# Annual Report and Accounts 2008

James Fisher and Sons
Public Limited Company

# Providing marine and specialist engineering services of the highest quality

## Contents



The Chairman's Statement and certain other sections of this Annual Report contain forward looking statements that are subject to factors associated with, amongst other matters, the economic and business circumstances occurring from time to time in the countries and sectors in which the group operates. It is believed the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those anticipated at the date of the Annual Report.

# Highlights 2008

"2008 proved to be an excellent year for James Fisher. Group revenue and profit from operations were both up by over 28%, profit from continuing activities before tax by 23% and adjusted earnings per share by 16%. The key to the strong profit performance was organic growth in the marine support divisions."

Timothy C. Harris, Chairman

**Group Revenue**

£233.6m +28.0%


**Profit from continuing activities before tax**

£23.6m +23.0%


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

38.10p +16.0%


**Final dividend per share**

8.65p +15.0%


- Strong profit from organic growth
- Proven strategy and resilience
- Consistently strong cashflows and return on capital
- Successful submarine rescue vessel projects

# Group Divisions

## At James Fisher we are passionate about our business, bringing practical experience, innovation and commercial best practice to our clients' projects.

### Offshore Oil Services

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

**Fisher Offshore**
The company provides the offshore construction and subsea industry with a cohesive range of equipment and services, comprising lifting, compressor and other specialist equipment and including seabed excavation services via its HydroDigger Mass Flow Excavation system.

**Buchan Technical Services**
Buchan Technical Services offers flexibility to offshore oil and gas operations through the provision of rental equipment and temporary personnel.

**RMS/Pumptools**
RMS/Pumptools designs and manufactures a range of electrical equipment, including electrical submersible pumps, for worldwide markets.

**Scan Tech AS**
Scan Tech AS specialises in the manufacture and rental of equipment such as containerised steam generators, compressors, high pressure hot water cleaners, air dryers, winches and reelers, and subsea equipment.

**Scan Tech Air Supply**
Scan Tech Air Supply supplies large containerised air compressors, steam generators and associated equipment to well test and underbalanced drilling markets worldwide.

### Specialist Technical Services

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

**FenderCare**
FenderCare specialises in the sale or hire of large pneumatic fenders and a full range of foam-filled and fixed fendering together with a full range of mooring equipment for ships and ports. FenderCare Naval Solutions (Plymouth) is based in South Yard in Devonport Dockyard and undertakes a range of marine engineering, fabrication and repair works on ships, submarines, pontoons and other floating assets. FenderCare Marine undertakes ship to ship transfer operations.

**James Fisher Inspection and Measurement Services**
JFIMS provides inspection and measurement capabilities for the nuclear, defence, homeland security, aerospace, offshore and other industries.

**James Fisher Nuclear**
JFN provides remote handling, engineering, design, training, development and plant characterisation services, to nuclear and industrial clients operating in challenging environments.

**Strainstall Group**
The Strainstall Group of companies are primarily involved in the design and supply of safety and productivity based monitoring, control, load measurement and structural monitoring systems.

## Defence

Provides a range of specialist services for the defence sector, focusing on the design, construction and operation of submarine rescue vehicles and the operation of surface ships.

**James Fisher Defence**
James Fisher Defence provides subsea services and equipment to navies worldwide. Applications include submarine escape and rescue, special forces, remotely operated vehicles and hyperbaric systems.

**James Fisher Marine Services**
James Fisher Marine Services undertakes management and oversight services for a range of specialist vessels including warships and auxiliaries, and provides a storage and logistics service to the MOD and commercial clients.

**Foreland Shipping**
Foreland Shipping provides the military strategic sealift capability to the UK MoD. James Fisher is a 25% shareholder.

**James Fisher MIMIC**
James Fisher MIMIC supplies maintenance and related asset management services to the Royal Navy. The key product is a condition based maintenance system (MIMIC) which is installed in the majority of Royal Navy warships.

