference to the stage of completion of the contract.

Contract costs incurred that relate to future activity are deferred and recognised as inventory.

When a loss is expected to be incurred on a construction contract it is recognised as an expense immediately in the income statement.

When the outcome of a construction contract cannot be estimated reliably no profit is recognised. Revenue is recognised to the extent that it is probable that costs incurred will be recovered.

##### ii) Bid costs

All bid costs incurred relating to contracts for the design, manufacture or operation of assets or the provision of services to third parties are expensed to the income statement as incurred, except for those costs incurred after the point at which the contract award is virtually certain. Directly attributable costs incurred subsequent to this point are included within debtors and amortised over the life of the initial period of the contract to which they relate.

# Notes to the financial statements

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### Taxation

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

Corporation tax is provided on taxable profits from activities not qualifying for the tonnage tax regime and is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is also recognised in equity.

Current tax is the expected corporation tax payable or receivable in respect of the taxable profit for the year using tax rates enacted or substantively enacted at the balance sheet date, less any adjustments to tax payable or receivable in respect of previous years.

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities included in the financial statements and the amounts used for tax purposes, that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

No provision is made where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination that at the time of the transaction affect neither accounting nor taxable profit.

No provision is made for deferred tax that would arise on all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences and unused tax losses and credits 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 the asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Derivatives and other financial instruments

The Group operates in international markets and is exposed to foreign exchange risk arising from various currency exposures, primarily relating to the US Dollar and Norwegian Kroner. The Group is also exposed to interest rate risk arising from long term borrowings. The Group uses derivative financial instruments to manage or hedge risk, in the form of foreign currency contracts to manage foreign exchange risk and interest rate swaps to reduce exposure to interest rate movements.

The Group does not hold or issue derivative financial instruments for speculative purposes. All derivatives are initially recognised at fair value on the date that the derivative contract is entered into and are subsequently re-measured at their fair value at the balance sheet date. Fair value is calculated by reference to current forward exchange contracts with similar maturity profiles. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The recognition of the gains or losses arising on these movements in fair value depends on whether a derivative is designated as a hedge and if so the nature of the item being hedged.

The Group recognises two classes of hedges for derivative financial instruments:

- Hedges of the fair value of recognised assets or liabilities or an unrecognised firm commitment (fair value hedge);
- Hedges of highly probable forecast transactions or recognised assets or liabilities (cash flow hedge);

### Cash flow hedges

These can include forward foreign currency contracts which the Group will enter into only if they meet the following criteria:

- The instrument must be related to a foreign currency risk of a firm 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.

These may also include interest rate swaps which must have the following characteristics:

- The instrument must be related to a recognised asset or a liability; and
- It must change the character of the interest rate by converting a variable rate to a fixed rate.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges are recognised in equity. Gains or losses arising on any portion deemed to be ineffective are recognised immediately in the income statement within cost of sales.

Where the hedge relates to a firm commitment or forecast transaction which subsequently results in the recognition of an asset or liability the cumulative gain or loss relating to that item is removed from equity and included in the initial measurement of the asset or liability. Otherwise the cumulative amount is removed from equity and recognised in the income statement at the same time as the related movements on the hedged transaction.

When the term of the hedging instrument expires or it is sold, or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss included in equity is retained in equity until either the related forecast transaction occurs in which case it is recognised in accordance with the policy stated above, or if the hedged transaction is not expected to take place, it is recognised immediately in the income statement.

#### Fair Value Hedges

Where a derivative is designated as a hedge of the variability in the fair value of an asset or liability of the Group, it is designated as a fair value hedge.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement at the same time as the related movements in the hedged asset or liability.

#### Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivatives which do not qualify for hedge accounting under any of the criteria outlined above are recognised immediately in the income statement.

#### Calculation of fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using assumptions based on market conditions at the balance sheet date or discounted cash flow techniques.

#### Interest-bearing loans and other borrowings

All interest-bearing loans and other borrowings are initially recorded at fair value, which represents the fair value of the consideration received net of any issue costs associated with other borrowings. Finance charges, including any premiums payable on settlement or redemption of debt instruments including preference shares and the direct costs of issue, are accounted for on an amortised cost basis to the income statement. Charges are calculated using the effective interest method, and are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount. Finance charges are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### Accounting for leases

##### i) Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Lease payments under operating leases are charged on a straight line basis over the lease term.

##### ii) Finance leases

A lease arrangement under which substantially all the risks and rewards incidental to ownership of the leased item rest with the lessee are capitalised at the inception of the lease at the lower of the fair value of the related item or the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed to the income statement.

Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset.

#### Pension Plans

##### i) Defined contribution scheme

Under this type of pension plan the Group pays a pre-determined contribution to a separate privately administered pension plan. Other than this contribution the Group has no further legal or constructive obligation to make further contributions to the scheme.

Obligations for contributions to the scheme are recognised as an expense in the income statement in the period in which they arise.

##### ii) Defined benefit scheme

A defined benefit scheme is a pension plan under which the amount of pension benefit that an employee receives on retirement is defined by reference to factors including age, years of service and compensation.

The schemes are funded by payments determined by periodic actuarial calculations agreed between the Group and the trustees to trustee-administered funds.

The cost of providing benefits is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (current service cost) and to current and prior periods (to determine the present value of the defined benefit obligation). Current service costs are recognised in the income statement in the current year. Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (which eliminates all obligations for benefits already accrued) or a curtailment (which reduces future obligations as a result of a reduction in future entitlement) occurs, the

# Notes to the financial statements

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obligation and related plan assets are remeasured using current actuarial assumptions and the gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in the present value of scheme obligations resulting from the passage of time and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on the long-term market returns on scheme assets assessed at the start of the period adjusted for the effect of contributions received and benefits paid during the year. The difference between the expected return on plan assets and the interest cost is recognised in the Income Statement in cost of sales.

A liability is recognised in the balance sheet in respect of the Group's net obligations to the schemes which is calculated separately for each scheme.

The liability represents the present value of the defined benefit obligations at the balance sheet date, less the fair value of the scheme assets together with adjustments for restricted actuarial gains, past service costs and curtailments.

The defined benefit obligations represent the estimated amount of future benefits that employees have earned in return for their services in current and prior periods, discounted at a rate representing the yield on a high quality corporate bond at the balance sheet date, denominated in the same currency as the obligations and having the same terms to maturity as the related pension liability, applied to the estimated future cash outflows arising from these obligations. The calculation is performed by a qualified actuary using the projected unit credit method. The value of any asset recognised is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Actuarial gains and losses on experience adjustments and changes in actuarial assumptions that arise subsequent to 1 January 2004 are recognised in the period in which they arise directly in the statement of recognised income and expense.

### Equity-settled share based payments

The Company operates executive share option schemes and a savings related share option scheme under which options have been granted to employees.

For options granted since 7 November 2002 the fair value of employee services rendered in exchange for the grant of options is determined by the fair value of the option at the date of grant. The total amount, which is expensed over the specified period until the options can be exercised (the vesting period), is recognised as cumulatively as an expense in the income statement with a corresponding credit to equity.

The fair value of the option is determined by the use of mathematical modelling techniques, including the Black-Scholes option pricing model and the Binomial model.

Non-market vesting conditions (such as profitability and growth targets) are excluded from the fair value calculation but included in assumptions about the number of options that are expected to become exercisable.

The Company re-assesses its estimate of the number of options that are expected to become exercisable at each balance sheet date. Any adjustments to the original estimates are recognised in the income statement (and equity) over the remaining vesting period with any element of any adjustments relating to prior periods recognised in the current period. No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, (such as the performance of the group relative to a Group or index composed of third party entities). These are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the exercise of options is satisfied by the issue of shares by the Company the nominal value of any shares issued from the exercise of options is credited to share capital with the balance of the proceeds received, net of transaction costs, credited to share premium.

### Short term employee benefits

The Group recognises a liability and an expense for short term employee benefits, including bonuses, only when contractually or constructively obliged.

### Treasury shares

Shares issued by the Company which are held by the Company or its subsidiary entities (including the Employee Share Ownership Trust ("ESOP")), are designated as treasury shares. The cost of these shares is deducted from equity. No gains or losses are recognised on the purchase, sale, cancellation or issue of treasury shares. Consideration paid or received is recognised directly in equity.

### ESOP Trust

Company shares are held in an Employee Share Ownership Plan ("ESOP"). The finance costs and administration costs relating to the ESOP are charged to the income statement. Dividend income arising on own shares is excluded in arriving at profit before taxation and deducted from aggregate dividends paid. The shares are ignored for the purposes of calculating the Group's earnings per share.

### Segmental reporting

The Group's primary reporting format is its business segments and its secondary format is geographical segments. A segment is a component of the Group which can be distinguished separately as providing a product or service within a particular environment which is subject to risks and rewards that are different from those of other segments. The Group has identified four business segments:

- Offshore Oil Services - manufacture and rental of equipment for the offshore oil and gas industry, trading under the Scan Tech, Fisher Offshore, Buchan and Reanco names.
- Specialist Technical Services - provision of vessel management and equipment services to the marine sector including fendering and ship to ship transfer services under the Fender Care name. Decommissioning and remote operations and monitoring services, predominantly to the Nuclear industry under the James Fisher Nuclear brand and control, load measurement and structural monitoring equipment under the Straininstall brand, and the design and manufacture of specialist downhole tools and equipment for extracting oil under the Pumptools and Remote Marine Systems brands.
- Defence - provision of marine services to the Ministry of Defence (MoD) and other navies including the UK submarine rescue service operated by James Fisher Rumic, maintenance, asset management and consultancy services provided by James Fisher Defence, and a 25% shareholding in Foreland Shipping which provides military strategic sealift capability via its operation of six Ro Ro ferries for the MoD.
- Marine Oil Services - delivery of refined petroleum products in North West Europe;

Transfer pricing between business segments is set on an arms' length basis similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's assets and operations.

### Revenue

Revenue, after excluding trade discounts and value added tax, represents the provision of goods and services by the Group and its subsidiaries in the normal course of business and is recognised when the significant risks and rewards of ownership have passed to the buyer. The transfer of risks and rewards is assumed to pass to the customer on delivery of the goods or completion of the provision of the relevant services.

Where services rendered are not completed at the balance sheet date, revenue is recognised in proportion to the stage of completion of the transaction measured by reference to the proportion of total expected costs incurred. Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due.

Rentals receivable under operating leases are credited to revenue on a straight line basis over the lease term.

### Non-current assets held for sale

On classification as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in profit or loss, as are any gains and losses on subsequent re-measurement.

### Cash and cash equivalents

Cash and short-term deposits included in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Cash and cash equivalents included in the cash flow statement comprise cash and short-term deposits, net of bank overdrafts.

### New standards and interpretations not applied

The International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) have also issued the following standards and interpretations with an effective date of implementation after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)		Effective Date
IFRS 8	Operating Segments	1 January 2009
IAS 3 (revised)	Business Combinations	1 January 2010
IAS 27 (revised)	Consolidated and Separate Financial Statements	1 January 2010
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 11	IFRS 2 Group and Treasury Share Transactions	1 January 2008
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 14	IAS 19 The limit on defined benefit asset, minimum funding requirements and their interaction	1 January 2008
IAS 23 (revised)	Borrowing Costs	1 January 2008

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application with the exception of the following areas.

Under IAS 3 (revised) – Business Combinations, the Group will be required to expense to the income statement all direct costs relating to acquisitions. These costs are currently capitalised and included in the calculation of goodwill. Contingent consideration will be recognised in full as deferred consideration at its fair value and any future adjustments to fair value will be made in the income statement rather than as at present by adjusting the carrying value of goodwill. Contingent consideration which is assessed as having the characteristics associated with employment benefits would be expensed to the income statement rather than included in the calculation of goodwill. IAS 3 (revised) is not required to be applied retrospectively.

# Notes to the financial statements

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### 2 Segmental information

#### Primary reporting format Business segments

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2007 and 2006.

Year ended 31 December 2007	Continuing Operations					Discontinued Operations	Total £000
	Offshore Oil Services £000	Specialist Technical Services £000	Defence £000	Marine Oil Services £000	Total £000	Cable Ships £000	
<b>Revenue</b>							
Segmental revenue	26,311	69,264	14,132	75,932	185,639	–	
Inter segment sales	–	(3,406)	(187)	–	(3,593)	–	
<b>Group revenue</b>	26,311	65,858	13,945	75,932	182,046	–	
<b>Result</b>							
Segmental result before ship disposals	8,566	5,713	1,228	8,605	24,112	(6)	
Common costs					(2,584)		
<b>Profit from operations before separately disclosed items and joint ventures</b>					21,528		
Profit on ship disposals					95	–	
<b>Profit from operations before joint ventures</b>					21,623	(6)	
Finance income (revenue)					375	–	
Finance costs					(5,036)	–	
Exchange loss on loan conversion					(184)	–	
					(4,845)	–	
Share of post tax results of joint ventures		548	1,774		2,322		
<b>Profit before tax</b>					19,100	(6)	
Taxation					(2,959)	–	
<b>Profit attributable to equity holders</b>					16,141	(6)	
<b>Assets &amp; Liabilities</b>							
Segment assets	57,941	68,289	12,405	89,793	228,428	–	228,428
Investment in joint ventures	–	946	3,271	–	4,217	–	4,217
Non-current assets classified as held for sale				1,172	1,172	–	1,172
Unallocated assets*					4,562	–	4,562
<b>Total assets</b>					238,379	–	238,379
Segment liabilities	(4,358)	(12,434)	(2,432)	(19,107)	(38,331)	–	(38,331)
Unallocated liabilities					(106,015)	–	(106,015)
<b>Total liabilities</b>					(144,346)	–	(144,346)
<b>Other segment information</b>							
Capital expenditure:							
Property, plant & equipment	7,139	4,814	67	10,938	22,958	–	22,958
Unallocated					991	–	991
					23,949	–	23,949
Intangible fixed assets	–	76	–	–	76	–	76
Depreciation	1,934	836	57	5,334	8,161	–	8,161
Amortisation of intangible assets		5			5	–	5
Unallocated					178	–	178
					8,344	–	8,344

\* Unallocated assets comprise available-for-sale assets, deferred tax and centrally held corporate assets

## 2 Segmental information (continued)

### Primary reporting format Business segments

Year ended 31 December 2006	Continuing Operations					Discontinued Operations	Total £000
	Offshore Oil Services £000	Specialist Technical Services £000	Defence £000	Marine Oil Services £000	Total £000	Cable Ships £000	
<b>Revenue</b>							
Segmental revenue	21,977	42,282	11,197	45,937	121,393	–	
Inter segment sales	–	(3,217)	(91)	–	(3,308)	–	
<b>Group revenue</b>	21,977	39,065	11,106	45,937	118,085	–	
<b>Result</b>							
Segmental result before ship disposals	7,320	3,919	1,024	5,819	18,082	106	
Common costs					(2,191)		
<b>Profit from operations before separately disclosed items and joint ventures</b>					15,891		
Profit on sale of property					1,126	–	
Impairment of ship					(2,906)	–	
(Loss)/profit on ship disposals					(24)	1,936	
<b>Profit from operations before joint ventures</b>					14,087	2,042	
Finance income (revenue)					316	–	
Finance costs					(2,586)	–	
Exchange loss on loan conversion					35	–	
					(2,235)	–	
Share of post tax results of joint ventures		346	1,949		2,295		
<b>Profit before tax</b>					14,147	2,042	
Taxation					(2,411)	(1)	
<b>Profit attributable to equity holders</b>					11,736	2,041	
<b>Assets &amp; Liabilities</b>							
Segment assets	45,432	46,770	8,844	109,692	210,738	10	210,748
Investment in joint ventures	–	598	2,977	–	3,575	–	3,575
Non-current assets classified as held for sale				1,518	1,518	–	1,518
Unallocated assets*					3,921	–	3,921
<b>Total assets</b>					219,752	10	219,762
Segment liabilities	(3,895)	(9,130)	(1,082)	(16,430)	(30,537)	(58)	(30,595)
Unallocated liabilities					(102,916)	–	(102,916)
<b>Total liabilities</b>					(133,453)	(58)	(133,511)
<b>Other segment information</b>							
Capital expenditure:							
Property, plant & equipment	3,108	2,973	58	41,634	47,773	–	47,773
Unallocated					611	–	611
					48,384	–	48,384
Intangible fixed assets		60			60	–	60
Depreciation	1,527	543	89	3,353	5,512	–	5,512
Amortisation of intangible assets		1			1	–	1
Unallocated					149	–	149
					5,662	–	5,662

\* Unallocated assets comprise available-for-sale assets, deferred tax and centrally held corporate assets

# Notes to the financial statements

## continued

### 2 Segmental information (continued)

#### Geographical segments

The following table represents revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 2007 and 2006.

	UK & Ireland		Norway		Rest of the World		Total	
	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000	2007 £000	2006 £000
<b>Revenue</b>								
Segmental revenue	118,015	85,621	18,271	9,988	49,353	25,784	185,639	121,393
Inter-segment sales	(3,593)	(3,308)	–	–	–	–	(3,593)	(3,308)
<b>Group revenue</b>	<b>114,422</b>	<b>82,313</b>	<b>18,271</b>	<b>9,988</b>	<b>49,353</b>	<b>25,784</b>	<b>182,046</b>	<b>118,085</b>
Segment assets	183,522	178,158	36,044	28,350	8,861	4,240	228,427	210,748
Investment in joint ventures	3,271	2,977	–	–	946	598	4,217	3,575
Non-current assets classified as held for sale	1,172	1,518					1,172	1,518
Unallocated assets							4,563	3,921
							238,379	219,762
Segment liabilities	(34,083)	(26,767)	(2,318)	(2,897)	(1,930)	(931)	(38,331)	(30,595)
Unallocated liabilities							(106,015)	(102,916)
							(144,346)	(133,511)
Capital expenditure:								
Property, plant and equipment	17,919	47,088	3,432	1,294	2,598	2	23,949	48,384

### 3 Revenue

Revenue disclosed in the income statement is analysed as follows:

#### Continuing operations

	2007 £000	2006 £000
Sale of goods and services	160,620	97,699
Rental income	21,426	20,386
<b>Revenue</b>	<b>182,046</b>	<b>118,085</b>
Finance revenue	375	316
<b>Total Revenue</b>	<b>182,421</b>	<b>118,401</b>

#### 4 Discontinued operations and non current assets held for sale

Discontinued operations relate to the withdrawal of the Group from cable laying activities announced in 2005. Following the disposal in 2005 of the cable ship *CS Oceanic Pearl*, the remaining vessel, *CS Oceanic Princess*, was disposed of on 12 June 2006.

The results of discontinued operations are presented below:

	2007 £000	2006 £000
Cost of sales	(6)	106
Gross (loss)/profit	(6)	106
Profit on ship disposals	–	1,936
(Loss)/profit before tax from discontinued operations	(6)	2,042
Taxation	–	(1)
Net (loss)/profit attributable to discontinued operations	(6)	2,041

Taxation is payable on the (loss)/profit from operations under the tonnage tax regime as explained in note 10.

The net cash flows attributable to discontinued operations are:

	2007 £000	2006 £000
Operating cash flows	(10)	3,366
Investing cash flows	–	9,357
Financing activities	–	(6,933)
	(10)	5,790
(Loss)/earnings per share from discontinued operations (pence):		
	pence	pence
Basic	(0.01)	4.16
Diluted	(0.01)	4.12

#### Non current assets held for sale

At 31 December 2007 the *mt Alacrity* which was disposed of by the Group in January 2008 was classified as held for sale and was recorded at its carrying value of £1,172,000.

The assets classed as held for sale at 31 December 2006 were the *mt Allurity* and *mt Arduity* which were disposed of by the Group in January 2007. The vessels were recorded at their fair value less costs to sell.

#### 5 Separately disclosed items

Separately disclosed items consist of:

	2007 £000	2006 £000
Profit on sale of property	–	1,126
Impairment of ship	–	(2,906)
Loss on ship disposals	(77)	(24)
Profit on ship disposals	172	–
Exchange (loss)/gain on loan conversion	(184)	35
	(89)	(1,769)

In June 2007 the Group carried out a refinancing exercise which involved the disposal of *mt Seniority*, *mt Speciality* and *mt Superiority* to FSL Trust Management for a consideration of £22,602,000 the proceeds of which were used to repay existing debt. These vessels have subsequently been chartered by the Group on bareboat charters for an initial period of ten years. The loss on disposal also includes the sale of *mt Allurity* and *mt Arduity* in January 2007 and *mt Severn Fisher* in December 2007. The profit on ship disposals relates to the *mt Agility* which was disposed of in October 2007.

#### Year ended 31 December 2006

On 1 December 2006 the Group disposed of an industrial property at Bridge of Don, Aberdeen for a gross consideration of £2,100,000.

The Directors performed an impairment review of the carrying value of the *mt Severn Fisher*, built in 1983 and the Group's oldest tanker. The review took account of the ending of a contract with the Ministry of Defence in 2006 and the limits to trading in the European Union increasingly imposed by the International Maritime Organisation and the major oil companies as the vessel neared the twenty fifth anniversary of its construction.

# Notes to the financial statements

## continued

The review took into account the expected residual value and the cost and revenues anticipated to arise during the period prior to disposal, discounted at a rate of 6.5% which the Directors believed took into account the risks associated with the relevant cash flows. As a result the Group recognised an impairment provision against the carrying value of the vessel of £2,906,000 in the income statement. This vessel was disposed of in December 2007 realising an additional loss of £8,000.

The loss on ship disposals in 2006 arose from adjustments following the sale in 2005 of the *CS Oceanic Pearl* and *mt Tees Fisher* and *mt Wear Fisher*.

The exchange differences on loans arose on foreign currency loans used to finance the acquisition of vessels in the UK.

The tax arising on these items is £Nil (2006: £377,000).

## 6 Profit from operations

This is stated after charging/(crediting):

	2007 £000	2006 £000
Profit on sale of property, plant and equipment excluding ships	(735)	(377)
Depreciation of property, plant and equipment:		
ships	3,438	2,625
refit costs	1,615	689
others	3,286	2,347
Total depreciation charge	8,339	5,661
Amortisation of intangible assets	5	1
Net foreign currency (gains)/losses	(231)	473
Cost of inventories recognised as an expense	38,978	25,991
Operating lease rentals:		
property	1,194	628
bareboat charter	8,027	6,109
others	238	51
	9,459	6,788
Auditor's remuneration comprises the following:		
	2007 £000	2006 £000
Audit of the financial statements*	199	173
Fees payable to the company's auditor and its associates for other services:		
The audit of group pension schemes	9	9
Local statutory audits of subsidiaries	197	179
Taxation services	44	41
Corporate finance services	—	225
Other services	—	—
	250	454
	449	627

\* £85,000 (2006: £81,000) relates to the Company.

Included in other fees to auditors is £215,000 (2006: £394,000) relating to the Company and its UK subsidiaries.

## 7 Staff costs and directors' emoluments

### a) Staff costs including executive directors

	2007 £000	2006 £000
Wages & salaries	28,645	23,384
Social security costs	3,323	2,106
Pension costs - defined contribution plans	1,024	605
Pension costs - defined benefit plans (see note 25)	(40)	570
Share based compensation	587	516
	33,539	27,181

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

	2007 No.	2006 No.
Technical and administrative	892	550
Seafarers	404	233
	1,296	783

### b) Directors' emoluments

	2007 £000	2006 £000
Directors' emoluments	1,618	1,254
Aggregate gains made by directors on the exercise of options	442	389
Amounts receivable under long term incentive plans	—	—
Pension contributions to defined contribution schemes	20	17
Number of directors accruing benefits under:		
Defined benefit schemes	1	1
Defined contribution schemes	2	2

## 8 Finance income/(costs)

	2007 £000	2006 £000
Bank interest receivable	375	316
Interest payable on:		
Bank loans and overdrafts	(5,176)	(2,618)
Preference dividend	(4)	(3)
Finance charges payable under finance leases	(22)	(1)
Other interest	—	(5)
	(5,202)	(2,627)
Interest on bank loans capitalised*	166	41
	(5,036)	(2,586)
Exchange (loss)/gain on loan conversion	(184)	35
* Interest on bank loans capitalised relates to:		
Construction of new vessels	—	41
Other tangible fixed assets	104	—
Construction contracts	62	—
	166	41

# Notes to the financial statements

## continued

### 9 Taxation

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

The tax charge is made up as follows:

	2007 £000	2006 £000
<b>Current tax:</b>		
UK tonnage tax	(31)	(21)
UK corporation tax	(1,433)	(1,309)
	(1,464)	(1,330)
Tax overprovided in previous years	175	770
Foreign tax	(1,542)	(883)
Total current tax	(2,831)	(1,443)
<b>Deferred tax:</b>		
Group deferred tax	(128)	(969)
Total taxation on continuing operations	(2,959)	(2,412)
Share of joint ventures' current tax	(20)	130

The total tax charge in the income statement is allocated as follows:

	2007 £000	2006 £000
Taxation expense reported in group income statement	2,959	2,411
Taxation attributable to discontinued activities	–	1
Total tax expense	2,959	2,412

Tax charged to equity in statement of recognised income and expense:

	2007 £000	2006 £000
<b>Deferred tax:</b>		
Deferred tax relating to the actuarial gains and losses on defined benefit pension schemes	(276)	(772)
Deferred tax relating to share based payments	77	–
	(199)	(772)

### Reconciliation of effective tax rate

The tax on the Group's profit on continuing activities differs from the theoretical amount that would arise using the rate applicable under UK corporation tax rules as follows:

	2007 £000	2006 £000
Profit before tax from continuing operations	19,100	14,147
(Loss)/profit before tax from discontinued activities	(6)	2,042
	19,094	16,189
At UK statutory tax rate of 30% (2006: 30%)	5,728	4,857
Difference due to application of tonnage tax to all vessel disposals and operating activities	(1,882)	(1,394)
Expenses not deductible for tax purposes	42	673
Chargeable gains	(22)	60
Over provision in previous years:		
Current tax	(175)	(770)
Deferred tax	(269)	(190)
Share based payments	–	(650)
Lower taxes on overseas income	(272)	(174)
Rate change on deferred tax	(174)	–
Other	(17)	–
	2,959	2,412

The effective income tax rate on profit from continuing operations is 15.5% (2006: 17.0%)

### Unrecognised tax losses

At 31 December 2007 the group has unrecognised tax losses of £1,025,000 (2006: £793,000). No deferred tax asset has been recognised in respect of these losses due to the uncertainty relating to their future recovery.

## 10 Deferred tax

### Group

Deferred tax at 31 December relates to the following:

	Group Balance sheet		Group Income statement	
	2007 £000	2006 £000	2007 £000	2006 £000
<b>Deferred tax assets</b>				
Retirement benefits	190	677	(189)	(362)
Share based payments	443	248	118	23
	633	925		
<b>Deferred tax liabilities</b>				
Accelerated capital allowances for tax purposes	(1,383)	(1,447)	(46)	(630)
Roll over gains	(1,476)	(1,465)	(11)	–
	(2,859)	(2,912)		
Deferred income tax charge			(128)	(969)
Net deferred income tax liability	(2,226)	(1,987)		

The gross movement on the deferred income tax account is as follows:

	2007 £000	2006 £000
Balance at 1 January	(1,987)	1,197
Charged to equity in statement of recognised income and expense	(199)	(772)
Charged to income statement	(128)	(969)
Acquired with subsidiaries	88	(1,443)
Balance at 31 December	(2,226)	(1,987)

At 31 December 2007 the group has no recognised or unrecognised deferred income tax liability (2006: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and joint ventures. The Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

There are no income tax consequences attaching to the payment of dividends by the Group to its shareholders.

### Change in Corporation Tax rate

The UK Corporation tax rate will decrease from 30% to 28% from 1 April 2008. The deferred tax balance has been adjusted in the current year to reflect this change.

### Company

Deferred tax at 31 December relates to the following:

	Group Balance sheet		Group Income statement	
	2007 £000	2006 £000	2007 £000	2006 £000
<b>Deferred tax assets</b>				
Retirement benefits	190	655	(189)	(362)
Share based payments	443	248	118	23
	633	903		
<b>Deferred tax liabilities</b>				
Accelerated capital allowances for tax purposes	(22)	(117)	95	(126)
	(22)	(117)		
Deferred income tax credit/(charge)			24	(465)
Net deferred income tax asset	611	786		

The gross movement on the deferred income tax account is as follows:

	2007 £000	2006 £000
Balance at 1 January	786	2,023
Charged to equity in statement of recognised income and expense	(199)	(772)
Credited/(charged) to income statement	24	(465)
Balance at 31 December	611	786

# Notes to the financial statements

## continued

### 10 Deferred tax (continued)

At 31 December 2007 the Company has no recognised or unrecognised deferred income tax liability (2006: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the company's subsidiaries. The group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

### 11 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, after excluding ordinary shares purchased by the employee share ownership trust and held as treasury shares.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculation of basic and diluted earnings per share is based on the following profits and numbers of shares:

	2007 £000	2006 £000
Profit attributable to equity holders	16,078	13,780
Loss/(profit) attributable to discontinued activities	6	(2,041)
Profit on continuing activities attributable to equity holders	16,084	11,739
Weighted average number of shares		
	2007 Number of shares	2006 Number of shares
For basic earnings per ordinary share*	49,236,346	49,058,347
Exercise of share options and LTIPs	399,411	449,306
For diluted earnings per ordinary share	49,635,757	49,507,653

\* Excludes 312,870 (2006:392,592) shares owned by the James Fisher and Sons Public Limited Company Employee Share Ownership Trust.

	2007		2006	
	£000	pence	£000	pence
Basic earnings per share	16,078	32.66	13,780	28.09
Loss/(profit) attributable to discontinued activities	6	0.01	(2,041)	(4.16)
Basic earnings per share on profit from continuing operations	16,084	32.67	11,739	23.93
Diluted earnings per share	16,078	32.39	13,780	27.83
Loss/(profit) attributable to discontinued activities	6	0.01	(2,041)	(4.12)
Diluted earnings per share on profit from continuing operations	16,084	32.40	11,739	23.71

### Adjusted Earnings per Share

The basic earnings per share on continuing activities before separately disclosed items is shown to highlight the underlying earnings trend and is calculated using the number of shares outlined in the table above.

	2007		2006	
	£000	pence	£000	pence
Basic earnings per share on profit on continuing operations	16,084	32.67	11,739	23.93
Adjustments:				
Exchange loss/(gain) on loan conversion	184	0.37	(35)	(0.07)
(Profit)/loss on ship disposals	(95)	(0.19)	24	0.05
Profit on sale of property including tax effect of £377,000	—	—	(749)	(1.53)
Impairment of ship	—	—	2,906	5.92
Basic adjusted earnings per share on profit on continuing operations	16,173	32.85	13,885	28.30
Diluted earnings per share on profit on continuing operations	16,084	32.40	11,739	23.71
Adjustments:				
Exchange loss/(gain) on loan conversion	184	0.37	(35)	(0.07)
(Profit)/loss on ship disposals	(95)	(0.19)	24	0.05
Profit on sale of property including tax effect of £377,000	—	—	(749)	(1.51)
Impairment of ship	—	—	2,906	5.87
Diluted adjusted earnings per share on profit on continuing operations	16,173	32.58	13,885	28.05

## 12 Dividends paid and proposed

	2007 £000	2006 £000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2006 6.54p (2005 5.69p)	3,238	2,816
Interim dividend for 2007 3.89p (2006 3.47p)	1,929	1,717
Less dividends on own shares held by ESOP	(38)	(34)
	5,129	4,499
Proposed for approval at Annual General Meeting (not recognised as a liability at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2007 7.52p (2006 6.54p)	3,715	3,212

## 13 Goodwill

Group		Restated note 18
Cost and net book value:	2007 £000	2006 £000
At 1 January 2007	55,814	36,168
Exchange differences	468	(143)
Acquisition of subsidiaries	10,908	19,789
At 31 December 2007	67,190	55,814

### 2006 Restatement

The Goodwill values relating to 2006 have been restated to incorporate changes to the fair values and consideration due in respect of those entities acquired in 2006. Further details are provided in Note 18.

### Impairment of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the following cash generating units:

#### Offshore Oil Services

Scan Tech Norway - represents the Norwegian based part of the Offshore Oil Services division including Scan Tech Norway, Air Supply, Reanco, Gjerde and the business of Monyana Eurotech.

Fisher Offshore (Formerly Scan Tech UK) - comprises the UK based part of the Offshore Oil Services division including the business of Monyana Engineering Services together with Buchan Technical services acquired in May 2007.

#### Specialist Technical Services

Nuclear - represents the business of James Fisher Nuclear including Remote Marine Systems, Harsh Environment Services, the nuclear business of Rumic plus NDT acquired in July 2007.

Fendercare - The Fender Care fendering and marine services business.

Straininstall - The load measurement, safety monitoring and control business of Straininstall Group.

Pumptools - The design and manufacture of specialist downhole tools and systems for the extraction of oil.

#### Marine Oil Services

Cattedown - The port facility business of FT Everard & Sons.

#### Defence

Defence - comprises Mimic, Ocean fleets and the remaining parts of Rumic.

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

# Notes to the financial statements

## continued

### 13 Goodwill (continued)

The carrying amount of goodwill allocated to each cash generating unit by segment is:

	2007 £000	Restated note 18 2006 £000
Offshore Oil Services		
Scan Tech Norway	14,626	14,176
Fisher Offshore	9,596	6,612
Specialist Technical Services		
Nuclear	4,511	3,059
Fendercare	7,292	7,292
Strainstall	9,064	9,046
Pumptools	6,472	—
Marine Oil Services		
Cattedown	10,259	10,259
Defence	5,370	5,370
	67,190	55,814

The recoverable amount of these units has been assessed based on value in use calculations using cash projections based on financial budgets approved by the board for the next financial year together with projections derived from those budgets for the following four years. Cash flows beyond that date are extrapolated using a lower rate of growth reflecting the expected long term average growth rate for these businesses

Key assumptions used in the value in use calculations

Gross margin  
Discount rate  
Costs and payroll inflation  
Growth rates used to extrapolate cash flows beyond the budget period

Gross margins are based on the levels achieved in the current period as adjusted for expected improvements in the forecast period.

Discount rates reflect managements estimate of the return required from the business to reflect the cost of funds plus an appropriate risk premium. The weighted average discount rate used was 7.0% (2006: 6.5%)

Cost and payroll inflation reflect managements estimate of future growth based on knowledge of the market and comparable businesses. The Group provides specialist services in a competitive market, Payroll costs are therefore influenced by the need to retain skilled staff. As a result the growth rates for payroll costs of up to 7% (2006: 7%) have been used.

Growth rate assumptions reflect management's assessment of the future prospects of the business taking into account the relative maturity and current economic state of the relevant market as well as future investment and marketing strategies. Due to the degree of uncertainty surrounding long term forecasts expected growth rates have been reduced for periods beyond five years from 6%-8% (2006: 6%-8%) in the initial period down to 5% (2006: 5%).

#### Sensitivity to impairment

In order to assess the likelihood of impairment, the impairment calculations have been re-performed using a weighted average discount rate increased to 10%. There continued to be no requirement for an impairment provision.

## 14 Other Intangible assets

Group	Intellectual property £000	Patents & Licences £000	Total £000
Cost:			
At 1 January 2006	–	–	–
Acquisition of subsidiary undertaking	61	–	61
At 31 December 2006	61	–	61
Acquisition of subsidiary undertaking	–	21	21
At 31 December 2007	61	21	82
Amortisation			
At 1 January 2006	–	–	–
Charge for the period	1	–	1
At 31 December 2006	1	–	1
Charge for the period	4	1	5
At 31 December 2007	5	1	6
Net book value at 31 December 2007	56	20	76
Net book value at 31 December 2006	60	–	60
Net book value at 1 January 2006	–	–	–

The Company has no intangible assets.

Intangible assets relate to intellectual property rights and patents and licences acquired by subsidiary companies relating to technology used in the subsidiary's principal operating activities.

Intangible assets are amortised evenly over their remaining useful life of between eight and sixteen years.

# Notes to the financial statements

## continued

### 15 Property, plant and equipment

	Analysis of ships		Total Ships £000	Assets under construction £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
	Ships £000	Refit £000					
<b>Group</b>							
Cost:							
At 1 January 2006	64,166	3,038	67,204	–	7,046	16,092	90,342
Additions	2,166	458	2,624	656	325	3,937	7,542
Reclassifications	–	–	–	–	–	(717)	(717)
Transfer to assets held for resale	(1,288)	(230)	(1,518)	–	–	–	(1,518)
Acquisition of subsidiary undertaking	26,129	1,392	27,521	8,326	2,789	1,645	40,281
Disposals	–	(1,372)	(1,372)	–	(930)	(1,076)	(3,378)
Exchange differences	–	–	–	–	(35)	(252)	(287)
At 31 December 2006	91,173	3,286	94,459	8,982	9,195	19,629	132,265
Restatement (note 18)	1,222	(231)	991	–	–	–	991
At 1 January 2007	92,395	3,055	95,450	8,982	9,195	19,629	133,256
Additions	1,883	4,275	6,158	7,781	2,648	6,673	23,260
Reclassifications	14,804	–	14,804	(15,881)	1,015	62	–
Transfer to assets held for resale	(1,029)	(243)	(1,272)	–	–	–	(1,272)
Acquisition of subsidiary undertaking	–	–	–	–	20	669	689
Disposals	(29,796)	(1,173)	(30,969)	(23)	(114)	(987)	(32,093)
Disposal of subsidiary undertaking	–	–	–	–	–	(33)	(33)
Exchange differences	–	–	–	–	156	699	855
At 31 December 2007	78,257	5,914	84,171	859	12,920	26,712	124,662
<b>Group</b>							
Depreciation and impairment:							
At 1 January 2006	15,648	2,061	17,709	–	534	5,018	23,261
Provided during the year	2,625	689	3,314	–	223	2,124	5,661
Disposals	–	(1,372)	(1,372)	–	(119)	(537)	(2,028)
Exchange differences	–	–	–	–	(6)	(158)	(164)
Impairment	2,906	–	2,906	–	–	–	2,906
At 31 December 2006	21,179	1,378	22,557	–	632	6,447	29,636
Provided during the year	3,438	1,615	5,053	–	290	2,996	8,339
Transfer to assets held for resale	(2)	(98)	(100)	–	–	–	(100)
Disposals	(4,912)	(555)	(5,467)	–	(45)	(498)	(6,010)
Exchange differences	–	–	–	–	19	467	486
At 31 December 2007	19,703	2,340	22,043	–	896	9,412	32,351
Net book value at 31 December 2007	58,554	3,574	62,128	859	12,024	17,300	92,311
Net book value at 1 January 2007	71,216	1,677	72,893	8,982	8,563	13,182	103,620
Net book value at 1 January 2006	48,518	977	49,495	–	6,512	11,074	67,081

#### Impairment

The impairment in December 2006 of £2,906,000 related to the carrying value of the *mt Severn Fisher* following a review by the Directors and is explained further in Note 5.