**James Fisher Rumic**
James Fisher Rumic is a leading provider of offshore personnel services worldwide.

## Marine Oil Services

Engaged in the sea transportation of clean petroleum products.

**James Fisher Everard**
James Fisher Everard's coastal tanker fleet carries in excess of six million tonnes of refined product annually. With vessels ranging in size from 4,000 to 14,000 tonnes it provides the most flexible distribution service available in response to its customers' immediate needs.

Key to the James Fisher operating philosophy is the creation of long-term partnerships with customers. The London chartering team is supported by technical and marine expertise from Barrow-in-Furness.

Undertaking approximately 2,000 voyages per year the fleet provides a flexible and reliable service on behalf of customers.

**James Fisher Shipping Services**
Offers ship management, design and engineering services to a number of long term clients operating on a worldwide basis.

Tim Harris

## Chairman's Statement

# An excellent year for James Fisher

### Highlights

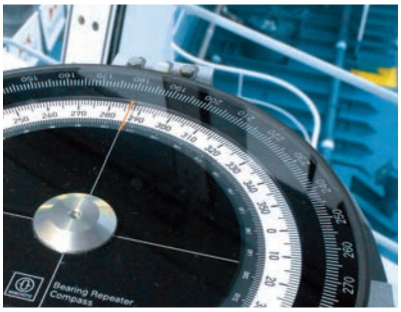
2008 proved to be an excellent year for James Fisher. Group revenue and profit from operations were both up by over 28%, profit from continuing activities before tax by 23% and adjusted earnings per share by 16%. Cash flow was again strong and the year-end gearing was 94% of which 19% related to the working capital absorbed by the Singaporean Submarine Rescue Service which will be recovered on its commissioning into service in the first half of 2009.

The key to the strong profit performance was organic growth in the marine support divisions of Offshore Oil, Specialist Technical Services and Defence. As flagged at the half-year, the Marine Oil division's results were disappointing, the result primarily of operational problems relating to the introduction of new tonnage rather than a shortfall in demand.

Recognising last year's strong performance and reflecting the ongoing prospects for the Company, the board proposes to pay a final dividend of 8.65 pence per share, an increase of 15% payable on 15 May 2009 to the shareholders on the register at 17 April 2009.

| Divisional operating profit growth, organic and acquisition growth split | Divisional operating profit | | | Growth* | |
|---|---|---|---|---|---|
| | 2008 £m | 2007 £m | % change | organic | acquisition |
| Offshore Oil | 12.702 | 9.213 | + 37.9% | 74% | 26% |
| Specialist Technical Services | 9.598 | 5.614 | + 71.0% | 90% | 10% |
| Defence | 4.484 | 3.002 | + 49.4% | 100% | - |
| Marine Oil | 5.982 | 8.605 | - 30.5% | n/a | n/a |
| | 32.766 | 26.434 | +24.0% | | |

* Organic growth is the difference between actual profits earned and profits earned by the entity in the corresponding period prior to acquisition.




### Company strategy in the credit crunch

James Fisher's consistent strategy since 2002 has been to use its core expertise of marine operational and engineering skills based on its Marine Oil division, to invest in and then generate organic growth from niche service businesses in the marine sector. The marine support businesses typically enjoy strong market positions providing specialist engineering based services, with margins over 10%, pre tax returns on capital employed of over 15% and good cash generating ability. This strategy has proved to be most successful in the favourable trading conditions experienced since 2002 – this section considers its resilience to the more challenging trading conditions prevailing today.

In a credit crunch it is appropriate to start with cash and liquidity. The Company enjoys good, long-term relationships with a wide range of British banks and it has recently finalised a new facility with Barclays Bank PLC for £25 million which will allow it to pursue further expansion opportunities. It has strong credit lines and plenty of headroom on its banking covenants. As already indicated, the delivery of the Singaporean Submarine Rescue Service in the first half of 2009 which we have funded during its construction, will have a materially positive effect on reported gearing. In real terms, the most negative effect of the present economic problems has been to create or increase pension fund deficits, the quantification of which is made volatile under international accounting rules. It is worth noting that their main effect is on reported gearing not liquidity itself.

In assessing resilience to recessionary pressures, it should be emphasised that James Fisher is a service business and as such far less exposed to the swings in asset values which have created adverse headlines about the international shipping and offshore markets, where both ship and rig values have dropped dramatically. In contrast it earns its living by providing specialist services to shipping rather than ship trading and from the oil that its customers continue to produce. As a specialist niche services provider there is also much greater protection against price erosion than in a commoditised market.

The Group's business is broadly based both by activity and geographically. For example, its offshore businesses are more focused on production and maintenance than exploration. It has significant North Sea activities but now earns much of its profit from elsewhere in Asia and Africa. It has very little direct exposure to North America or Russia.

Finally, a weak pound is of overall benefit to James Fisher because a large part of the revenue of its Offshore and Specialist Technical divisions is expressed in US Dollars or Norwegian Kroner. This is partly offset by the internal hedge of Marine Oil's US Dollar bareboat charters and its crewing, about half of which is in Euros. In short, a weak pound is positive news for the marine support divisions but this is tempered to some extent by a negative impact on Marine Oil. These factors confirm that the Company's existing strategy is still valid in the present credit crunch and gives it a good degree of resilience in an economic downturn.

### Offshore Oil
### 2008 Divisional Result £12.7 million (2007 £9.2 million)

Divisional profits grew by 37.9% over last year with organic growth accounting for 74% of the increase and the 2007 acquisitions of Pump Tools Limited and Buchan Technical Services Limited responsible for the remaining 26%. Divisional margins were 26.3% in 2008 compared with 30.4% in 2007, the reduction reflecting the relative increase in non hire revenue rather than any deterioration in underlying margins. The divisional return on capital employed including goodwill improved to 16.4% from 15.8% in 2007 despite the investment in new premises in both Scotland and Norway.

Both James Fisher Offshore (Aberdeen) and Scan Tech AS (Norway) had successful years supplying lifting, compressor and other specialist equipment to their respective sectors of the North Sea and increasingly using their North Sea skills further afield in the new oil regions of the world. Typically, they provide specialist equipment which is customised for particular purposes, often with personnel to support its operation. A new sector entered by James Fisher Offshore in 2008 was the provision of heavy lifting equipment for the installation of wind farms.

The downhole cluster which was formed by the merger of existing business Remote Marine Services with Pump Tools Limited, after its acquisition in October 2007, creating RMS/Pumptools, had a particularly successful year in 2008. It designs, produces and sells worldwide specialist electrical submersible pump equipment which improves the productivity of oil wells.

We continue to support the good organic growth record of this division by investment in new equipment and new facilities, particularly in Norway where we are halfway through the construction in Stavanger of a new works into which will be consolidated all of our Norwegian operations. In March 2009 part of the Reanco Team AS business which was focused on the fabrication of offshore rig living quarters was sold for £1.2 million, the book value, as it did not represent a core interest. We continue to look for "bolt-on" acquisitions to supplement or strengthen further our market position.

Trading and the immediate outlook to date remain largely unaffected by the present uncertain economic climate.

# Chairman's Statement continued

## The marine support businesses typically enjoy strong market positions providing specialist engineering based services.

**Specialist Technical**
**2008 Divisional Result £9.6 million (2007 £5.6 million)**
This division consists of three clusters – FenderCare, Strainstall and Nuclear. It produced particularly good results in 2008 with the divisional profit 71% up over that for the previous year. Strong organic growth accounted for 90% of this uplift with acquisition growth responsible for the remaining 10%. Margins improved to 12.8% in 2008 from 9.1% in the previous year, with the stronger US Dollar helping in the second half of 2008. The division's return on capital improved to 16.9% in 2008 from 13.2% in the previous year.

The FenderCare cluster provides a full range of mooring equipment for ships and submarines. It is also the global market leader in providing ship to ship oil transfer services. FenderCare's strong growth was the result of three main factors - increased market share, a growth of its global activities particularly in the Middle East and Asia and the stronger US Dollar.