#### Assets held for resale

The reclassification of £1,172,000 relates to the *mt Alacrity* which was classified as an asset held for sale in June 2007, the value at 31 December 2006 relates to the *mt Allurity* and *mt Arduity* which were disposed of in January 2006.

#### Reclassifications

Reclassifications relate to items previously classified as assets under construction.

The reclassification of £717,000 in 2006 related to assets acquired with the business of Monyana Engineering Services in December 2005. Following a review of these assets certain items were reclassified as inventory.

## 15 Property, plant and equipment (continued)

### Property, plant and equipment held under leasing arrangements

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2007 was £493,000 (2006 £501,000). Included in ships are assets with a cost of £5,435,000 (2006 restated £5,120,000) and accumulated depreciation of £1,601,000 (2006 £1,079,000) which relate to assets held under operating leases. Included in property, plant and equipment is aggregate interest capitalised of £2,340,000 (2006 restated £2,716,000).

	Total Ships £000	Freehold & leasehold property £000	Assets under construction £000	Plant & equipment £000	Total £000
<b>Company</b>					
Cost:					
At 1 January 2006	8,731	1,079	–	841	10,651
Additions	82	59	448	20	609
Disposals	(220)	–	–	(72)	(292)
Inter group transfers	–	–	–	15	15
At 31 December 2006	8,593	1,138	448	804	10,983
Additions	422	14	397	156	989
Reclassifications	–	783	(845)	62	–
Disposals	–	(64)	–	–	(64)
Inter group transfers	–	–	–	70	70
At 31 December 2007	9,015	1,871	–	1,092	11,978
<b>Company</b>					
Depreciation:					
At 1 January 2006	2,424	267	–	652	3,343
Provided during the year	361	67	–	82	510
Disposals	(220)	–	–	(43)	(263)
Inter group transfers	–	–	–	10	10
At 31 December 2006	2,565	334	–	701	3,600
Provided during the year	401	77	–	101	579
Disposals	–	(45)	–	–	(45)
Inter group transfers	–	–	–	34	34
At 31 December 2007	2,966	366	–	836	4,168
<b>Net book value at 31 December 2007</b>	<b>6,049</b>	<b>1,505</b>	<b>–</b>	<b>256</b>	<b>7,810</b>
<b>Net book value at 31 December 2006</b>	<b>6,028</b>	<b>804</b>	<b>448</b>	<b>103</b>	<b>7,383</b>
<b>Net book value at 1 January 2006</b>	<b>6,307</b>	<b>812</b>	<b>–</b>	<b>189</b>	<b>7,308</b>

Included in property, plant and equipment is aggregate interest capitalised of £187,000 (2006 £154,000).

# Notes to the financial statements

## continued

### 16 Investment in joint ventures

The Group has a 25% equity interest in Foreland Holdings Limited, a shipowning and operating company and a 40% equity interest in Fender Care Nigeria Limited, Silvertide Inc, Asteria Navigation Inc and FCN Limited. In 2007 the Group acquired 40% equity interests in Fender Care Benelux BV which operates in Northern Europe and has a 50% interest in Fender Care Omega Limited (India) and a 25% interest in Fender Care Malaysia SDN BHD (Malaysia). These joint ventures, which are referred to as the FCM businesses, are marine services companies operating ship to ship transfers principally in the West Africa region but also in Northern Europe and Asia.

The Group's share of the assets, liabilities and trading results at 31 December 2007 of its joint ventures, all of which are accounted for under the equity accounting method, are as follows:

	Foreland £000	2007 FCN £000	Total £000	Foreland £000	2006 FCN £000	Total £000
Current assets	3,556	789	4,345	3,966	582	4,548
Non-current assets	42,086	635	42,721	43,384	298	43,682
Current liabilities	(2,203)	(478)	(2,681)	(2,148)	(282)	(2,430)
Non-current liabilities	(40,168)	–	(40,168)	(42,225)	–	(42,225)
	3,271	946	4,217	2,977	598	3,575
Revenue	8,841	2,348	11,189	8,533	1,242	9,775
Cost of sales	(4,652)	(1,407)	(6,059)	(4,266)	(757)	(5,023)
Administrative expenses	(233)	(389)	(622)	(131)	(127)	(258)
Profit from operations	3,956	552	4,508	4,136	358	4,494
Finance costs						
Finance income (revenue)	107	8	115	234	–	234
Finance costs	(2,281)	–	(2,281)	(2,563)	–	(2,563)
Profit before tax	1,782	560	2,342	1,807	358	2,165
Taxation	(8)	(12)	(20)	142	(12)	130
Net profit attributable to equity holders	1,774	548	2,322	1,949	346	2,295
Movement on investment in joint ventures						
At 1 January	2,977	598	3,575	2,189	398	2,587
Acquisitions	–	27	27	–	–	–
Impairment provision	–	–	–	–	(10)	(10)
Profit for the year	1,774	548	2,322	1,949	346	2,295
Dividends received	(1,200)	(216)	(1,416)	(1,200)	(75)	(1,275)
Share of fair value gains on cash flow hedges	(280)	–	(280)	39	–	39
Exchange adjustments	–	(11)	(11)	–	(61)	(61)
At 31 December	3,271	946	4,217	2,977	598	3,575

### 17 Financial assets

#### Group

##### Available for sale assets

	2007 £000	2006 £000
At 1 January	1,370	1,368
Acquired with subsidiaries	–	1
Additions	–	1
At 31 December	1,370	1,370

#### Company

At 1 January and 31 December 2007	1,368	1,368
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## 17 Financial assets (continued)

Available for sale financial assets represents the following items:

1. A 19.99% equity interest in SEML De Co-operation Transmanche, an unlisted company incorporated in France, whose main activity is a port and ferry operator.
2. In 2006 the Group acquired an investment of £500 representing a 20% equity interest in Cumbria Nuclear Solutions Limited a company established to facilitate the tendering and acquisition of contracts relating to the Group's Nuclear decommissioning business. The remaining shares are held equally by four other parties representing other decommissioning businesses offering services complementary to those offered by companies within the Group. The company has not traded during the period.
3. As part of the acquisition of FT Everard and Sons Limited in 2006 the Group acquired an investment of £593 in shares in The Baltic Exchange.

The unlisted investments are carried at fair value.

### Investments

#### Company

	Subsidiary undertakings		Total £000
	shares £000	loans £000	
<b>Cost</b>			
At 1 January 2006	31,333	61,748	93,081
Exchange adjustments	–	(580)	(580)
Additions/increases	31,359	11,215	42,574
Repayments	–	(11,006)	(11,006)
At 31 December 2006	62,692	61,377	124,069
Exchange adjustments	–	1,612	1,612
Additions/increases	14,715	24,382	39,097
Repayments	–	(15,762)	(15,762)
At 31 December 2007	77,407	71,609	149,016
<b>Amount provided</b>			
At 1 January 2006	445	10,203	10,648
Released	–	(2,130)	(2,130)
At 31 December 2006	445	8,073	8,518
Released	–	(67)	(67)
At 31 December 2007	445	8,006	8,451
<b>Net book value at 31 December 2007</b>	76,962	63,603	140,565
<b>Net book value at 31 December 2006</b>	62,247	53,304	115,551

A list of subsidiary undertakings is included on page 97

# Notes to the financial statements

## continued

### 18 Business combinations

#### Year ended 31 December 2007

On 23 May 2007 the Company acquired the entire issued share capital of Buchan Technical Services Limited (Buchan), a company specialising in the supply of pumps, hydraulic power packs and related equipment to the offshore industry for a cash consideration of £4,925,000.

On 27 July 2007 the Company acquired the entire issued share capital of Inspection Holdings Limited (NDT) and its subsidiaries for a cash consideration of £1,201,000. The principal activity of the main subsidiary of the acquired business, NDT (Inspection and Testing) Limited is the provision of non destructive testing services, principally to the nuclear and aerospace industries. Additional contingent cash consideration of £800,000 is payable in 2008 subject to the achievement of certain performance criteria relating to the twelve months ended 31 December 2007.

On 2 October 2007 the Company acquired the entire issued share capital of Pump Tools Limited (Pumptools), a company engaged in the design and manufacture of specialist downhole tools and systems to the oil industry for a cash consideration of £7,678,000. Contingent consideration of £22,000 is payable in 2009 to a former deferred shareholder.

The carrying amount and fair value of the assets and liabilities acquired are as follows:

	Buchan	NDT	Pumptools	Total
	£000	£000	£000	£000
Intangible assets	–	–	21	21
Property, plant & equipment	550	85	54	689
Inventories	45	–	606	651
Trade and other receivable	565	812	1,946	3,323
Cash and short term deposits	1,582	232	255	2,069
Trade and other payables	(639)	(420)	(1,390)	(2,449)
Interest-bearing loans and borrowings	–	(137)	–	(137)
Deferred tax	(28)	116	–	88
Fair value of net assets acquired	2,075	688	1,492	4,255
Goodwill arising on acquisitions	2,984	1,452	6,472	10,908
	5,059	2,140	7,964	15,163
Consideration:				
Cash	4,925	1,201	7,678	13,804
Direct costs associated with acquisition	134	139	264	537
Contingent consideration	–	800	22	822
	5,059	2,140	7,964	15,163

#### Year ended 31 December 2006

During the period the Group made payments of contingent consideration of £3,000,000 to the vendors of FT Everard & Sons following the delivery of *mt Superiority* and £2,250,000 following the delivery of *mt Supremity*. A final payment of £750,000 in respect of *mt Supremity* was made in January 2008. A payment of £1,250,000 was made to the vendors of Straininstall Group in accordance with their achievement of the earnout provisions for 2006 included in the purchase agreement. This later amount was settled in part by the issue of £529,000 of loan notes which were redeemed in full during the period.

Included in goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These include customer relationships and an assembled work force.

The fair values shown above are provisional. Goodwill may be subject to adjustment up to twelve months from the date of acquisition. Adjustments will be made if information becomes available or events occur which indicate that the fair values currently assigned are incorrect.

#### Restatement of Goodwill arising on acquisitions

The balance sheet at 31 December 2006 has been restated to accommodate adjustments to goodwill which have been incorporated into the accounts in 2007 during the twelve month review period allowed in the provisions of IFRS 3 – Business Combinations. The most significant adjustments arose on the acquisition of FT Everard & Sons which was acquired on 28 December 2006. Details of the principal adjustments are explained below.

Under the terms of the purchase agreement for FT Everard & Sons the purchase consideration payable has been revised following the agreement of the balance sheet at completion. As a result the total consideration payable has been reduced by £2,062,000. This reduction is principally due to the movement in exchange rates between the date of completion and the date of preparation of the initial estimates which affected the valuation of the vessels acquired. This amount was received in 2007. In December 2006 the amount recoverable was estimated at £1,571,000 and the deferred consideration payable was reduced by this amount. An adjustment of £492,000 has been made to creditors due within one year to reflect this additional adjustment.

## 18 Business combinations (continued)

A further adjustment to goodwill arising on the acquisition of FT Everard & Sons of £175,000 has been made representing an increase in the Group's liability to the MNOPF pension deficit which has been recalculated by the Group's actuaries on a basis consistent with the amount attributable to the pension deficit accounted for by James Fisher and Sons PLC.

Following a review of the fleet requirements the initial fair value of the *mt Agility* and *mt Alacrity* was increased to reflect the decision to dispose of these vessels and the prevailing market conditions. A review of the vessels operated under bareboat leases, *mt Summity* and *mt Stability*, indicated that the terms of the bareboat leases constituted a significant liability to the Group. As a result of this the carrying value of the vessels at acquisition has been provided against and an additional provision representing the discounted present value of the expected onerous liability has been made. The proportion of the liability arising after one year has been included in trade and other creditors due after one year. The total adjustments to property, plant and equipment is £991,000 including £1,222,000 relating to the revision of the fair value of *mt Agility* and *mt Alacrity*.

Other adjustments have been made to trade and other creditors due within one year representing additional liabilities arising from the costs of the acquisition and adjustments to amounts provided for in respect of financial liabilities.

Adjustments have been made to trade and other creditors due within one year representing additional liabilities arising from the costs of the acquisition and adjustments to amounts provided for in respect of financial liabilities in respect of Gjerde and Straininstall. The principal adjustment to the acquisition of Straininstall relates to the provisions for obsolete inventory.

A summary of the adjustments are included in the table below:

	2006 As reported £000	Everard £000	Adjustments Gjerde £000	Straininstall £000	2006 restated £000
Goodwill	55,773	(68)	55	54	55,814
Property, plant & equipment	102,629	991	—	—	103,620
Inventories	11,119	(24)	—	(25)	11,070
Trade and other receivables	32,897	(32)	—	—	32,865
Trade and other payables due after one year	76,146	748	—	—	76,894
Retirement benefit obligations	10,049	175	—	—	10,224
Trade and other payables due within one year	46,365	(56)	55	29	46,393

Net cash flows in respect of acquisitions comprised:

	2007 £000	2006 £000
Per fair value tables:		
Cash consideration and expenses	(14,341)	(26,238)
Net cash acquired	2,069	2,224
	(12,272)	(24,014)
Adjustments:		
Accrued expenses	75	1,910
Payments relating to acquisitions in previous periods:		
Contingent consideration	(6,500)	(27)
Initial consideration recovered	2,062	—
Expenses	(1,851)	(20)
	(18,486)	(22,151)

On 6 October 2006 the Company acquired the entire issued share capital of Straininstall Group Ltd (Straininstall), a company specialising in the design and supply of productivity based monitoring, control, load measurement and structural monitoring systems, for a cash consideration of £5,250,000. Additional contingent consideration of up to £1,750,000 is payable subject to the achievement of performance conditions relating to the twelve months ended 31 December 2006 and 31 December 2007.

On 28 November 2006 the Group acquired the entire issued share capital of Gjerde Lofteteknikk (Gjerde), a supplier of specialist lifting equipment to the offshore and subsea market, for a consideration of NOK 8,000,000, (£644,000).

On 1 December 2006 the Group acquired 70% of the issued share capital of Soil Dynamics (Malaysia) Sdn Bhd, (Soil Dynamics), a specialist in groundwork engineering and pile testing, for a consideration of £325,000. Additional contingent consideration of £200,000 is payable in January 2008 subject to the achievement of certain performance criteria. The Group also has an option to acquire the outstanding 30% of the share capital of Soil Dynamics that it does not already own which is exercisable at any time after 1 January 2008.

# Notes to the financial statements

## continued

### 18 Business combinations (continued)

The provisional fair values of the assets and liabilities acquired are as follows:

	Soil Dynamics Carrying amount & fair value £000	Carrying amount £000	Straininstall Fair value adjustments £000	Fair value £000	Gjerde Carrying amount & fair value £000	Total Fair value £000
Goodwill	–	3,557	(3,557)	–	–	–
Intangible assets	–	101	(40)	61	–	61
Property, plant & equipment	74	1,444	178	1,622	117	1,813
Inventories	138	1,825	–	1,825	220	2,183
Trade and other receivables	135	3,300	–	3,300	483	3,918
Cash and short term deposits	41	378	–	378	8	427
Trade and other payables	(137)	(3,196)	–	(3,196)	(340)	(3,673)
Interest-bearing loans and borrowings	–	(4,166)	–	(4,166)	(212)	(4,378)
Contingent consideration	–	(750)	–	(750)	–	(750)
Deferred tax liability	(5)	(67)	–	(67)	–	(72)
less: Minority interest	(74)	–	–	–	–	(74)
Fair value of net assets acquired	172	2,426	(3,419)	(993)	276	(545)
Goodwill arising on acquisitions	405	–	–	8,587	405	9,397
	577	2,426	(3,419)	7,594	681	8,852
Consideration:						
Cash	325	–	–	5,250	644	6,219
Direct costs associated with acquisition	52	–	–	594	37	683
Contingent consideration	200	–	–	1,750	–	1,950
	577	–	–	7,594	681	8,852

The principal fair value adjustments in Straininstall relate to goodwill and the valuation of freehold property.

On 28 December 2006 the Company acquired the entire issued share capital of FT Everard & Sons, (Everard), for an initial consideration of £23,583,000 of which £6,000,000 is contingent consideration. Everard operated a fleet of clean petroleum product tankers, in North West Europe and had a number of related marine services businesses. The contingent consideration was dependent on delivery of two vessels then under construction on behalf of Everard and was payable on delivery of these vessels provided this was before 1 January 2008, after which it lapsed.

The provisional fair values of the assets and liabilities acquired were as follows:

	Carrying amount adjustments £000	Everard Fair value adjustments £000	Total Fair value £000
Property, plant & equipment	44,314	(7,381)	36,933
Non-current assets classified as held for sale	1,518	–	1,518
Available for sale investments	1	–	1
Inventories	629	–	629
Trade and other receivables	4,688	–	4,688
Cash and short term deposits	1,797	–	1,797
Trade and other payables	(5,802)	–	(5,802)
Interest-bearing loans and borrowings	(21,595)	–	(21,595)
Retirement benefit obligations	(3,360)	–	(3,360)
Deferred tax liability	(5,104)	3,733	(1,371)
Fair value of net assets acquired	17,086	(3,648)	13,438
Goodwill arising on acquisition			10,327
			23,765
Consideration:			
Cash			17,583
Direct costs associated with acquisition			1,753
Contingent consideration			4,429
			23,765

Deferred taxation was adjusted by £3,733,000 following the inclusion of FT Everard & Sons and certain subsidiary companies in the Group's tonnage tax registration.

## 18 Business combinations (continued)

The fair value adjustments in Everard relate to the valuation of the Everard fleet and freehold property.

Included in goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured due to their nature. These include customer relationships and an assembled work force.

The fair values shown above are provisional. Goodwill may be subject to adjustment up to twelve months from the date of acquisition. Adjustments will be made if information becomes available or events occur which indicate that the fair values currently assigned are incorrect.

Contingent consideration payable of £6,000,000 in respect of the two remaining vessels to be delivered was reduced by £1,571,000 to reflect changes in the valuation of the assets acquired between the date at which the initial consideration was agreed and the completion date. The largest component of this change being movements in exchange rates.

### Contributions to group results

The overall contribution of the businesses acquired during the period to the Group's profit after tax was £463,000 with £6,347,000 being contributed to Group revenue.

Had the business combinations taken place at the start of the financial year the Group profit after tax from continuing operations for the year would have been £1,582,000, and the revenue from continuing operations would have been £10,795,000.

In 2006 Everard did not make any contributions to Group revenue or profit during the year. The overall contribution of the businesses acquired during the period to the Group's profit after tax was £194,000 with £4,731,000 being contributed to Group revenue.

Had the business combinations arising in 2006 taken place at the start of the financial year the Group profit after tax from continuing operations for the year would have been £11,725,000, and the revenue from continuing operations would have been £169,100,000.

## 19 Inventories

	Group		Company	
	2007 £000	Restated note 18 2006 £000	2007 £000	2006 £000
Work in progress	8,101	2,928	—	—
Raw material and consumable stores	4,365	3,914	—	—
Finished goods	6,005	4,426	—	—
	18,471	11,268	—	—

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Inventories stated at net realisable value	8	—	—	—
Amount charged to the income statement in respect of inventory write-downs	66	90	—	2
Reversal of inventory-write downs	(36)	(9)	—	—

## 20 Trade and other receivables

	Group		Company	
	2007 £000	Restated note 18 2006 £000	2007 £000	2006 £000
Trade receivables	30,796	26,197	38	447
Amounts owed by group undertakings	—	—	1,761	925
Amounts owed by joint venture undertakings	963	71	29	30
Other non-trade receivables	1,727	1,672	224	386
Prepayments and accrued income	6,337	4,925	649	357
	39,823	32,865	2,701	2,145

Trade receivables are non interest-bearing and are generally on 3 to 30 days terms. At 31 December 2007 the value of trade debtors outstanding in excess of the standard expected credit term was £10,783,000 (2006: £8,477,000).