Strainstall's core expertise is the design, production and application of strain and similar gauges. It produced a strong result in 2008 both from organic growth and its JCM Scotload Limited acquisition in February 2008, which has settled in well. Overall Strainstall's market position has similarities to FenderCare's – it is a market leader in the fields in which it operates and it is expanding in the Middle Eastern and Asian markets. It too benefits from a stronger US Dollar.

The Nuclear cluster produced a more positive result in 2008 with an improvement in both the general decommissioning climate and its own performance. JFIMS, the inspection and measurement start-up, again performed well. This cluster is better poised for a growth in profitability and value creation than for some time.

Overall, the Specialist Technical division continues to perform very well. We shall invest further both in working capital and long-term capital assets to support its excellent growth record. We shall also continue to seek further "bolt-on" acquisitions. Trading to date and the immediate outlook remain largely unaffected by the generally unfavourable economic climate.

**Defence**
**2008 Divisional Result £4.5 million (2007 £3.0 million)**
The division's result was dominated in 2008 by the Korean and Singaporean Submarine Rescue Service contracts which were the main reasons for the 49.4% increase in profit, apparent diminution in margin to 15.3% and a small decline in the return on capital employed to 20.2%, compared with 22.7% in 2007.

The Korean submarine vessel was completed on time and within budget and commissioned into service in Korea just before the year end. A 4% final instalment remains to be received pending the completion of training and the final delivery of spares.

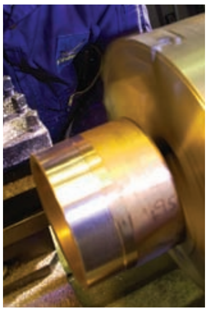
The Singaporean submarine vessel has also been completed and is in Singapore where she has successfully completed her initial sea trials. It remains for her to be installed on the mother ship, Swift Rescue, which is nearing completion by our Singaporean partners, Singapore Technologies Marine Ltd, prior to delivery of the fully integrated rescue service.

On commissioning by the Singaporean Navy, the integrated rescue service will be operated by a joint venture company, First Response Marine Pte Ltd, owned equally by Singapore Technologies Marine Ltd and ourselves and will receive an annual service payment until 2029 for the operation of the system. In addition, on commissioning which is anticipated before 30 June 2009, we shall receive payment for the submarine rescue vessel itself. At 31 December 2008, the carrying cost of £14.4 million for this vessel, including profit taken to date of £0.8 million is included in net current assets. Furthermore under the fair value rules, £4.6 million has been charged directly against reserves representing a fair value adjustment arising from covering the Singaporean Dollar for the vessel delivery against Sterling. This will reverse on delivery. Overall, these two factors were responsible for some 19% of the Group's 94% of financial gearing at the year end.

The efficient and early construction of the two rescue vessels has confirmed the Defence division's global market leadership in this most specialist of markets. This has stimulated enquiries for related services and we have recently entered a contract with the Royal Australian Navy to provide standby submarine rescue services using the former UK Submarine Rescue equipment which we are buying from the Ministry of Defence for £1 million.

There were no major new developments relating to the surface ship cluster which is responsible for the Company's 25% holding in Foreland Shipping, the management of the five vessels for International Nuclear Services and the three Corvettes built by BAE Systems for the Brunei Navy which are in lay-up pending sale.

**Marine Oil**
**2008 Divisional Result £6.0 million (2007 £8.6 million)**
As was flagged at the half year, the result for the Marine Oil division was well down on 2007 with a divisional profit of £6.0 million against £8.6 million last time despite an increase in revenue of 6% from £75.9 million in 2007 to £80.8 million in 2008.



Margins were consequently down from 11.3% in 2007 to 7.4% in 2008. The return on capital performance was significantly less affected at 8.8% in 2008 against 11.9% in 2007, reflecting the benefit of ship sales releasing capital.