# Notes to the financial statements

## continued

### 20 Trade and other receivables (continued)

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used.

Trade receivables are shown net of an allowance for unrecoverable amounts, movements on which are as follows:

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Balance at 1 January 2007	123	56	—	—
Exchange differences	2	(1)	—	—
Additional provisions	1,104	110	—	—
Recoveries	(5)	(26)	—	—
Write offs	(84)	(16)	—	—
Balance at 31 December	1,140	123	—	—

Trade and other receivables expected to be recovered in more than one year comprise:

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Trade receivables	—	—	—	—
Amounts recoverable on contracts	—	—	—	—
Other receivables	8	1	—	—
Prepayments and accrued income	7	—	—	—
	15	1	—	—

### 21 Cash and cash equivalents

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Short-term deposits	—	—	—	—
Cash at bank and in hand	13,221	9,655	1,237	815
	13,221	9,655	1,237	815

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £13,221,000 (2006: £9,655,000).

Included in cash at bank at 31 December 2007 is €2,969,000 (£2,180,000) which has been provided to the Group by the European Maritime Safety Agency (EMSA). Under the terms of a contract between James Fisher Everard and EMSA for the provision of standby oil recovery services for North West European waters this balance is to be used exclusively to acquire equipment and fit out three vessels operated by James Fisher Everard which will provide this service. Due to the restricted nature of the use of these funds provision has been made in creditors due within one year for the obligation to return these funds to EMSA should they not be spent. It is anticipated that these funds will have been fully utilised by 31 March 2008 when the obligations under the contract are due to commence.

At 31 December 2007, the Group has available £23,314,000 of undrawn committed bank facilities (2006: £38,748,000). The committed bank facilities falling due for renewal (at the option of the Company) within twelve months at 31 December 2007 were £15,000,000 (2006: £74,500,000).

Further analysis of the movements on cash and cash equivalents is given in Note 28.

### 22 Share capital

	2007 £000	2006 £000
<b>Group &amp; company</b>		
<b>Authorised</b>		
66,320,000 ordinary shares of 25p each	16,580	16,580
100,000 3.5% cumulative preference shares of £1 each	100	100
<b>Allotted and called up</b>		
49,710,193 (2006 49,507,951) ordinary shares of 25p each	12,428	12,377
100,000 3.5% cumulative preference shares of £1 each	100	100

## 22 Share capital (continued)

Rights attached to shares

The shareholders have the following rights to receive dividends:

£1 cumulative preference shares receive 3.5% per annum on the par value.

25p ordinary shares as declared from time to time by the directors.

Neither type of share is redeemable. In the event of a winding up order the amount receivable in respect of the cumulative preference shares is limited to their nominal value. The ordinary shareholders are entitled to an unlimited share of the surplus after distribution to the cumulative preference shareholders.

	2007 £000	2006 £000
<b>Treasury shares</b>		
312,870 (2006 392,952) ordinary shares of 25p	1,134	1,147

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 Scheme, Executive Share Option Scheme and Long Term Incentive Plan for employees including directors. Options over these shares have been granted to directors and senior employees. These shares are classified as Treasury shares in the accounts of the Group and Company. The market value of these shares at 31 December 2007 was £2,055,556 (2006: £2,377,360). The trust has not waived its right to receive dividends.

During the year 202,242 ordinary shares with an aggregate nominal value of £50,560 were issued under the Company's Executive Share Option Scheme and Savings Related Share Option Scheme at option prices of 67p, 122p, 142p and 143p per share, giving rise to a total consideration of £274,682.

During 2006 127,993 ordinary shares with an aggregate nominal value of £31,998 were issued under the Company's Executive Share Option Scheme and Savings Related Share Option Scheme at option prices of 122p, 142p and 211p per share, giving rise to a total consideration of £185,873

## 23 Reconciliation of movements in equity

Group

	Capital		Reserves					
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Total shareholders equity £000	Minority Interests £000	Total equity £000
At 1 January 2006	12,345	23,960	38,030	178	(1,184)	73,329	—	73,329
At acquisition	—	—	—	—	—	—	74	74
Total recognised income and expense in the period	—	—	17,151	(274)	—	16,877	(3)	16,874
Ordinary dividends paid	—	—	(4,499)	—	—	(4,499)	—	(4,499)
Share-based compensation expense	—	—	516	—	—	516	—	516
Purchase of shares	—	—	—	—	(242)	(242)	—	(242)
Sale of shares	—	—	—	—	13	13	—	13
Arising on the issue of shares	32	154	—	—	—	186	—	186
Transfer on disposal of shares	—	—	(266)	—	266	—	—	—
At 31 December 2006	12,377	24,114	50,932	(96)	(1,147)	86,180	71	86,251
At acquisition	—	—	—	—	—	—	—	—
Total recognised income and expense in the period	—	—	11,292	974	—	12,266	57	12,323
Ordinary dividends paid	—	—	(5,129)	—	—	(5,129)	—	(5,129)
Share-based compensation expense	—	—	587	—	—	587	—	587
Purchase of shares	—	—	—	—	(276)	(276)	—	(276)
Sale of shares	—	—	—	—	2	2	—	2
Arising on the issue of shares	51	224	—	—	—	275	—	275
Transfer on disposal of shares	—	—	(287)	—	287	—	—	—
At 31 December 2007	12,428	24,338	57,395	878	(1,134)	93,905	128	94,033

# Notes to the financial statements

## continued

### 23 Reconciliation of movements in equity (continued)

Other reserves	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2006	212	(34)	178
Cash flow hedges:			
Transferred to the income statement	–	7	7
Fair value losses in the period	–	62	62
Share of fair value gains of joint ventures	–	39	39
Recognised income in the period including the effect of net investment hedges	(382)		(382)
At 31 December 2006	(170)	74	(96)
Cash flow hedges:			
Transferred to the income statement	–	8	8
Fair value gains in the period	–	(188)	(188)
Share of fair value gains of joint ventures	–	(280)	(280)
Recognised income in the period including the effect of net investment hedges	1,434	–	1,434
At 31 December 2007	1,264	(386)	878

#### Company

	Capital			Reserves		
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Total £000
At 1 January 2006	12,345	23,960	11,150	(78)	(1,184)	46,193
Total recognised income and expense in the period	–	–	10,699	69	–	10,768
Ordinary dividends paid	–	–	(4,499)	–	–	(4,499)
Share-based compensation expense	–	–	500	–	–	500
Purchase of shares	–	–	–	–	(242)	(242)
Sale of shares	–	–	–	–	13	13
Arising on the issue of shares	32	154	–	–	–	186
Transfer on disposal of shares	–	–	(266)	–	266	–
At 31 December 2006	12,377	24,114	17,584	(9)	(1,147)	52,919
Total recognised income and expense in the period	–	–	5,188	(180)	–	5,008
Ordinary dividends paid	–	–	(5,129)	–	–	(5,129)
Share-based compensation expense	–	–	483	–	–	483
Purchase of shares	–	–	–	–	(276)	(276)
Sale of shares	–	–	–	–	2	2
Arising on the issue of shares	51	224	–	–	–	275
Transfer on disposal of shares	–	–	(287)	–	287	–
At 31 December 2007	12,428	24,338	17,839	(189)	(1,134)	53,282

	Translation reserve £000	Hedging reserve £000	Total £000
Other reserves			
At 1 January 2006	–	(78)	(78)
Cash flow hedges:			
Transferred to the income statement	–	7	7
Fair value of gains in the period	–	62	62
At 31 December 2006	–	(9)	(9)
Cash flow hedges:			
Transferred to the income statement	–	8	8
Fair value of losses in the period	–	(188)	(188)
At 31 December 2007	–	(189)	(189)

#### Translation reserve

The translation reserve contains all foreign exchange differences arising from the translation of the Group's net investment in overseas subsidiaries and joint ventures. The translation reserve also contains the hedging of net investments in foreign operations

#### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred, plus the Group's share of the equivalent transactions in its joint ventures.

## 24 Trade and other payables

### Non current liabilities

	Group		Company	
	2007 £000	Restated note 18 2006 £000	2007 £000	2006 £000
Contingent consideration	22	875	22	500
Accruals and deferred income	1,990	1,483	–	–
	2,012	2,358	22	500

### Current liabilities

	Group		Company	
	2007 £000	Restated note 18 2006 £000	2007 £000	2006 £000
Trade payables	14,557	13,720	981	1,555
Amounts owed to group undertakings	–	–	12,735	6,905
Amounts owed to joint venture undertakings	–	–	–	–
Taxation and social security	686	1,493	163	97
Other payables	1,600	978	74	130
Accruals and deferred income	15,064	12,034	1,397	1,888
Contingent consideration	3,000	5,762	2,050	5,679
	34,907	33,987	17,400	16,254

## 25 Retirement benefit assets and obligations

The Retirement benefit obligations included in the Group and Company balance sheets relate to three defined benefit schemes operated by the Group, being The James Fisher and Sons Public Limited Company Pension Fund for Shore Staff, (Shore staff); The James Fisher and Sons Public Limited Company Pension Fund for Permanent Dockworkers, (Dockworkers) and The Everard Group Pension Fund (Everard), together with the Group's obligations to the Merchant Navy Officers Pension Fund (MNOF), an industry wide scheme which is also accounted for as a defined benefit scheme. The Company has obligations under the Shore Staff and Dockworkers schemes and under the MNOF scheme, the balance of which relates to its subsidiary, FT Everard & Sons.

As required by IAS 19 the valuations of the schemes have been updated to 31 December 2007 by qualified actuaries using agreed assumptions consistent with those used in 2006 except where stated in the table of assumptions included below.

The Group's assets and obligations in respect of its pension schemes at 31 December 2007 were as follows:

### Assets

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Shore staff pension scheme	528	–	528	–
Everard Group pension scheme	–	–	–	–
	528	–	528	–

### Obligations

	Group		Company	
	2007 £000	Restated note 18 2006 £000	2007 £000	2006 £000
Shore staff pension scheme	–	(1,400)	–	(1,400)
Dockworkers pension scheme	(916)	(1,550)	(916)	(1,550)
Everard group pension scheme	–	(73)	–	–
MNOF pension scheme	(10,988)	(7,201)	(5,662)	(3,739)
	(11,904)	(10,224)	(6,578)	(6,689)

# Notes to the financial statements

## continued

### 25 Retirement benefit obligations (continued)

Details of the schemes operated by the Group are as follows:

#### **James Fisher and Sons Public Limited Company Pension Fund for Shore Staff**

This scheme is the Group's principal pension scheme of the defined benefit type with assets held in a separate trustee administered account. This scheme was closed to new members in October 2001 when 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, HSBC actuaries and consultants Limited. The latest actuarial review of the Shore Staff Scheme was at 1 August 2004.

The Company reviews the position of the pension schemes at three yearly intervals. As a result of the review carried out in 2005 the Company agreed a deficit recovery plan with the trustees of the scheme. Under this plan the Company made a special payment of £1,601,000 in 2006.

In 2005 the Company decided to close the Shore Staff Scheme to existing members from 2010. At this time members contributing to the scheme can transfer to a stakeholder scheme option. During the remaining period that the scheme remains open to existing members the rate of growth of pensionable salary reduced to 1.5%.

The Company is currently contributing 14.7% (2006: 14.7%) of pensionable pay plus regular contributions of £55,000 (2006: £55,000) per month into the Shore Staff Scheme. Contributions will continue at this level in 2008.

The Group has recognised an asset of £528,000 in respect of the surplus in the Shore Staff Scheme. This is the amount recoverable from the scheme by the Group through reduced contributions and represents the value of employer's service cost over the remaining period until accrual ceases in 2010.

#### **James Fisher and Sons Public Limited Company Pension and Life assurance scheme for Permanent Dockworkers**

The Group also operates a paid up defined benefit scheme for dockworkers. The latest actuarial valuation of the scheme was at 31 March 2005.

As a result of the review carried out in 2005 the Company agreed a deficit recovery plan with the trustees of the scheme. Under this plan the Company made monthly payments of £20,833 (2006: £20,833) into the scheme. Contributions will continue at this level in 2008.

#### **The Everard Group Pension Fund**

FT Everard & Sons operated a defined benefit scheme which was closed to new entrants from 1 April 2004 and closed to future accrual from 1 March 2005. Under a deficit reduction plan agreed with the schemes trustees, FT Everard & Sons Limited is making annual additional contributions of £286,000 for a period of thirteen years commencing 1 March 2005.

The fund is contributed to by more than one employer. The other employer concerned is Everard Insurance Brokers Limited (EIB). As referred to in Note 30 the Group has agreed to guarantee the share of any actuarial deficit in the scheme attributable to EIB up to a value of £2 million. The proportion of the scheme attributable to EIB is not separately identifiable however this is considered insignificant in relation to the scheme membership as a whole.

After taking this into consideration the Directors have decided to account for the scheme as a defined benefit scheme and the disclosures given in this note relate to the whole of the scheme's assets and obligations.

At 31 December an actuarial surplus of £1,506,000 exists relating to the Everard Scheme. No element of surplus has been recognised as this scheme is already closed to future accrual.

#### **Merchant Navy Officers Pension Fund**

In 2005 the High Court established that former as well as existing employers will be liable to make payments in respect of the funding deficit of the MNOPF. The Company is informed by the Trustees as to the level of annual payments it will be required to make into the fund over a period of ten years commencing October 2005 representing its share of the deficit disclosed in the initial actuarial valuation carried out as at 31 March 2003, as revised by the latest valuation as at 31 March 2006. Following the acquisition of Everard in December 2006 the Group took on additional liabilities in respect of the share of the MNOPF attributable to FT Everard & Sons and its subsidiaries.

As stated in Note 30 the Trustees have also indicated that they may make calls for further contributions in the future, if new deficits arise or if other employers liable for contributions are not able to pay their share. In February 2007 the Group was notified that the Trustees are expecting a shortfall in receipts from members of approximately 10% of the amount requested. As a result the outstanding deficit has been reallocated with the result being that the Company is liable for an additional £80,000 per annum payable in eight annual instalments from 31 March 2007. An adjustment of £537,000 was included in the statement of recognised income and expense in December 2006 representing the fair value of this liability.

A new actuarial valuation of the scheme was carried out at 31 March 2006. In August 2007 following the approval of this 2006 actuarial valuation of the scheme, the Trustees issued calls for further contributions. As a result of these additional claims the total amount paid by the Group in 2007 to the MNOPF was £1,896,000 (2006: £524,000). The amount paid in 2006 excludes any amount relating to Everard which was acquired in December 2006. The total paid by the enlarged Group in 2006 was £1,074,000. Following further review and discussion with the MNOPF during 2006, the Company established that there are additional liabilities in respect of three additional claims relating to former employers covered under the scheme. Two of these have been added to the ten year payment plan and one small claim settled in full during the period. One further claim has also been settled in 2007. The Group is not aware of any further outstanding claims in respect of the MNOPF.

## 25 Retirement benefit obligations (continued)

The Group has an annual commitment to make seven further annual payments of £1,837,000 to the scheme on 31 March each year.

Since the Company has no control over the calls for contributions made from the MNOPF, it has determined that the fund should be accounted for as a defined benefit scheme and its liability recognised accordingly. The share of the Group and Company in the MNOPF as advised by the Trustees is Group 3.1% (2006: 3.6%) and Company 1.6% (2006: 1.9%). Disclosures relating to this scheme are based on these allocations.

Information supplied by the Trustees of the MNOPF has been reviewed by the Company's actuaries. The principal assumption in the review is the discount rate on the scheme's liabilities which is 5.8% (2006: 5.1%). The disclosures below relate to the Group's share of the assets and liabilities within the MNOPF. As no current contributing members within the MNOPF are employed by the Group or any of its subsidiaries, the Group is not liable for future accrual; it is only liable for contributions to correct any deficit.

The assets and liabilities attributable to the Group and Company are shown below. Note that the assets and liabilities are both shown as at 31 March 2006 and have not been updated to 31 December 2007. The adjustment line reflects the overall adjustment required to the deficit as at 31 March 2006 to allow for the following:

Market condition changes between the valuations in 2003 and 2006 and 31 December 2007; and that the Group has to disclose the position according to the requirements of IFRS, whereas the contributions were calculated using the MNOPF's funding basis.

The valuation of the share of the liability relating to Everard at 31 December 2006 has been restated onto the same basis as the assumptions used by the Group's actuaries to value the share of the liability accounted for by James Fisher and Sons PLC. The effect of this adjustment is to increase the liability at that date by £175,000. As stated in Note 18 this has been added to the goodwill attributable to the acquisition of Everard.

### Actuarial assumptions

The last actuarial valuations performed have been updated to 31 December 2007 by the Company's actuary, HSBC actuaries and consultants Limited. The scheme's assets are stated at their market values on the respective balance sheet dates. The overall expected rates of return on assets reflect the risk free rate of return plus an appropriate risk premium based on the nature of the relevant asset category. The principal assumptions used in updating the latest valuations for each of the schemes were:

		2007 %pa	2006 %pa
Inflation		2.9	2.5
Rate of general long term increase in salaries		1.5	1.5
Rate of increase of pensions in payment - Dockworkers		3.0	3.0
Rate of increase of pensions in payment - Shore staff		2.9	2.5
Rate of increase of pensions in payment - Everard		2.9/3.0	2.5/3.0
Discount rate for scheme liabilities		5.8	5.1
Expected rates of return on assets			
Equities		7.5	7.6
Gilts/Corporate bonds		4.5	4.5
Property		6.5	6.6
Insurance policies		4.5	4.5
Cash/net current assets		4.5	4.5
Post retirement mortality:			
shore staff scheme			
Current pensioner at 65	male	20.8	20.8
Current pensioner at 65	female	23.6	23.6
Future pensioner at 65	male	21.5	21.5
Future pensioner at 65	female	24.3	24.3
Dockworkers scheme			
Current pensioner at 65	male	19.2	19.2
Current pensioner at 65	female	21.9	21.9
Future pensioner at 65	male	20.0	20.0
Future pensioner at 65	female	22.6	22.6
Everard scheme			
Current pensioner at 65	male	16.9	16.9
Current pensioner at 65	female	19.9	19.9
Future pensioner at 65	male	19.8	19.8
Future pensioner at 65	female	22.8	22.8

The post-retirement mortality assumptions allow for expected increase in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to an employee retiring in 2024, the average year of retirement.

# Notes to the financial statements

## continued

### 25 Retirement benefit obligations (continued)

#### Investments

The schemes' assets do not include any of the Group's own financial instruments, nor any property occupied by, or used by the Group.

The expected rate of return on individual categories of scheme assets are determined by reference to gilt yields. The expectation is that the return from equities and corporate bonds will exceed the return from gilts by 3% and 1.3% per annum respectively.

#### Sensitivity of assumptions

The key actuarial assumptions affecting the level of surplus or deficit on the Group's defined benefit schemes are:

Discount rate for scheme liabilities

Post retirement mortality rates

Changes in the assumptions relating to one of these items, assuming all other factors remain constant, would have the following impact on the Group's overall pension obligations:

	Change in obligation			
	Shore Staff £000	Dockworkers £000	Everard £000	MNOPF £000
1% reduction in Discount rate for scheme liabilities	(5,707)	(1,031)	(2,499)	(357)
Increase in post retirement mortality rates of one year	1,046	197	509	*
Reduction in post retirement mortality rates of one year	(1,030)	(196)	(507)	*

\* Not available

It is highly unlikely that changes would occur in one of these key assumptions without the others being affected. The impact of a combination of changes may increase or reduce the overall movement in the pension obligations.

The assets and liabilities of the schemes at 31 December are:

#### Group

As at 31 December 2007	Shore Staff £000	Dockworkers £000	Everard £000	MNOPF £000	Total £000
Equities	20,460	4,163	12,343	59,963	96,929
Gilts/Corporate bonds	7,207	—	1,499	19,088	27,794
Property	—	85	405	8,598	9,088
Insurance policies	—	2,488	—	—	2,488
Cash/net current assets	(16)	28	389	7,532	7,933
Fair value of scheme assets	27,651	6,764	14,636	95,181	144,232
Present value of scheme liabilities	(26,994)	(7,680)	(13,130)	(106,180)	(153,984)
Restriction of actuarial gains	(129)	—	(1,506)	—	(1,635)
Adjustment to MNOPF deficit	—	—	—	11	11
Net pension assets/(liabilities) recognised in the balance sheet	528	(916)	—	(10,988)	(11,376)

#### Group

As at 31 December 2006	Shore Staff £000	Dockworkers £000	Everard £000	Restated note 18 MNOPF £000	Total £000
Equities	20,550	3,770	12,073	24,969	61,362
Gilts/Corporate bonds	6,500	—	1,851	11,955	20,306
Property	—	100	99	4,774	4,973
Insurance policies	—	2,700	—	—	2,700
Cash/net current assets	250	20	280	550	1,100
Fair value of scheme assets	27,300	6,590	14,303	42,248	90,441
Present value of scheme liabilities	(28,700)	(8,140)	(14,376)	(49,423)	(100,639)
Adjustment to MNOPF deficit	—	—	—	(26)	(26)
Net pension liabilities recognised in the balance sheet	(1,400)	(1,550)	(73)	(7,201)	(10,224)

## 25 Retirement benefit obligations (continued)

### Company

As at 31 December 2007	Shore Staff £000	Dockworkers £000	MNOPF £000	Total £000
Equities	20,460	4,163	30,721	55,344
Gilts/Corporate bonds	7,207	–	9,779	16,986
Property	–	85	4,405	4,490
Insurance policies	–	2,488	–	2,488
Cash/net current assets	(16)	28	3,859	3,871
Fair value of scheme assets	27,651	6,764	48,764	83,179
Present value of scheme liabilities	(26,994)	(7,680)	(54,400)	(89,074)
Restriction of actuarial gain	(129)	–	–	(129)
Adjustment to MNOPF deficit	–	–	(26)	(26)
Net pension assets/(liabilities) recognised in the balance sheet	528	(916)	(5,662)	(6,050)

### Company

As at 31 December 2006	Shore Staff £000	Dockworkers £000	MNOPF £000	Total £000
Equities	20,550	3,770	12,924	37,244
Gilts/Corporate bonds	6,500	–	6,188	12,688
Property	–	100	2,470	2,570
Insurance policies	–	2,700	–	2,700
Cash/net current assets	250	20	285	555
Fair value of scheme assets	27,300	6,590	21,867	55,757
Present value of scheme liabilities	(28,700)	(8,140)	(25,490)	(62,330)
Adjustment to MNOPF deficit	–	–	(116)	(116)
Net pension liabilities recognised in the balance sheet	(1,400)	(1,550)	(3,739)	(6,689)

The actuarial gains reported in the Group and Company statement of recognised income and expense (SORIE) have been limited due to the restriction of the Group to recognising as an asset only that element of the surpluses which it considers to be recoverable.

Expenses recognised in the income statement (included in administrative expenses).

### Group

Year ended 31 December 2007	Shore Staff £000	Dockworkers £000	Everard £000	MNOPF £000	Total £000
Current service cost	176	–	–	–	176
Interest cost on benefit obligation	1,432	410	726	368	2,936
Expected return on plan assets	(1,772)	(388)	(992)	–	(3,152)
	(164)	22	(266)	368	(40)
Actual return on plan assets	713	–	704		

### Group

Year ended 31 December 2006	Shore Staff £000	Dockworkers £000	Everard £000	MNOPF £000	Total £000
Current service cost	300	–	–	–	300
Interest cost on benefit obligation	1,500	400	–	170	2,070
Expected return on plan assets	(1,500)	(300)	–	–	(1,800)
	300	100	–	170	570
Actual return on plan assets	2,200	460	–		

# Notes to the financial statements

## continued

### 25 Retirement benefit obligations (continued)

#### Company

Year ended 31 December 2007	Shore Staff £000	Dockworkers £000	MNOPF £000	Total £000
Current service cost	176	—	—	176
Interest cost on benefit obligation	1,432	410	191	2,033
Expected return on plan assets	(1,772)	(388)	—	(2,160)
	(164)	22	191	49
Annual return on plan assets	713	—		

#### Company

Year ended 31 December 2006	Shore Staff £000	Dockworkers £000	MNOPF £000	Total £000
Current service cost	300	—	—	300
Interest cost on benefit obligation	1,500	400	170	2,070
Expected return on plan assets	(1,500)	(300)	—	(1,800)
	300	100	170	570
Annual return on plan assets	2,200	460		

#### Movements in the benefit liability during the year

#### Group

Year ended 31 December 2007	Shore Staff £000	Dockworkers £000	Everard £000	MNOPF £000	Total £000
As at 1 January	1,400	1,550	73	7,201	10,224
Expense recognised in the income statement	(164)	22	(266)	368	(40)
Contributions paid to scheme	(963)	(250)	(286)	(1,896)	(3,395)
Actuarial (gain)/loss	(801)	(406)	479	5,315	4,587
As at 31 December	(528)	916	—	10,988	11,376

#### Group

Year ended 31 December 2006	Shore Staff £000	Dockworkers £000	Everard £000	Restated note 18 MNOPF £000	Total £000
As at 1 January	8,100	2,400	—	3,036	13,536
Expense recognised in the income statement	300	100	—	170	570
Contributions paid to scheme	(2,500)	(250)	—	(524)	(3,274)
Acquired with subsidiaries	—	—	73	3,462	3,535
Actuarial (gain)/loss	(4,500)	(700)	—	1,057	(4,143)
As at 31 December	1,400	1,550	73	7,201	10,224

#### Company

Year ended 31 December 2007	Shore Staff £000	Dockworkers £000	MNOPF £000	Total £000
As at 1 January	1,400	1,550	3,739	6,689
Expense recognised in the income statement	(164)	22	191	49
Contributions paid to scheme	(963)	(250)	(988)	(2,201)
Actuarial (gain)/loss	(801)	(406)	2,720	1,513
As at 31 December	(528)	916	5,662	6,050

#### Company

Year ended 31 December 2006	Shore Staff £000	Dockworkers £000	MNOPF £000	Total £000
As at 1 January	8,100	2,400	3,036	13,536
Expense recognised in the income statement	300	100	170	570
Contributions paid to scheme	(2,500)	(250)	(524)	(3,274)
Actuarial (gain)/loss	(4,500)	(700)	1,057	(4,143)
As at 31 December	1,400	1,550	3,739	6,689

The actuarial (gain)/loss is recognised in the statement of recognised income and expense.

## 25 Retirement benefit obligations (continued)

Changes in the present value of the defined benefit obligation are analysed as follows:

### Group

	Shore Staff £000	Dockworkers £000	Everard £000	Restated note 18 MNOPF £000	Total £000
<b>Year ended 31 December 2007</b>					
As at 1 January	28,700	8,140	14,376	7,201	58,417
Current service cost	176	—	—	—	176
Interest cost	1,432	410	726	368	2,936
Contributions by scheme participants	85	—	—	—	85
Actuarial (gains)/losses on scheme liabilities	(2,073)	(839)	(657)	5,315	1,746
Net benefits paid out	(1,326)	(31)	(1,315)	(1,896)	(4,568)
As at 31 December	26,994	7,680	13,130	10,988	58,792

### Group

	Shore Staff £000	Dockworkers £000	Everard £000	Restated note 18 MNOPF £000	Total £000
<b>Year ended 31 December 2006</b>					
As at 1 January	31,700	8,300	—	3,036	43,036
Current service cost	300	—	—	—	300
Interest cost	1,500	400	—	170	2,070
Contributions by scheme participants	100	—	—	—	100
Actuarial (gains)/losses on scheme liabilities	(3,800)	(540)	—	1,057	(3,283)
Net benefits paid out	(1,100)	(20)	—	(524)	(1,644)
Acquired with subsidiaries	—	—	14,376	3,462	17,838
As at 31 December	28,700	8,140	14,376	7,201	58,417

### Company

	Shore Staff £000	Dockworkers £000	MNOPF £000	Total £000
<b>Year ended 31 December 2007</b>				
As at 1 January	28,700	8,140	3,739	40,579
Current service cost	176	—	—	176
Interest cost	1,432	410	191	2,033
Contributions by scheme participants	85	—	—	85
Actuarial (gains)/losses on scheme liabilities	(2,073)	(839)	2,720	(192)
Net benefits paid out	(1,326)	(31)	(988)	(2,345)
As at 31 December	26,994	7,680	5,662	40,336

### Company

	Shore Staff £000	Dockworkers £000	MNOPF £000	Total £000
<b>Year ended 31 December 2006</b>				
As at 1 January	31,700	8,300	3,036	43,036
Current service cost	300	—	—	300
Interest cost	1,500	400	170	2,070
Contributions by scheme participants	100	—	—	100
Actuarial (gains)/losses on scheme liabilities	(3,800)	(540)	1,057	(3,283)
Net benefits paid out	(1,100)	(20)	(524)	(1,644)
As at 31 December	28,700	8,140	3,739	40,579

Changes in the fair value of the plan assets are analysed as follows:

### Group

	Shore Staff £000	Dockworkers £000	Everard £000	Total £000
<b>Year ended 31 December 2007</b>				
As at 1 January	27,300	6,590	14,303	48,193
Expected return on scheme assets	1,772	388	992	3,152
Actuarial gains on scheme liabilities	(1,143)	(433)	(288)	(1,864)
Contributions by employer	1,048	250	286	1,584
Contributions by scheme participants	—	—	—	—
Net benefits paid out	(1,326)	(31)	(657)	(2,014)
As at 31 December	27,651	6,764	14,636	49,051

# Notes to the financial statements

## continued

### 25 Retirement benefit obligations (continued)

#### Group

Year ended 31 December 2006	Shore Staff £000	Dockworkers £000	Everard £000	Total £000
As at 1 January	23,600	5,900	–	29,500
Expected return on scheme assets	1,500	300	–	1,800
Actuarial gains on scheme liabilities	700	160	–	860
Contributions by employer	2,500	250	–	2,750
Contributions by scheme participants	100	–	–	100
Net benefits paid out	(1,100)	(20)	–	(1,120)
Acquired with subsidiaries	–	–	14,303	14,303
As at 31 December	27,300	6,590	14,303	48,193

#### Company

Year ended 31 December 2007	Shore Staff £000	Dockworkers £000	Total £000
As at 1 January	27,300	6,590	33,890
Expected return on scheme assets	1,772	388	2,160
Actuarial gains on scheme liabilities	(1,143)	(433)	(1,576)
Contributions by employer	1,048	250	1,298
Contributions by scheme participants	–	–	–
Net benefits paid out	(1,326)	(31)	(1,357)
As at 31 December	27,651	6,764	34,415

#### Company

Year ended 31 December 2006	Shore Staff £000	Dockworkers £000	Total £000
As at 1 January	23,600	5,900	29,500
Expected return on scheme assets	1,500	300	1,800
Actuarial gains on scheme liabilities	700	160	860
Contributions by employer	2,500	250	2,750
Contributions by scheme participants	100	–	100
Net benefits paid out	(1,100)	(20)	(1,120)
Acquired with subsidiaries	–	–	–
As at 31 December	27,300	6,590	33,890

#### History of experience gains and losses:

Shore Staff	2007 £000	2006 £000	2005 £000	2004 £000
Fair value of scheme assets	27,651	27,300	23,600	19,400
Defined benefit obligation	(26,994)	(28,700)	(31,700)	(29,600)
Restriction of actuarial gain	(129)	–	–	–
Surplus/(deficit) in scheme	528	(1,400)	(8,100)	(10,200)
Experience (losses)/gains on scheme assets	(1,059)	700	2,500	400
Experience (losses)/gains on scheme liabilities	(82)	–	–	1,200
Dockworkers	2007 £000	2006 £000	2005 £000	2004 £000
Fair value of scheme assets	6,764	6,590	5,900	4,700
Defined benefit obligations	(7,680)	(8,140)	(8,300)	(7,300)
Deficit in scheme	(916)	(1,550)	(2,400)	(2,600)
Experience (losses)/gains on scheme assets	(388)	160	500	300
Experience gains on scheme liabilities	42	–	–	300
Everard	2007 £000			
Fair value of scheme assets	14,636			
Defined benefit obligation	(13,130)			
Restriction of actuarial gain	(1,506)			
Surplus/deficit in scheme	–			
Experience losses on scheme assets	(288)			
Experience gains on scheme liabilities	141			

## 25 Retirement benefit obligations (continued)

MNOFF	Group			Company		
	2007 £000	2006 £000	2005 £000	2007 £000	2006 £000	2005 £000
Fair value of scheme assets	—	—	—	—	—	—
Defined benefit obligation	(10,988)	(7,201)	(3,036)	(5,662)	(3,739)	(3,036)
Deficit in scheme	(10,988)	(7,201)	(3,036)	(5,662)	(3,739)	(3,036)
Experience gains/(losses) on scheme assets	—	—	—	—	—	—
Experience losses on scheme liabilities	—	—	(3,426)	—	—	(3,426)

The cumulative amount of actuarial gains and losses to all schemes recognised since 1 January 2004 in the Group and Company statement of total recognised income and expense is £(4,575,000) (2006: £12,000). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £12,800,000 in the Group and Company is attributable to actuarial gains and losses since inception of those pension schemes. Consequently the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group and Company statements of recognised income and expense before January 2004.

### Defined Contribution schemes operated by the Company

The Company 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 £187,000 (2006: £169,000).

### Defined Contribution schemes operated by or on behalf of other Group entities

Other defined contributions exist in the Group. The total charge for the year for these schemes amounted to £837,000 (2006: £436,000).

## 26 Share based payments

As noted in the Directors' Remuneration Report, the Company operates an Executive Share Option Scheme and a Long Term Incentive Plan (LTIP) and Share Matching Scheme in respect of directors and certain employees. The Company also operates Save as You Earn (SAYE) schemes for eligible employees which are HM Revenue and Customs approved schemes. Details of the operations of these schemes are set out below.

### Executive share option scheme 1995 (1995 ESOS)

Share options up to a maximum limit of four times base salary may be awarded to board directors and senior executives. The exercise price is determined at the date of grant and may be no lower than the market price on the date of grant. The options vest if the increase in the Company's diluted earnings per ordinary share over a continuous period of three years exceeds inflation and is at least 9%. A failure to meet this target increase during the performance period causes the options to lapse. The contractual life of each option granted is ten years. There are no cash settlement alternatives. The last award made under this scheme was on 10 March 2003.

### Share matching scheme (SMS)

Board directors and senior executives may elect to invest up to a maximum of 50% of annual cash bonus in ordinary shares. These shares are held by the Employee Benefits Trust for a period of three years from the date of lodgement. At the end of this period the employee will receive the original shares plus additional shares equal in number to the original shares. Should the employee leave the Company during the three year period the option to receive the additional shares will lapse. There are no cash settlement alternatives. No grants have been made under this scheme since 2004 and it is not anticipated that any further grants will be made in the future.

### Executive share option scheme 2005 (2005 ESOS)

Share options up to a maximum limit of 100% of base salary may be awarded to board directors and senior executives. The exercise price is equal to the market value at the date of grant. The options vest depending on the Company's total shareholder return relative to the constituents of the FTSE Small Cap index (excluding investment Trusts). If performance over a three year period is in the upper quartile 100% of the options will vest. If performance at the bottom of the median, (second) quartile 40% will vest. The amount vesting will decrease on a straight line basis between the median and upper quartile. If performance is below the median quartile no shares will vest. A failure to meet these conditions during the performance period causes the options to lapse. The contractual life of each option granted is ten years. There are no cash settlement alternatives.

Following the passing of a resolution at the 2007 Annual General Meeting, the comparator group for awards made under the ESOS in 2005 and 2006 was extended from the original selected comparator group to comprise all the constituents of the FTSE Small Cap index. In accordance with the requirements of IFRS 2 - Share based payment, this has been treated as a modification to the original grant of options and the fair value of the options granted under these awards have therefore been recalculated. Details of the change in fair value of these grants are shown below.

### All-employee Savings Related Share Option Schemes (SAYE)

All employees, subject to the discretion of the remuneration committee, may apply for share options under an employee save as you earn plan which may from time to time be offered by the Company. In order to comply with HM Revenue and Customs requirements an individual's participation is limited so that the aggregate price payable for shares under option at any time does not exceed the statutory limit. Options

# Notes to the financial statements

## continued

### 26 Share based payments (continued)

granted under the plans will normally be exercisable if the employee remains in employment and any other conditions set by the remuneration committee have been satisfied. Options are normally exercisable at the end of the related savings contract but early exercise is permitted in certain limited circumstances. The performance period will not normally be less than three and a half years or greater than seven and a half years.

Awards were made under the all-employee Savings related Share Option Scheme in January and September 2007.

#### Long Term Incentive Plan (LTIP)

Share options up to a maximum of 100% of annual salary may be awarded to main board directors and senior executives. The exercise price of the option is £nil. The options vest if the increase in the Company's diluted earnings per ordinary share over the performance period is at least equal to the rate of inflation plus 9%. A failure to meet this target increase during the performance period causes the options to lapse. The contractual life of each option granted is three years. There are no cash settlement alternatives.

The expense recognised for share based payments relating to equity settled share based payments transactions is £587,000 (2006: £516,000).

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 scheme (approved at the Annual General Meeting) over 297,806 (2006: 369,724) ordinary shares of 25p each.

The following table illustrates the number and weighted average exercise prices "WAEP" of and movements in share options during the year. In order to avoid distortion of the WAEP options having an exercise price of £nil have been shown separately.

Group	2007 No	WAEP	2006 No	WAEP	"Nil" Options	
					2007 No	2006 No
Outstanding at 1 January	821,877	£2.59	875,458	£2.16	380,537	495,809
Granted during the year	285,576	£6.11	124,573	£4.68	80,200	66,742
Forfeited during the year	(47,952)	£4.50	(49,812)	£3.12	(8,389)	(179,451)
Exercised	(205,413)	£1.36+	(128,342)	£1.45\$	(148,425)	(2,563)
Expired during the year	—	—	—	—	—	—
Outstanding at 31 December*	854,088	£3.96	821,877	£2.59	303,923	380,537
Exercisable at 31 December	134,416	£1.42	40,874	£1.10	—	—

\* Included in this balance are options over 40,873 (2006: 183,088) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

+ The weighted average share price at the date of exercise for the options exercised was £6.52.

\$ The weighted average share price at the date of exercise for the options exercised was £4.55

For the share options outstanding at 31 December 2007, the weighted average remaining contractual life is 7 years and 4 months (2006: 7 years and 3 months).

The weighted average fair value of options granted during the year was £2.48 (2006: £2.15). The range of exercise prices for options outstanding at the end of the year was £1.42 - £6.73 (2006: £0.67 - £4.68).