Operational problems rather than a lack of demand were the cause of the disappointing result. These were explained in detail in the half year results but, in summary, the two most important were phasing problems concerning the fleet renewal programme and issues relating to the new European Maritime Safety Agency (EMSA) contract. Although now resolved, these continued in the second half of 2008 and were exacerbated when Svithoid Tankers AB, the Swedish owner of two of our bareboat charters, went into receivership.

The fall in the value of Sterling, although of benefit to the Group overall, had a significantly adverse effect on the Marine Oil result in the second half as its bareboat charters and half of its payroll are in either US Dollars or Euros. Marine Oil acts as a useful internal hedge to some of the Group's growing US Dollar exposure but receives no compensation for this role in the divisional results.

Despite the operational problems, revenues held up well in 2008 and there has been no slackening in demand for our services to date. Marine Oil remains a steady, if slow growing, division with proven cash generating capabilities which has been most useful in recent years for investment in the Company's other divisions.

### Directors and employees

The Company has benefited from a stable and unchanged board and senior management in the main clusters in 2008 and this is reflected in the results. The Company's philosophy is to give senior cluster management as much responsibility as possible in a flat framework where the centre provides commercial guidance and financial support and control. The Company's pay policies are focused on results where the interests of executives and shareholders are closely aligned.

2008 has been a most successful year for James Fisher and I would like to thank all of our staff for their contribution. Their support and continued hard work in 2009 will be critical for success in a commercial environment which threatens to be more challenging than for many years.

### Outlook

It is difficult to comment too definitively in an economic climate which is changing rapidly and mainly for the worse. Furthermore it would be foolhardy to pretend that a deep economic downturn would not have a detrimental effect on the Company's performance.

Clearly, if world trade shrinks and oil production falls over a prolonged period, then there will in time be adverse consequences for a service company such as James Fisher focused on the shipping, ports and offshore oil sectors.

However the immediate outlook for the divisions has not changed from last year and the Company in 2009 is trading to management expectations. The consistent strategy of investment in niche operating businesses has ensured that the Company's operations are well balanced and sufficiently diversified:

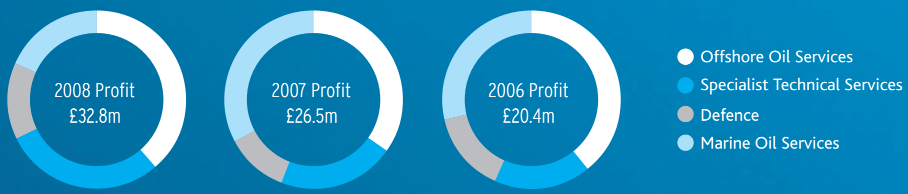
- The Offshore Oil division has a broad base both geographically and by activity supplying services to operations and maintenance and should therefore be able to surmount the predicted cutbacks in exploration activity.
- The FenderCare and Strainstall clusters have strong market positions with excellent growth records. Their competitiveness has been increased internationally by the fall in the value of Sterling. The Nuclear cluster is better placed than for some time for both external and internal reasons.
- The imminent commissioning of the Singaporean Submarine Rescue Service is of major importance to the Defence division as well as the Company, not least because it will reduce gearing so significantly. The successful completion of both the Korean and Singaporean systems on time and budget has considerably strengthened Defence's already strong market position and is already stimulating new enquiries.
- The UK demand for petrol and heating oil is the key driver for the Marine Oil division's services and this is likely to fall in line with GDP in a recession. However, James Fisher Everard enjoys a strong market position with contract of affreightment cover for most of its tonnage. It is unlikely that a drop in demand in line with GDP would have seriously detrimental results.
- The strong US Dollar and reduced rates are also positive factors. The economic downturn should also make acquisition prices more reasonable.

On present evidence the Company is well placed with a proven track record to continue to produce good growth and further value for our shareholders.

Tim Harris

**Timothy C. Harris**
Chairman

**Divisional segmental profits***




*before common costs and separately disclosed items but after share of post tax results of joint ventures

## Review of Operations

# Continued strong organic growth

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| **Offshore Oil Services** | | | |
| Continuing operations revenue (£m) | 48.3 | 30.3 | 26.1 |
| Profit (£m) | 12.7 | 9.2 | 8.0 |
| Margin | 26.3% | 30.4% | 30.5% |
| Return on capital employed | 16.4% | 15.8% | 18.6% |
| **Specialist Technical Services** | | | |
| Continuing operations revenue (£m) | 75.3 | 61.9 | 35.0 |
| Profit (£m) | 9.6 | 5.6 | 3.6 |
| Margin | 12.8% | 9.1% | 10.3% |
| Return on capital employed | 16.9% | 13.2% | 13.6% |
| **Defence** | | | |
| Continuing operations revenue (£m) | 29.3 | 13.9 | 11.1 |
| Profit (£m) | 4.5 | 3.0 | 3.0 |
| Margin | 15.3% | 21.5% | 26.8% |
| Return on capital employed | 20.2% | 22.7% | 27.7% |
| **Marine Oil Services** | | | |
| Continuing operations revenue (£m) | 80.8 | 75.9 | 45.9 |
| Profit (£m) | 6.0 | 8.6 | 5.8 |
| Margin | 7.4% | 11.3% | 12.7% |
| Return on capital employed | 8.8% | 11.9% | 12.0% |

**Principal Group Activities**
The principal activities of James Fisher, organised by division, are as follows:

**Offshore Oil Services**
Engaged in the design, construction, 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, ship to ship oil transfer 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.

**Segmental Reporting**
Details of Segmental profit, revenue, margin and return on capital employed are shown in the table adjacent.

Prior year figures have been adjusted to reflect the transfer of Remote Marine Systems and Pumptools from Specialist Technical Services to Offshore Oil Services.

### Group results

Group revenue increased to £233.6m in 2008, up by 28.3% on 2007 (£182.0m), and this generated a profit from continuing operations before taxation and separately disclosed items of £24.2m, compared to a 2007 profit on the same basis of £19.2m. The increase of 25.9% reflects continued strong organic growth across the Group's divisions. Profit from continuing operations after adjusting for separately disclosed items was £23.6m compared to 2007 profit on the same basis of £19.1m, an increase of 23.4%.

The Group Income Statement for 2008 details the separately disclosed items, the effect of these items is a loss of £0.574m (2007 – loss £0.089m). The total is made up of ship impairment (£0.107m), profit on ship disposals (£0.685m) and exchange losses on loans (£1.152m).

Basic earnings per share from total operations is 36.94p per share (2007 – 32.66p per share) an increase of 13.1%. The total profit for the year attributable to ordinary shareholders after taxation is £18.3m (2007 – profit £16.1m). The adjusted earnings per share on continuing activities is calculated before separately disclosable items and is shown to highlight the underlying trends. This was 38.10p (2007: 32.85p), an increase of 16.0%.

### Joint ventures

Profit after tax derived from joint ventures during the year comprised £2.0m in respect of Foreland Shipping Limited (2007: £1.8m) and £0.5m in respect of Fender Care (2007: £0.5m). Further details of the Fender Care joint ventures are set out at Note 16.

### Strategy

As set out in the Chairman's Statement on page 5, the aim of the Group is to be the UK's leading Marine Services provider utilising its core expertise of marine, operational and engineering skills based on its Marine Oil Services division to invest in and then generate organic growth from niche service businesses in the marine sector.

### Changes in group

On 7 February 2008 the Group acquired the entire share capital of JCM Scotload Limited for £2.1m net cash (including direct costs). JCM Scotload designs and manufactures a range of load measurement instruments for the offshore oil industry and operates in the Strainstall Group.

On 31 March 2008 the Group purchased the remaining 30% of Soil Dynamics (Malaysia) SDN BHD not already owned by the Group for a consideration of £0.2m. Soil Dynamics forms part of the Strainstall Group.