Company	2007 No	WAEP	2006 No	WAEP	"Nil" Options	
					2007 No	2006 No
Outstanding at 1 January	679,441	£2.58	706,467	£2.02	373,159	485,868
Granted during the year	130,140	£6.01	124,573	£4.68	62,583	66,742
Forfeited during the year	(3,885)	£3.03	(27,452)	£3.03	—	(134,808)
Exercised	(180,359)	£1.41+	(124,147)	£1.43\$	(145,773)	(44,643)
Expired during the year	—	—	—	—	—	—
Outstanding at 31 December*	625,337	£3.63	679,441	£2.58	289,969	373,159
Exercisable at 31 December	132,579	£1.42	20,000	£1.22	—	—

\* Included in this balance are options over 25,383 (2006: 142,544 ) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

+ The weighted average share price at the date of exercise for the options exercised was £6.50.

\$ The weighted average share price at the date of exercise for the options exercised was £4.55.

For the share options outstanding at 31 December 2007, the weighted average remaining contractual life is 7 years and 9 months (2006: 7 years and 7 months).

## 26 Share based payments (continued)

The weighted average fair value of options granted during the year was £2.85 (2006: £2.15). The range of exercise prices for options outstanding at the end of the year was £1.42 - £6.73 (2006: £0.67 - £4.68)

The fair value of equity settled share based payments has been estimated as at date of grant using statistical models which will most appropriately determine the fair value of each type of scheme. The Black Scholes Model has been used for the SAYE, SMS and the LTIP schemes, The Binomial model for the 1995 ESOS and the Monte Carlo model for the 2005 ESOS.

The inputs to the models used to determine the valuations fell within the following ranges:

	2007	2006
<b>LTIP</b>		
Dividend yield (%)	1.80%	2.00%
Expected life of option (years)	3	3
Share price at date of grant	£5.85	£4.485
<b>2005 ESOS</b>		
Dividend yield (%)	1.80%	2.00%
Expected life of option (years)	6.5	6.5
Share price at date of grant	£5.85	£4.64
Expected share price volatility (%)	28%	24.1% – 29.0%
<b>SAYE</b>		
5 January 2007		
Dividend yield (%)	1.90%	N/A
Expected life of option (years)	3.26-7.26	N/A
Share price at date of grant	£6.18	N/A
Expected share price volatility (%)	26-30%	N/A
Risk free interest rate (%)	5.10%	N/A
<b>SAYE</b>		
28 September 2007		
Dividend yield (%)	1.60%	N/A
Expected life of option (years)	3.26-7.26	N/A
Share price at date of grant	£6.37	N/A
Expected share price volatility (%)	25-29%	N/A
Risk free interest rate (%)	5.00%	N/A

The expected share price volatility which is based on historic volatility, is the range within which the continuously compounded annual rate of return on the Company's shares is expected to fall approximately two thirds of the time.

The modifications to the awards under 2005 ESOS made in 2005 and 2006 resulted in incremental increases in fair value per share as follows:

Award date	Modification date	Number of options granted	Incremental increase in fair value per share £
22 June 2005	3 May 2007	217,956	0.06
23 March 2006	3 May 2007	124,573	0.03

## 27 Financial liabilities

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
<b>Non current liabilities</b>				
Bank loans	83,400	72,156	78,454	52,662
Finance leases	228	293	–	–
	83,628	72,449	78,454	52,662
	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
<b>Current liabilities</b>				
Overdrafts	–	1,943	–	–
Bank loans	7,376	9,126	4,307	1,650
Finance leases	65	75	–	–
	7,441	11,144	4,307	1,650

# Notes to the financial statements

## continued

### 27 Financial liabilities (continued)

Bank loans comprise the following:

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
£20,000,000 variable rate loan 2010	19,000	11,500	19,000	11,500
£15,000,000 variable rate loan 2012	15,000	15,000	15,000	15,000
£12,500,000 variable rate loan 2011	10,500	10,250	10,500	10,250
£20,000,000 variable rate loan 2010	19,215	10,000	19,215	10,000
£22,000,000 variable rate loan 2010	5,912	7,562	5,912	7,562
£15,000,000 variable rate loan 2012	5,000	—	5,000	—
£12,500,000 variable rate loan 2009	3,000	—	3,000	—
€5,290,971 variable rate loan 2017	3,811	—	3,811	—
£1,348,251 variable rate loan 2017	1,323	—	1,323	—
£3,500,000 variable rate loan 2010	2,500	3,500	—	—
£6,647,000 variable rate loan 2010	1,656	2,209	—	—
£3,370,000 variable rate loan 2007	—	198	—	—
NOK 30,000,000 variable rate loan 2013	2,342	1,589	—	—
NOK 3,900,000 variable rate loan 2014	271	273	—	—
\$1,500,000 variable rate loan 2007	—	191	—	—
£5,530,000 variable rate loan 2012	—	4,862	—	—
€8,737,000 variable rate loan 2007	—	2,940	—	—
€15,685,000 variable rate loan 2016	—	10,258	—	—
£306,000 variable rate loan 2016	—	301	—	—
US Dollar Letter of credit facilities	1,246	649	—	—
	90,776	81,282	82,761	54,312
Less current instalments due on bank loans	(7,376)	(9,126)	(4,307)	(1,650)
	83,400	72,156	78,454	52,662

An analysis of the amount due within one year is included in Note 29.

Several loans have been repaid during the period. Those not repaid entirely by instalment comprise the £5,530,000 variable rate loan 2012, €8,737,000 variable rate loan 2007, €15,685,000 variable rate loan 2016 and £306,000 variable rate loan 2016, which were repaid following the refinancing of *mt Speciality*, *mt Seniority* and *mt Superiority* in June 2007 as explained in Note 5.

Details of those loans outstanding at the end of the period are as follows:

#### £20,000,000 variable rate loan 2010

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 22 December 2010. The loan carries interest at 1% above LIBOR.

#### £15,000,000 variable rate loan 2012

This loan is unsecured and was formerly a revolving credit facility which was converted into a term loan in 2007 and is repayable in equal quarterly instalments of £500,000 over five years plus a final payment in December 2012 of £5,000,000. The loan carries interest at 1% above LIBOR.

#### £12,500,000 variable rate loan 2011

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 30 November 2011. The loan carries interest at 1% above LIBOR.

#### £20,000,000 variable rate loan 2010

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 27 September 2010. The loan carries interest at 1% above LIBOR.

#### £22,000,000 variable rate loan 2010

This loan is secured against property, plant and equipment and carries interest at 1% above LIBOR. The loan is repayable in equal quarterly instalments of £412,500 until March 2008 and then £500,000 for the remainder of the term. The loan was transferred from a subsidiary to the Company during 2006.

#### £15,000,000 variable rate loan 2012

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 30 November 2008 subject to certain conditions or converted into a term loan at that date which is then repayable in equal annual instalments over a period of four years. The loan carries interest at 1% above LIBOR.

## 27 Financial liabilities (continued)

### £12,500,000 variable rate loan 2009

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn up to the earlier of the date of delivery of the submarine rescue system currently being constructed by James Fisher Defence Limited for the Singapore Government and 30 June 2009. The loan carries interest at 1% above LIBOR.

### €5,290,971 variable rate loan 2017

This loan is secured against property, plant and equipment and carries interest at 1% above EURIBOR. The loan is repayable in equal quarterly instalments of €99,595 plus a single payment of €1,307,181 at the end of the term.

### £1,348,251 variable rate loan 2017

This loan is secured against property, plant and equipment and carries interest at 1% above LIBOR. The loan is repayable in equal quarterly instalments of £25,379 plus a single payment of £333,097 at the end of the term.

### £3,500,000 variable rate loan 2010

This loan is secured against property, plant and equipment and carries interest at 1% above LIBOR. The final drawdown on this facility occurred in August 2006. The loan was originally scheduled to be repaid in three instalments by 2008. The loan is now to be repaid in six monthly instalments of £500,000 ending in 2010.

### £6,647,000 variable rate loan 2010

This loan is secured against property, plant and equipment and carries interest at 0.625% above LIBOR. The loan is repayable in equal semi annual instalments.

### NOK 30,000,000 variable rate loan 2013

This loan is an unsecured revolving credit facility and carries interest at 1% above 3 month NIBOR. The loan is repayable in equal semi-annual instalments. Except for one tranche of NOK 9,000,000 which is repayable in August 2009. At 31 December 2007 the amount drawn was NOK 25,311,000 (2006: NOK 22,625,000).

### NOK 3,900,000 variable rate loan 2014

This loan is unsecured and carries interest at 1% above 3 month NIBOR. The loan is repayable in equal quarterly instalments.

### US Dollar Letter of credit facilities

These carry interest at LIBOR plus 1% and have a maturity of less than six months.

## 28 Reconciliation of net debt

	1 January 2006 £000	Acquisitions £000	Cash Flow £000	Other Non Cash £000	Exchange Movement £000	December 2006 £000
Cash in hand and at bank	9,725	—	5	—	(75)	9,655
Short term deposits	—	—	—	—	—	—
Cash and cash equivalents	9,725	—	5	—	(75)	9,655
Debt due after 1 year	(42,795)	(14,690)	(4,630)	(10,141)	—	(72,256)
Debt due within 1 year	(6,363)	(10,962)	(3,920)	10,141	35	(11,069)
	(49,158)	(25,652)	(8,550)	—	35	(83,325)
Finance leases	—	(375)	7	—	—	(368)
Net debt	(39,433)	(26,027)	(8,538)	—	(40)	(74,038)

	1 January 2007 £000	Acquisitions £000	Cash Flow £000	Other Non Cash £000	Exchange Movement £000	December 2007 £000
Cash in hand and at bank	9,655	—	2,922	—	644	13,221
Short term deposits	—	—	—	—	—	—
Cash and cash equivalents	9,655	—	2,922	—	644	13,221
Debt due after 1 year	(72,256)	—	—	(11,173)	(71)	(83,500)
Debt due within 1 year	(11,069)	—	(6,838)	10,644	(113)	(7,376)
	(83,325)	—	(6,838)	(529)	(184)	(90,876)
Finance leases	(368)	—	75	—	—	(293)
Net debt	(74,038)	—	(3,841)	(529)	460	(77,948)

# Notes to the financial statements

## continued

### 29 Financial instruments

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

Year ended 31 December 2007	on demand £000	within 1 year £000	1 to 5 years £000	> 5 years £000	Total £000
Interest bearing loans and borrowings	–	7,441	80,041	3,587	91,069
Cumulative preference shares	–	–	–	100	100
Contingent consideration	–	3,000	22	–	3,022
Trade and other payables	–	33,847	1,990	–	35,837
Other financial liabilities	–	–	188	–	188
	–	44,288	82,241	3,687	130,216

Year ended 31 December 2006	on demand £000	within 1 year £000	1 to 5 years £000	> 5 years £000	Total £000
Interest bearing loans and borrowings	1,943	9,201	64,896	7,553	83,593
Cumulative preference shares	–	–	–	100	100
Contingent consideration	–	5,762	875	–	6,637
Trade and other payables	–	29,432	1,483	–	30,915
Other financial liabilities	–	55	–	–	55
	1,943	44,450	67,254	7,653	121,300

### Capital management

The primary objective of the Group's capital management policy is to maintain a strong credit rating and covenant ratios in order to be able to support the continued growth of its trading businesses and so maximise shareholder value.

The Group manages its capital structure through maintaining close relationships with its bankers who provide the majority of funds used for acquisitions. Capital is monitored by measuring the gearing ratio which is a measure derived from net debt divided by capital. Net debt comprises interest bearing loans and borrowings less cash and cash equivalents. Capital represents net equity attributable to the equity holders of the parent.

	2007 £000	2006 £000
Interest bearing loans and borrowings	91,069	83,593
Less cash and cash equivalents	(13,221)	(9,655)
Net debt	77,848	73,938
Equity attributable to the equity holders of the parent	93,905	86,180
Gearing ratio	82.9%	85.8%

Details of the Group's financial instrument risk management objectives, strategies and policies are set out on pages 8 and 9 of the Review of Operations.

### Interest risk

The Group uses derivative financial instruments to hedge exposure to fluctuations in interest rates. The interest rate profile of the Group's financial assets and liabilities are set out in the table below. The Group has used interest rate swaps to convert interest rates on certain borrowings from floating rates to fixed rates. There are currently no outstanding interest rate swaps. Those fixed rate swaps expiring during the period under review ranged between 3.94% and 5.48%. Where hedging criteria are met the Group classifies interest rate swaps as cash flow hedges and states them at fair value. Over the longer term permanent changes in interest rates would have an impact on consolidated earnings. At 31 December 2007 a general increase of one percentage point would reduce the Group's profits before tax by £776,000 (2006: £717,000). Interest rate swaps have been included in the calculation for 2006.

## 29 Financial instruments (continued)

The interest rate profile of the financial assets and liabilities at 31 December 2007 is as follows:

### Group

Floating rate	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
Cash	13,221	–	–	–	–	–	13,221
Bank overdrafts	–	–	–	–	–	–	–
£20,000,000 variable rate loan 2010	–	–	(19,000)	–	–	–	(19,000)
£15,000,000 variable rate loan 2012	(2,000)	(2,000)	(2,000)	(2,000)	(7,000)	–	(15,000)
£12,500,000 variable rate loan 2011	–	–	–	(10,500)	–	–	(10,500)
£20,000,000 variable rate loan 2010	–	–	(19,215)	–	–	–	(19,215)
£22,000,000 variable rate loan 2010	(1,912)	(2,000)	(2,000)	–	–	–	(5,912)
£15,000,000 variable rate loan 2012	–	(1,250)	(1,250)	(1,250)	(1,250)	–	(5,000)
£12,500,000 variable rate loan 2009	–	(3,000)	–	–	–	–	(3,000)
€5,290,971 variable rate loan 2017	(293)	(292)	(293)	(292)	(293)	(2,348)	(3,811)
£1,348,251 variable rate loan 2017	(102)	(102)	(102)	(102)	(102)	(813)	(1,323)
£3,500,000 variable rate loan 2010	(1,000)	(1,000)	(500)	–	–	–	(2,500)
£6,647,000 variable rate loan 2010	(552)	(552)	(552)	–	–	–	(1,656)
NOK 30,000,000 variable rate loan 2013	(235)	(1,067)	(235)	(235)	(235)	(335)	(2,342)
NOK 3,900,000 variable rate loan 2014	(36)	(36)	(36)	(36)	(36)	(91)	(271)
US Dollar Letter of credit facilities	(1,246)	–	–	–	–	–	(1,246)
Less interest rate swaps	–	–	–	–	–	–	–
	5,845	(11,299)	(45,183)	(14,415)	(8,916)	(3,587)	(77,555)
<b>Fixed rate</b>	<b>Within 1 year £000</b>	<b>1–2 years £000</b>	<b>2–3 years £000</b>	<b>3–4 years £000</b>	<b>4–5 years £000</b>	<b>More than 5 years £000</b>	<b>Total £000</b>
Finance leases	(65)	(68)	(70)	(69)	(21)	–	(293)
Cumulative preference shares	–	–	–	–	–	(100)	(100)
	(65)	(68)	(70)	(69)	(21)	(100)	(393)

### Company

Floating rate	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	4–5 years £000	More than 5 years £000	Total £000
Cash	1,237	–	–	–	–	–	1,237
£20,000,000 variable rate loan 2010	–	–	(19,000)	–	–	–	(19,000)
£15,000,000 variable rate loan 2012	(2,000)	(2,000)	(2,000)	(2,000)	(7,000)	–	(15,000)
£12,500,000 variable rate loan 2011	–	–	–	(10,500)	–	–	(10,500)
£20,000,000 variable rate loan 2010	–	–	(19,215)	–	–	–	(19,215)
£22,000,000 variable rate loan 2010	(1,912)	(2,000)	(2,000)	–	–	–	(5,912)
£15,000,000 variable rate loan 2012	–	(1,250)	(1,250)	(1,250)	(1,250)	–	(5,000)
£12,500,000 variable rate loan 2009	–	(3,000)	–	–	–	–	(3,000)
€5,290,971 variable rate loan 2017	(293)	(292)	(293)	(292)	(293)	(2,348)	(3,811)
£1,348,251 variable rate loan 2017	(102)	(102)	(102)	(102)	(102)	(813)	(1,323)
Less interest rate swaps	–	–	–	–	–	–	–
	(3,070)	(8,644)	(43,860)	(14,144)	(8,645)	(3,161)	(81,524)
<b>Fixed rate</b>	<b>Within 1 year £000</b>	<b>1–2 years £000</b>	<b>2–3 years £000</b>	<b>3–4 years £000</b>	<b>4–5 years £000</b>	<b>More than 5 years £000</b>	<b>Total £000</b>
Cumulative preference shares	–	–	–	–	–	(100)	(100)
	–	–	–	–	–	(100)	(100)

Interest rates relating to bank loans are set out in Note 27.

# Notes to the financial statements

## continued

### 29 Financial instruments (continued)

The interest rate profile of the financial assets and liabilities at 31 December 2006 is as follows:

#### Group

	Within 1 year £000	1 - 2 years £000	2 - 3 years £000	3 - 4 years £000	4 - 5 years £000	More than 5 years £000	Total £000
<b>Floating rate</b>							
Cash	9,655	—	—	—	—	—	9,655
Bank overdrafts	(1,943)	—	—	—	—	—	(1,943)
£20,000,000 variable rate loan 2010	—	(3,833)	(3,833)	(3,834)	—	—	(11,500)
£15,000,000 variable rate loan 2008	—	(15,000)	—	—	—	—	(15,000)
£12,500,000 variable rate loan 2011	—	(2,562)	(2,563)	(2,562)	(2,563)	—	(10,250)
£10,000,000 variable rate loan 2013	—	(2,500)	(2,500)	(2,500)	(2,500)	—	(10,000)
£3,500,000 variable rate loan 2010	(1,000)	(1,000)	(1,000)	(500)	—	—	(3,500)
£6,647,000 variable rate loan 2010	(552)	(552)	(552)	(553)	—	—	(2,209)
£3,370,000 variable rate loan 2007	(198)	—	—	—	—	—	(198)
£22,000,000 variable rate loan 2010	(1,650)	(1,912)	(2,000)	(2,000)	—	—	(7,562)
NOK 30,000,000 variable rate loan 2013	(212)	(212)	(212)	(212)	(212)	(529)	(1,589)
NOK 3,900,000 variable rate loan 2014	(32)	(32)	(32)	(32)	(32)	(113)	(273)
\$1,500,000 variable rate loan 2007	(191)	—	—	—	—	—	(191)
£5,530,000 variable rate loan 2012	(861)	(861)	(861)	(861)	(861)	(557)	(4,862)
€8,737,000 variable rate loan 2007	(2,940)	—	—	—	—	—	(2,940)
€15,685,000 variable rate loan 2016	(818)	(818)	(818)	(818)	(818)	(6,168)	(10,258)
£306,000 variable rate loan 2016	(23)	(23)	(23)	(23)	(23)	(186)	(301)
US Dollar Letter of credit facilities	(649)	—	—	—	—	—	(649)
Less interest rate swaps	—	3,833	1,167	—	—	—	5,000
	(1,414)	(25,472)	(13,227)	(13,895)	(7,009)	(7,553)	(68,570)
<b>Fixed rate</b>							
£20,000,000 variable rate loan 2010	—	(3,833)	(1,167)	—	—	—	(5,000)
Finance leases	(75)	(65)	(68)	(70)	(69)	(21)	(368)
Cumulative preference shares	—	—	—	—	—	(100)	(100)
	(75)	(3,898)	(1,235)	(70)	(69)	(121)	(5,468)

#### Company

	Within 1 year £000	1 - 2 years £000	2 - 3 years £000	3 - 4 years £000	4 - 5 years £000	More than 5 years £000	Total £000
<b>Floating rate</b>							
Cash	815	—	—	—	—	—	815
£20,000,000 variable rate loan 2010	—	(3,833)	(3,833)	(3,834)	—	—	(11,500)
£15,000,000 variable rate loan 2008	—	(15,000)	—	—	—	—	(15,000)
£12,500,000 variable rate loan 2011	—	(2,562)	(2,563)	(2,562)	(2,563)	—	(10,250)
£10,000,000 variable rate loan 2011	—	(2,500)	(2,500)	(2,500)	(2,500)	—	(10,000)
£22,000,000 variable rate loan 2010	(1,650)	(1,912)	(2,000)	(2,000)	—	—	(7,562)
Less interest rate swaps	—	3,833	1,167	—	—	—	5,000
	(835)	(21,974)	(9,729)	(10,896)	(5,063)	—	(48,497)
<b>Fixed rate</b>							
£20,000,000 variable rate loan 2010	—	(3,833)	(1,167)	—	—	—	(5,000)
Cumulative preference shares	—	—	—	—	—	(100)	(100)
	—	(3,833)	(1,167)	—	—	(100)	(5,100)

Interest rates relating to bank loans are set out in Note 27. In 2006 interest was payable on overdrafts at LIBOR plus 1.25%

In addition there are financial assets of £1,370,000 (2006 £1,370,000) on which no interest is earned and have no fixed maturity.

## 29 Financial instruments (continued)

### Credit risk

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date. Details of the provisions for doubtful debts are included in Note 20. Credit risks arising from a guarantor are disclosed in Note 30.

In respect of credit risk arising from other financial assets held by the Group, these consist of cash and cash equivalents, derivative instruments and available for sale financial investments. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

### Foreign currency risk

The Group incurs foreign currency risks on sales, purchases and borrowings denominated in currencies other than Sterling. The Group's principal transactional exposures are to the US Dollar and Euro. The principal exposures arising from its net investment overseas (structural currency exposure) is to the Norwegian Kroner. As explained in the Review of Operations on page 9, the Group's objectives in managing its structural currency exposures are to maintain a low cost of borrowings and to retain some potential for currency appreciation whilst partly hedging against currency depreciation.

Gains and losses arising from the Group's net investments overseas are recognised in the statement of recognised income and expense.

The Group uses forward exchange contracts to hedge its transactional exposures. Most forward exchange contracts have maturities of less than one year after the balance sheet date. Forward exchange contracts which qualify as effective cash flow hedges are included at their fair value in the hedging reserve and in current assets or short term liabilities until the earlier of their maturity or the date the transaction to which they relate is recognised at which point they are transferred to the income statement.

Changes in the level of exchange rates will have an impact on consolidated earnings. The following table shows the impact on earnings of a 1% change in the exchange rate in the Group's key currencies:

		2007 £000	2006 £000
US Dollar	+ 1%	60	70
	- 1%	(60)	(70)
Norwegian Kroner	+ 1%	47	72
	- 1%	(47)	(72)
Euro	+ 1%	107	59
	- 1%	(107)	(59)

The fair value of derivatives included in the financial statements was as follows:

	2007		2006	
Group	assets £000	liabilities £000	assets £000	liabilities £000
Interest rate swaps - cash flow hedges	—	—	—	(8)
Interest rate caps and collars	—	—	—	(5)
Forward foreign exchange contracts	—	(188)	17	(42)
Total	—	(188)	17	(55)
Non current portion				
Interest rate swaps - cash flow hedges	—	—	—	—
Forward foreign exchange contracts - cash flow hedges	—	(188)	—	—
Total	—	(188)	—	—

	2007		2006	
Company	assets £000	liabilities £000	assets £000	liabilities £000
Interest rate swaps - cash flow hedges	—	—	—	(8)
Interest rate caps and collars	—	—	—	—
Forward foreign exchange contracts	—	—	—	—
Total	—	—	—	(8)
Non current portion				
Interest rate swaps - cash flow hedges	—	—	—	—
Forward foreign exchange contracts - cash flow hedges	—	(188)	—	—
Total	—	(188)	—	—

# Notes to the financial statements

## continued

### 29 Financial instruments (continued)

#### Hedges - Group and Company

##### Fair value hedges

At 31 December 2007 and 31 December 2006 the Group did not have any outstanding fair value hedges.

##### Cash flow hedges

At 31 December 2007 the Group held a forward currency contract designated to hedge future income receivable from the Singapore government in respect of the Singapore submarine rescue contract. The terms of the contracts are as follows:

	Maturity	Exchange rate
Forward contract to hedge expected future income		
Sell		
SG\$20,000,000	30 June 2009	2.85

The foreign exchange contract has been negotiated to match the expected profile of receipts. At 31 December 2007 these hedges were assessed to be highly effective and an unrealised loss of £188,000 relating to the hedging instruments is included in equity.

At 31 December 2006 the Group did not have any outstanding cash flow hedges.

##### Interest rate swaps

The Group and Company entered into interest rate swaps in respect of sterling denominated debt to swap a variable rate liability for a fixed rate liability. These instruments have been allocated against the Group and Company debt in the tables shown above. Details of the contracts which have all matured during the period are set out below:

At 31 December 2007 there were no outstanding interest rate swaps.

Amount	Maturity	Fixed rate
The following contract expired during 2007:		
£5,000,000	14 May 2007	5.48%
Amount	Maturity	Fixed rate
The following contracts expired during 2006:		
£5,000,000	21 February 2006	3.94%
£5,000,000	17 December 2006	4.73%

##### Net Investment in foreign operations

The Company funded the acquisition of the goodwill arising on the acquisition of Scan Tech Holdings AS and Air Supply AS by means of an interest-bearing loan to its Norwegian Holding company of NOK 160,000,000 (2006 NOK 160,000,000). The net investment arising on these acquisitions is treated as being an asset of the Company and is denominated in sterling. This acts as a hedge against movements in the net investment in these businesses.

##### Derivative Financial Instruments not qualifying as hedges

Through its acquisition of Straininstall and FT Everard & Sons in 2006 the Group has acquired a number of derivative financial instruments which did not qualify to be treated as hedges either due to their nature or the fact that they were not documented on inception in accordance with the requirements of IAS 39, Financial instruments recognition and measurement. These included a number of foreign exchange contracts maturing in the first half of 2007 and two instruments in relation to the management of interest rate risk which were held by FT Everard & Sons.

These comprised a zero cost interest rate collar relating to Euro denominated debt of €14,000,000 with a ceiling of 6.5 % and a floor of 2.98% and a cap of 6.5% relating to Euro denominated debt of €14,000,000. Both contracts were terminated on repayment of the outstanding Euro loans in June 2007 following the refinancing of the three former Everard vessels. The fair value of these items at 31 December 2006 is included in the table below.

##### Fair values

Set out below is a comparison by category of the carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements.

## 29 Financial instruments (continued)

Group	2007		2006	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Short-term financial liabilities and current portion of long-term borrowings	(7,376)	(7,376)	(9,126)	(9,126)
Long-term borrowings	(83,400)	(83,400)	(72,156)	(72,156)
Finance leases	(293)	(285)	(368)	(362)
Preference shares	(100)	(100)	(100)	(100)
Cash and cash equivalents	13,221	13,221	9,655	9,655
Financial assets	1,370	1,370	1,370	1,370
Forward exchange contracts - cash flow hedges:				
Assets	—	—	—	—
Liabilities	(188)	(188)	—	—
Forward exchange contracts - other derivatives				
Assets	—	—	17	17
Liabilities	—	—	(42)	(42)
Interest rate swaps - cash flow hedges:				
Assets	—	—	—	—
Liabilities	—	—	(8)	(8)
Interest rate caps and collars:				
Assets	—	—	—	—
Liabilities	—	—	(5)	(5)

Company	2007		2006	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Short-term financial liabilities and current portion of long-term borrowings	(4,307)	(4,307)	(1,650)	(1,650)
Long-term borrowings	(78,454)	(78,454)	(52,662)	(52,662)
Preference shares	(100)	(100)	(100)	(100)
Cash and cash equivalents	1,237	1,237	815	815
Financial assets	1,368	1,368	1,368	1,368
Forward exchange contracts:				
Assets	—	—	—	—
Liabilities	(188)	(188)	—	—
Interest rate swaps:				
Assets	—	—	—	—
Liabilities	—	—	(8)	(8)

Short-term receivables and payables whose carrying amount is a reasonable approximation to fair value have been excluded from the table above.

Fair value has been determined by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments.

The fair value of the financial assets has been assessed by the directors with reference to the current prospects of the investments and risks associated with those prospects.

# Notes to the financial statements

## continued

### 30 Commitments and contingencies

Obligations under finance leases and hire purchase contracts

#### Group

The Group uses finance leases in respect of certain items of plant and equipment. The minimum future lease payments due under finance leases and hire purchase contracts are as follows:

	Group	
	2007 £000	2006 £000
<i>Future minimum payments due:</i>		
Within one year	82	97
Within two to five years	253	313
After five years	–	22
	335	432
Less: finance charges allocated to future periods	(42)	(64)
	293	368
 <i>Present value of minimum lease payments is analysed as follows:</i>		
Within one year	65	75
Within two to five years	228	272
After five years	–	21
	293	368

#### Company

The Company does not have any outstanding finance lease commitments.

#### Operating leases

The future minimum rentals payable under non-cancellable operating leases at 31 December are as follows:

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
Within one year	13,782	11,186	106	48
After one year but not more than five years	49,011	40,020	334	178
After five years	29,852	24,404	197	232
	92,645	75,610	637	458

The Group has entered into leases on certain properties, vessels, plant and motor vehicles. These leases have a life of between one and ten years and are renewable at the option of the lessee. As noted in the contingent liabilities section below, certain of the lease liabilities in relation to bareboat charters are guaranteed by a member of the Group other than the entity holding the charter.

#### Capital commitments

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

	Group		Company	
	2007 £000	2006 £000	2007 £000	2006 £000
	2,599	2,249	34	302

### 30 Commitments and contingencies (continued)

#### Contingent liabilities

- a) In the ordinary course of the Company's business, counter indemnities have been given to bankers in respect of custom bonds, foreign exchange commitments and bank guarantees.
- b) A group VAT registration is operated by the Company and 21 group undertakings in respect of which the company is jointly and severally liable for all amounts due to HM Revenue & Customs under the arrangement.
- c) The Group has issued a guarantee and indemnity to HSBC plc in respect of the loan facility of Foreland Shipping Limited, the total guarantee at 31 December 2007 was £2,571,000 (2006 £2,722,000).
- d) A guarantee has been issued by the Group to HSBC plc in respect of the obligations of a subsidiary, James Fisher Everard Limited, in relation to bareboat charters relating to the *m.t. Chartsman* and *m.t. Steersman*. The total guarantee at 31 December 2007 was £693,000 (2006 £820,000).
- e) A guarantee has been issued by the Group to charter parties in respect of obligations of a subsidiary, James Fisher Everard Limited, in respect of charters relating to five vessels. The charters expire between 2012 and 2016.
- f) Subsidiaries of the Group have issued performance and payment guarantees to third parties with a total value of £564,000 (2006: £1,034,000).
- g) As referred to in Note 25, the Trustees of the Merchant Navy Officers Pension Fund (MNOFF) have indicated that under the terms of the High Court ruling in 2005 which established the liability of past employers to fund the deficit on the Post 1978 section of the MNOFF, they may make calls for further contributions in the future if additional actuarial deficits arise or if other employers liable for contributions are not able to pay their share. In August 2007 the Group was notified that the Trustees of an additional liability of £156m arising from the full actuarial valuation carried out at 31 March 2006. This amount has been allocated to the current paying members in proportion to their original share of the deficit. The Group remains jointly and severally liable for any future shortfall in recovery of the deficit. The directors are not aware of any further liability beyond that explained above, which has been provided for in full in these accounts.
- h) The Group has guaranteed an amount of €3,058,000 (£2,246,000) received from EMSA in December 2007 in respect of purchase of equipment relating to the contract with James Fisher Everard Limited for the provision of standby oil recovery services.
- i) The Group has guaranteed an amount of £4,428,000 in respect of James Fisher Defence Limited and its activity in relation to the provision of a submarine rescue service vessel to the Singapore Navy.
- j) The Group has guaranteed to meet an obligation of up to £2,000,000 in respect of any deficit liability of the Everard Group Pension Fund attributable to the members of the scheme employed or formerly employed by Everard Insurance Brokers Limited. The share of the benefits related to this group is less than 5% of the total liabilities of the scheme. As referred to in note 25 at 31 December 2007 the scheme has an actuarial surplus of £1,506,000.

### 31 Related party transactions

#### Compensation of key management to the Group

	2007 £000	2006 £000
Short-term employee benefits	1,618	1,254
Post-employment benefits	15	(178)
Termination payments	—	—
Share based payments	647	487
	2,280	1,563

Details of the directors' interests in the Executive Share Option Schemes, Long Term Incentive Plan and the Savings Related Share Option Schemes are included in the Directors' Remuneration Report on pages 28 to 30.

# Notes to the financial statements

## continued

### 31 Related party transactions (continued)

#### Transactions with related parties

##### Foreland Shipping Limited

The Group provides payroll management services to Foreland Shipping Limited, a wholly owned subsidiary of Foreland Holdings a company in which the Group has a 25% equity interest. No profit is made on the provision of these services which are excluded from the Group's revenue.

##### FCM businesses

As set out in Note 16 the Group has interests of between 25% and 50% in several joint ventures providing ship to ship transfer services in West Africa, Northern Europe and Asia through its wholly owned subsidiary, Fender Care Marine Services Limited.

##### Everard Insurance Brokers Limited

Everard and its subsidiaries purchased insurance services from Everard Insurance Brokers Limited, (EIB). EIB is a wholly owned subsidiary of Alchymist Trading Company Limited, (Alchymist) a company controlled by Mr W.D.Everard and Mr F.M.Everard and members of their family. Everard also provides accommodation and management services to Alchymist and EIB. Following the acquisition of Everard the Group continued to receive insurance services from EIB and to provide accommodation and management services, including the provision of payroll management services. No amounts are due to or from Alchymist.

##### Ships Electronic Services Limited

On 28 June 2007 the Group disposed of its investment in Ships Electronic Services Limited (SES) to a consortium including Mr S.D.Roper, the former Finance Director of FT Everard & Sons. Mr Roper continued to act as an employee of the Group until October 2007. During the year the Group purchased electronic navigation equipment from SES and provided payroll management services to the company.

Details of the transactions carried out with related parties are shown in the table below:

		Services to related parties £000	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Foreland Shipping Limited	2007	414	—	—	29	—
	2006	371	—	—	30	—
FCM businesses	2007	—	1,111	747	934	—
	2006	—	212	17	41	—
Everard Insurance Brokers	2007	678	—	318	66	58
	2006	—	—	—	20	—

On 28 December 2006 the Company acquired the entire issued share capital of FT Everard & Sons Limited, (Everard), for an initial consideration after subsequent revisions referred to in Note 18 of £15,520,000. Mr W D Everard and Mr F M Everard were directors of and shareholders in Everard and with other members of their family controlled the entire issued share capital of Everard. Mr W D Everard and Mr F M Everard each received £4,139,000 of the initial consideration. On payment of the contingent consideration of £6,000,000 each received a further £1,600,000.

On 28 December 2006 the Company also acquired the 10% unsecured loan notes issued by Everard for a total consideration of £545,000 being the book value on that date. Mr W D Everard and Mr F M Everard each received £156,280 in respect of the loan notes that they held. The remaining loan notes were held by other family members.

Mr M Storey, a non executive director, was engaged by the Company for the first half of 2007 to help facilitate the integration of Everard into the Group. For these services in addition to his fee as a non executive director he received a fee of £60,000.

Following the acquisition of Everard, Mr F M Everard, was appointed as a non executive director of the Company. Mr F M Everard is chairman of Cattedown Wharves Limited, a wholly owned subsidiary, for which he receives annual remuneration of £27,500.

On 28 November 2006 the Group acquired the entire issued share capital of Gjerde Lofteteknikk,(Gjerde). At the time of the acquisition Mr B E Bjornsen who was chairman of the Group's operations in Norway was a director of Gjerde. Mr Bjornson had no financial interests in Gjerde.

### 32 Post balance sheet events

On 16 January 2008 the Group made a payment of £750,000 to the former shareholders of FT Everard & Sons Limited representing the final instalment of contingent consideration due on the acquisition of the company.

The Group completed the sale of *mt Alacrity* on 29 January 2008. The gross proceeds from this disposal were \$3,000,000. The net proceeds of £1,454,000 were used to repay bank borrowings.

On 30 January 2008 Scan Tech AS based in Norway entered into an agreement for the construction of new premises in Stavanger. This construction will be financed by a loan from SR-Bank, such loan being secured upon the premises.

On 7 February 2008 the Group acquired the entire issued share capital of JCM Scotload (Scotload) for a cash consideration of £2,985,000. Scotload designs and manufactures a range of load measurement instruments for the offshore oil and related industries.

The provisional fair values of the assets and liabilities acquired are subject to further review to assess the impact of adopting the Group's accounting policies and conversion to IFRS. These provisional values are set out below:

	Scotload Carrying amount & fair value £000
Property, plant & equipment	13
Inventories	138
Trade and other receivable	401
Cash and short term deposits	1,027
Trade and other payables	(396)
Fair value of net assets acquired	1,183
Goodwill arising on acquisition	1,946
	3,129
Consideration:	
Cash	2,985
Direct costs associated with acquisition	144
	3,129

On 11 March 2008 the Group made a payment of £800,000 to the former shareholders of Inspection Holdings Limited representing the contingent consideration due on the acquisition of the company.

As referred to in Note 18, under the terms of the acquisition of Straininstall Group (Straininstall) on 6 October 2006, contingent consideration of £500,000 is payable to the vendors dependent on achieving certain performance conditions for the year ended 31 December 2007. In March 2008 following confirmation that the performance criteria for the year ended 31 December 2007 had been achieved, the vendors were paid £500,000 in cash and loan notes.

On 21 March 2007 the Chancellor of the Exchequer announced that he intended to phase out Industrial Buildings Allowances (IBA's) from April 2008. Had the proposed change been enacted at 31 December 2007 it would have increased the Group's deferred tax liability by £788,000.

# Group Financial Record

## For the five years ended 31 December

	2003 £000	2004 £000	2005 £000	2006 £000	2007 £000
Goodwill and other intangible assets	17,397	21,254	36,168	55,874	67,266
Property, plant and equipment	114,455	103,091	67,081	103,620	92,311
Financial assets	2,748	2,967	3,955	4,945	5,587
Other assets	26,727	30,365	37,745	53,805	72,043
Non-current assets classified as held for sale	—	—	7,959	1,518	1,172
<b>Total Assets employed</b>	<b>161,327</b>	<b>157,677</b>	<b>152,908</b>	<b>219,762</b>	<b>238,379</b>
Financed by:					
Called up share capital	12,211	12,305	12,345	12,377	12,428
Other Reserves	70,943	70,926	60,984	73,803	81,477
Equity shareholders' interest	83,154	83,231	73,329	86,180	93,905
Minority interests	—	—	—	71	128
Cumulative preference shares	100	100	100	100	100
Financial liabilities	61,307	46,651	49,058	83,593	91,069
Other liabilities	16,566	27,695	30,421	49,818	53,177
Provisions for liabilities and charges	200	—	—	—	—
<b>Total funds invested</b>	<b>161,327</b>	<b>157,677</b>	<b>152,908</b>	<b>219,762</b>	<b>238,379</b>
Revenue, profit and reserves					
Revenue	77,215	71,153	91,411	118,085	182,046
Profit before tax on continuing operations	5,380	10,221	11,446	14,147	19,100
Taxation	(1,050)	(2,123)	(754)	(2,411)	(2,959)
Profit after taxation	4,330	8,098	10,692	11,736	16,141
Discontinued operations	—	3,886	(12,889)	2,041	(6)
Minority interests	—	—	—	3	(57)
Dividends	(3,254)	(4)	—	—	—
<b>Transferred to/(from) reserves</b>	<b>1,076</b>	<b>11,980</b>	<b>(2,197)</b>	<b>13,780</b>	<b>16,078</b>
	pence	pence	pence	pence	pence
Continuing operations					
Basic earnings per ordinary share	9.04	16.77	21.91	23.93	32.67
Diluted earnings per ordinary share	8.70	16.56	21.72	23.71	32.40

The results for 2003 are stated under UK GAAP.

# Subsidiary Undertakings

Details of the companies 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 set out below. Except in relation to joint ventures and associated undertakings, all such companies are wholly owned by the Group.

Name of company	Principal activities	Place of business
(Incorporated in Great Britain unless otherwise stated)		
Buchan Technical Services Limited	Engineering	Aberdeen
Cattedown Wharves Limited	Wharfage & Warehousing*	Plymouth
Everard (Guernsey) Limited (Incorporated In Guernsey)	Crewing Agents*	Guernsey
Everard Marine (Cyprus) Limited (Incorporated In Cyprus)	Crewing Agents*	Cyprus
Fender Care Limited	Marine Services*	Seething
Fender Care Marine Limited	Marine Services*	Seething
Fender Care Marine (Asia Pacific) PTE	Marine Services*	Seething
Fender Care Marine Products (Asia Pacific) PTE Ltd	Marine Services*	Seething
Fender Care Marine Services Group Limited	Marine Services*	Seething
Fender Care Marine Solutions Limited	Marine Services*	Seething
F.T. Everard & Sons Limited	Investment*	Barrow
F.T. Everard Shipping Limited	Ship Owning*	Barrow
Gjerde Lofteteknikk AS (Incorporated In Norway)	Engineering*	Norway
Glen Salvesen Limited	Crewing Agents*	Barrow
Harsh Environment Systems Limited	Engineering*	Barrow
Hatch Holdings Limited	Investment*	Chester
Integrated Mooring Solutions Limited	Marine Services*	Seething
Inspection Holdings Limited	Investment	Chester
James Fisher (Aberdeen) Limited	Investment	Barrow
James Fisher And Sons (Seafloor Dynamex) Limited	Underwater Excavation Engineers	Aberdeen
James Fisher (Crewing Services) Limited	Crewing Agents	Barrow
James Fisher (Cyprus) Limited (Incorporated In Cyprus)	Crewing Agents	Cyprus
James Fisher Defence Limited	Marine Services	Barrow
James Fisher Everard Limited	Ship Operators*	London
James Fisher Fender Care Limited	Investment	Barrow
James Fisher (Guernsey) Limited	Crewing Agents	Guernsey
James Fisher Inspection And Measurement Services Limited	Engineering*	Manchester
James Fisher (Logistics) Limited	Ship Owning	Barrow
James Fisher Norway AS (Incorporated In Norway)	Investment	Norway
James Fisher Nuclear (Holdings) Limited	Investment	Barrow
James Fisher Nuclear Limited	Engineering*	Barrow
James Fisher Offshore Limited	Engineering	Aberdeen
James Fisher (Ro-Ro) Limited	Investment	Barrow
James Fisher Runic Limited	Marine Services	Barrow
James Fisher Scan Tech AS (Incorporated In Norway)	Engineering*	Norway
James Fisher (Shipping Services) Limited	Ship Operators	Barrow
James Fisher Tankships Holdings Limited	Investment	London
JCM Scotload Limited	Marine Services*	Aberdeen
Meldrum Testing Services Limited	Engineering*	Aberdeen
Monyana Engineering Services Limited	Engineering*	Aberdeen
NDT (Inspection And Testing) Limited	Engineering*	Chester
Plym Shipping And Agencies Limited	Marine Services*	Barrow
Prolec Limited	Engineering*	Poole
Pump Tools Limited	Engineering	Aberdeen
Raygen Limited	Investment*	Chester
Reanco Team As (Incorporated In Norway)	Engineering*	Norway
Remote Marine Systems Limited	Engineering*	Malton
Scan Tech Air Supply Uk Limited	Engineering*	Aberdeen
Scan Tech Eiendom AS (Incorporated In Norway)	Engineering*	Norway
Straininstall Amts Limited	Engineering*	Cowes
Straininstall AS (Incorporated In Norway)	Engineering*	Norway
Straininstall Group Limited	Engineering	Cowes
Straininstall Uk Limited	Engineering*	Cowes
Strata Oil Tools Limited	Engineering*	Aberdeen
The Marine Equipment Supply Company Limited	Marine Services *	Seething
The Railway Engineering Company Limited	Engineering*	Westbury
Turners Marine Trading Limited	Marine Services *	Seething

\*held by a subsidiary undertaking

# Joint Ventures and Associated Undertakings

Name of company	Principal activities	Place of business
Active Load Limited (20%)	Engineering*	Reading
Asteria Navigation Inc (40%)	Marine Services*	West Africa
Cumbria Nuclear Solutions Limited (20%)	Engineering*	Egremont
FCN Limited (40%)	Marine Services*	West Africa
Fendercare Nigeria Limited (40%)	Marine Services*	West Africa
Fender Care Benelux BV (40%)	Marine Services*	Europe
Fender Care (Malaysia) SDN BHD (25%)	Marine Services*	Malaysia
Fender Care Marine Omega Limited (50%)	Marine Services*	India
Fender Care Middle East LLC (49%)	Marine Services*	Dubai
Fender Care Viking SDN BHD (50%)	Marine Services*	Malaysia
Foreland Holdings Limited (25%)	Ship Owning*	London
Pars Fender Care (50%)	Marine Services*	Arabian Gulf
Silvertide Inc (40%)	Marine Services*	West Africa
Soil Dynamics (Malaysia) SDN BHD (70%)	Engineering*	Malaysia
Straininstall/Allison Inc (50%)	Engineering*	Usa
Straininstall Middle East LLC (49%)	Engineering*	Dubai

\*held by a subsidiary undertaking

# Fleet List – Annual Report 2007

As at 17 March 2008	Built	D.W.T	Type
<b>James Fisher &amp; Sons Public Limited Company</b>			
<b>Owned</b>			
<i>m.t. Thames Fisher</i>	1997	4,765	Clean Products Tanker
<b>James Fisher Everard Limited</b>			
<b>Owned</b>			
<i>m.t. Annuity</i>	1988	3,294	Clean Products Tanker
<i>m.t. Asperity</i>	1997	3,778	Clean Products Tanker
<i>m.t. Forth Fisher</i>	1997	4,972	Clean Products Tanker
<i>m.t. Galway Fisher</i>	1997	4,967	Clean Products Tanker
<i>m.t. Solent Fisher</i>	1997	4,970	Clean Products Tanker
<i>m.t. Mersey Fisher</i>	1998	4,765	Clean Products Tanker
<i>m.t. Milford Fisher</i>	1998	4,973	Clean Products Tanker
<b>Long Term Bareboat Charter</b>			
<i>m.t. Chartsman</i>	1993	6,397	Clean Products Tanker
<i>m.t. Rudderman</i>	1994	6,417	Clean Products Tanker
<i>m.t. Steersman</i>	1994	6,403	Clean Products Tanker
<i>m.t. Pembroke Fisher</i>	1997	14,204	Clean Products Tanker
<i>m.t. Cumbrian Fisher</i>	2004	12,921	Clean Products Tanker
<i>m.t. Clyde Fisher</i>	2005	12,984	Clean Products Tanker
<i>m.t. Shannon Fisher</i>	2006	5,420	Clean Products Tanker
<i>m.t. Solway Fisher</i>	2006	5,422	Clean Products Tanker
<i>m.t. Speciality</i>	2006	4,426	Clean Products Tanker
<i>m.t. Seniority</i>	2006	4,430	Clean Products Tanker
<i>m.t. Stability</i>	2004	3,517	Clean Products Tanker
<i>m.t. Summity</i>	2005	3,503	Clean Products Tanker
<i>m.t. Superiority</i>	2007	4,430	Clean Products Tanker
<b>James Fisher (Shipping Services) Limited</b>			
<b>Owned</b>			
<i>m.t. Humber Fisher</i>	1997	4,765	Clean Products Tanker
<b>F.T. Everard Shipping Limited</b>			
<b>Owned</b>			
<i>m.t. Audacity</i>	1997	3,778	Clean Products Tanker
<i>m.t. Supremity</i>	2007	4,405	Clean Products Tanker
<b>Long Term Time Charter</b>			
<i>m.t. Vedrey Tora</i>	2007	3,515	Clean Products Tanker
	Built	G.R.T	Type
<b>Fendercare Marine Pte. Ltd (Singapore)</b>			
<i>m.t. F-C Viking</i>	1981	277.18	Offshore Tug

# 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 Thursday 1 May 2008 at noon for the following purposes:

## Ordinary Business

### Resolution 1

To receive the accounts and the reports of the directors and the auditors thereon for the year ended 31 December 2007.

### Resolution 2

To approve the report on directors' remuneration (as set out on pages 24 to 31 of the Annual Report and Accounts) for the year ended 31 December 2007.

### Resolution 3

To declare a final dividend of 7.52p per ordinary share payable on 9 May 2008 to shareholders on the Register as at 11 April 2008.

### Resolution 4

To re-elect Mr T.C.Harris as a director of the Company.

### Resolution 5

To re-elect Mr N.P.Henry as a director of the Company.

### Resolution 6

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 7 will be proposed as an Ordinary Resolution and the case of Resolutions 8, 9 and 10 will be proposed as Special Resolutions:

### Resolution 7

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 1985 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 £4,142,898 such authority to expire at the conclusion of the next Annual General Meeting of the Company, but to be capable of previous revocation and variation from time to time by the Company in general meeting provided that the Company may make any offer or agreement before the expiry of this authority that would or might require relevant securities to be allotted after this authority has expired and the directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired.

### Resolution 8

#### Special Resolution

That the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the authority conferred by Resolution 7 above or by way of a sale of treasury shares as if Section 89(1) of that Act did not apply to any such allotment provided that this power shall be limited to:

- i) the allotment of equity securities in connection with a rights issue, open offer or other offer of securities in favour of the holders of ordinary shares on the register of members at such record dates as the directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them on any such record date, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatever; and
- ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) to any person or persons of equity securities up to an aggregate nominal amount of £621,434;

and shall expire upon the expiry of the general authority conferred by Resolution 7 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

#### Resolution 9

##### Special Resolution

The Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the 1985 Act to make one or more market purchases (within the meaning of section 163(3) of that Act) 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 ordinary share as derived from the London Stock Exchange Official List, for the five business days immediately preceding the day of purchase; unless previously renewed, 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.

#### Resolution 10

##### Special Resolution

That the Articles of Association, contained in the document produced to the meeting and signed by the chairman for the purpose of identification, be approved and adopted as the new Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association, with effect from the conclusion of the 2008 Annual General Meeting.

By order of the Board

**J.J.B. Tyler**

Company Secretary

17 March 2008

Registered office:

Fisher House, Michaelson Road, Barrow-in-Furness,  
Cumbria, LA14 1HR

Registered in England number: 211475

# Notice of Annual General Meeting

## continued

### Notes

The Annual Report and 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 Registrars, PO Box 25, Beckenham, Kent, BR3 4BR, not less than 48 hours before the meeting. Proxies may also be hand delivered to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU during normal office hours.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number – RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Copies of the directors' service contracts, the terms and conditions of appointment of the non-executive directors, together with copies of the current and proposed revised Articles of Association 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 7.52p per ordinary share for payment to ordinary shareholders who are on the register at the close of business on 11 April 2008. If approved the final dividend will be paid on 9 May 2008.

In accordance with Section 325 of the Companies Act 2006 ("the 2006 Act"), the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the 2006 Act. Persons nominated to receive information rights under Section 146 of the 2006 Act who have been sent a copy of this Notice of Meeting are hereby informed, in accordance with Section 149(2) of the 2006 Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

Only persons entered on the register of members of the Company at 6.00pm on 29 April 2008 (or, if the meeting is adjourned, at 6.00 p.m. on the date which is two days prior to the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting.

As at 17 March 2008 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 49,714,787 ordinary shares, carrying one vote each and 100,000 preference shares carrying one vote each. Therefore the total voting rights in the Company are 49,814,787.

### Ordinary Business Explanatory Note

Resolutions 4 and 5: In accordance with the Company's articles of association Mr. T.C. Harris and Mr. N.P. Henry will retire by rotation at this year's AGM. The board believes that both of Mr. T.C. Harris and Mr. N.P. Henry continue to perform effectively and with commitment to their roles. Further information about Mr. T.C. Harris and Mr. N.P. Henry is given on page 12 of 2007 Annual Report and Accounts.

### Special Business Explanatory Notes

Resolution 7 gives authority to the directors to allot equity securities up to a total nominal amount of £4,142,898 amounting to one third of the nominal value of the issued ordinary share capital as at 17 March 2008. The authority will expire at the conclusion of the Annual General Meeting to be held in 2009 and replaces a similar authority granted on 3 May 2007 which expires at the conclusion of the forthcoming Annual General Meeting.

The passing of Resolution 8, a special resolution, will permit the directors, until the conclusion of the Annual General Meeting of the Company to be held in 2009, to make issues of equity securities on a non pre-emptive basis up to an aggregate nominal amount of £621,434 being equal to 5% of the nominal amount of the issued ordinary share capital or in connection with a rights issue. The power will, if granted, replace the similar power conferred on the directors on 3 May 2007 and which will lapse at the conclusion of the forthcoming Annual General Meeting.

Resolution 9 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 2009 and replaces a similar authority granted on 3 May 2007 which expires at the conclusion of the forthcoming 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, the effect of any purchase on earnings per share and whether it is in the best interests of shareholders generally.

Resolution 10: The Company proposes to adopt new Articles of Association. These incorporate amendments to the current Articles of Association to reflect the provisions of the 2006 Act which came, or will come, into effect in 2007 and 2008. As the 2006 Act will not be fully in force until October 2009, it is not yet possible to fully reflect the 2006 Act changes. It is anticipated that shareholders will be asked to approve further changes to our Articles of Association at the 2009 AGM.

The principal changes in the new Articles of Association proposed to be adopted at the 2008 AGM relate to electronic communication with shareholders and shareholder meetings and resolutions, transfers of shares and directors' conflicts of interest.

The provisions of the 1985 Act which allowed companies to communicate with their shareholders electronically have been repealed and replaced by provisions in the 2006 Act which operate differently and use different definitions. The new Articles will permit the Company to use electronic communications for all notices, documents and information to be sent to shareholders, in accordance with individual shareholder preference. In addition, the new Articles will reflect the ability for companies to use website communication with shareholders as a default position.

The Company can ask individual shareholders to consent to receiving communications from the Company via the Company's website. If a shareholder does not respond to the request for consent within 28 days, the Company may treat that as deemed consent to receiving documents in this way.

A shareholder who receives a document via the website can ask for a hard copy at any time and shareholders can also revoke their consent to receive documents via the website at any time. This new regime will enable the Company to take advantage of the efficiencies, cost-savings and environmental benefits of electronic communications.

The provisions of the 2006 Act regarding shareholder meetings and resolutions came into force in October 2007, replacing the corresponding provisions of the 1985 Act. The new Articles reflect these provisions and provide that: minutes of meetings must be retained for at least 10 years; two persons who are proxies for the same member or representatives of the same body corporate can constitute a quorum; a poll may be demanded before a show of hands; and directors will be given the right to demand a poll as well as the Chairman of the meeting. The new Articles also clarify the procedure for amending ordinary and special resolutions once they have already been submitted for consideration at a general meeting.

The provisions in the new Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are in line with the relevant provisions of the 2006 Act. In particular, a general meeting (other than the annual general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

Under the 2006 Act, proxies are entitled to vote on a show of hands as well as on a poll, and members may appoint a proxy to exercise all or any of their rights to attend, speak and vote at meetings. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share or shares. The new Articles reflect these new proxy rights. The 2006 Act also provides for multiple corporate representatives to be appointed and the Articles therefore refer to the right to appoint multiple corporate representatives.

Under the 2006 Act, a company must either register a transfer of shares or give the transferee notice of, and reasons for, its refusal to register the transfer. Any registration of a transfer or notice of refusal must be made or given as soon as practicable and in any event within two months from the date that the transfer is lodged with the company. The new Articles reflect these requirements.

From 1 October 2008, under the 2006 Act a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests.

The 2006 Act allows directors of public companies to authorise conflicts or potential conflicts where the Articles of Association contain a provision allowing this authorisation. It is proposed that the Company's new Articles of Association should include such a provision. Two important safeguards will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. It is the board's intention to report annually on the Company's procedures for ensuring that the board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

The provisions relating to the disclosure of interests in shares contained in the 1985 Act, including Section 212 on company investigation powers, were repealed in January 2007. Section 793 and related sections in Part 22 of the 2006 Act, which contain the corresponding company investigation powers previously contained in Section 212, were brought into force simultaneously. The new Articles reflect the replacement of Section 212 of the 1985 Act with Section 793 of the 2006 Act.

The provision requiring a director's age to be disclosed, in a notice of meeting at which that director is to be appointed or reappointed, if that director has attained the age of 70 years or more, has been removed from the new Articles to reflect the repeal of the previous provisions regarding directors over 70 from the 1985 Act.

Under the 2006 Act instruments (other than share certificates) to which the company seal is affixed must be signed by two authorised persons or by a director in the presence of a witness, whereas previously the requirement was for signature by either the director and secretary or two directors. The new Articles reflect this requirement.

A copy of the current Articles of Association and the proposed new Articles of Association that reflect these amendments will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the offices of James Fisher and Sons Plc, Fisher House, Michaelson Road, Barrow-in-Furness, Cumbria, LA14 1HR, up until the close of the meeting. Copies will also be available at the offices of Herbert Smith LLP, Exchange House, Primrose Street, London EC2A 2HS on the morning of the meeting from 9 am until its conclusion.

# Financial Calendar

## 9 April 2008

Ex dividend date for 2007  
final dividend

## 11 April 2008

Record date

## 1 May 2008

Annual General Meeting

## 9 May 2008

Payment of 2007  
final dividend

## August 2008

Announcement of 2008  
interim results

# Registered Office and Advisers

## Company Secretary and registered office

J.J.B. Tyler  
James Fisher and Sons plc  
Fisher House, P.O. Box 4  
Barrow-in-Furness  
Cumbria  
LA14 1HR

Registered no. 211475

## Registrars

### Capita Registrars

Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0LA

## Auditors

Ernst & Young LLP  
100 Barbirolli Square  
Manchester  
M2 3EY

## Bankers

HSBC Bank plc  
8 Canada Square  
London  
E14 5HQ

## Lloyds TSB Bank plc

25 Gresham Street  
London  
EC2Y 7HH

## Bank of Scotland plc

1st Floor  
No.8 Princes Parade  
Princes Dock  
Liverpool  
L3 1DL

## The Royal Bank of

### Scotland plc

5th Floor  
5-10 Great Tower Street  
London  
EC3P 3HX

## Merchant bankers

### E.C.Hambro Rabben & Partners Ltd

11 Albermarle Street  
London W15 4HH

## Stockbrokers


### Investec Bank (UK) Limited

2 Gresham Street  
London EC2V 7QP

## Brewin Dolphin

Commercial Union House  
39 Pilgrim Street  
Newcastle upon Tyne  
Tyne & Wear  
NE1 6RQ





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