On 22 August 2008 the Group acquired Impact Industrial Solutions Limited (Impact) for £0.5m net cash (including direct costs). Impact provides a specialist service for marine equipment and will operate within the Fender Care Group.

### Taxation

The effective tax rate on continuing operations is 22.4% (2007 – 15.5%) 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 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.

### Dividends and earnings per share

The board have recommended a final dividend for the year of 8.65p per share, (2007 – 7.52p per share), making a total for the year of 13.01p per share (2007 – 11.41p per share). This represents an increase of 14.0% on 2007.

Basic earnings per ordinary share from continuing operations in 2008 was 36.94p compared to 32.67p in 2007. Basic earnings per ordinary share from total operations in 2008 was 36.94p compared to 32.66p in 2007. Adjusted earnings per share, excluding separately disclosed items and discontinued business was 38.10p per ordinary share compared to 32.85p in 2007.

### Cash Flow

Cash generation remains a particular focus of the Group. The Group's cash balance at 31 December 2008 was £16.9m compared to 2007 at £13.2m representing a strong and enhanced position.

Major funding movements in the year are set out in the Cash Flow Statement on page 36.

A total of £2.8m was paid in consideration of new subsidiary undertakings, together with an additional £2.7m in respect of deferred consideration and expenses relating to acquisitions made in previous years.

# Review of Operations continued

## Health and Safety is a matter of paramount concern to the Group across its entire operations.

### Borrowings

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

The majority of the Group's borrowing is now made on an unsecured basis. At 31 December 2008 net debt (excluding preference shares) amounted to £91.4m (2007: £77.8m). Net gearing amounted to 94% (2007: 83%).

### 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. During 2008 the Group had no interest rate swaps in place.

The Group monitors market trends in interest rates and as appropriate maintains 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 2008 the Group had cash balances of £16.9m (2007: £13.2m) and undrawn committed facilities of £35.4m (2007: £23.3m) which are available to provide additional liquidity.

#### Foreign exchange risk

The Group has a number of overseas and international businesses 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, Euros and AED. Where appropriate the Group manages its exposure to foreign currencies through the use of hedging instruments.

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 has no active members and now receives contributions only via the deficit recovery plan. 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 2008 the Dockworkers scheme was in deficit by £1.8m (2007: £0.9m deficit) and the Shore Staff Scheme was in deficit by £3.3m (2007: £0.5m 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 2008 was £1.7m (2007: £nil deficit).


The Group, as a former employer of the 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 £9.3m (2007: £11.0m). 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 page 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 after taxation, after adjusting net assets to take into account only the post-acquisition period relating to businesses acquired during the year was 19.41% (2007: 17.15%).

### 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 2008 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 1.2 (2007: 2.17).

### 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 2008, expressed as a percentage of the average workforce during such period comprised 13.1% (2007: 13.8%).

### 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. There are however, high barriers of entry to the contract of affreightment business with the oil majors, with vigorous vetting procedures.

#### 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 (e.g. on life expectancy), may result in an increase in the deficits in any of such schemes from time to time. There is 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.

#### World economic outlook

Demand for the Group's products and services is inevitably a factor of wider economic conditions. During an economic slowdown it is possible that demand for certain products and services provided by the Group may reduce. Furthermore the current economic environment may increase the risk that parties with whom the Group trades become unable to meet their commitments to the Group.

# Review of Operations continued

## In 2008 the Group has fostered existing and developed new relationships with lenders.

### 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 by negotiating appropriate limits on its liability to customers and also through its insurance policies.

### 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 through the application of appropriate remuneration incentives and the implementation of 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. 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. In 2008 the Group has remained proactive in managing these risks, both fostering existing and developing new relationships with lenders.

Nick Henry

**Nicholas Henry**
Chief Executive Officer

Michael Shields

**Michael Shields**
Group Finance Director

# Board of Directors

### Executive Chairman

**Timothy C.Harris**
**Executive Chairman (aged 61)**
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 Nedloyd Container Line Limited. He was the Non-Executive Chairman of Clarksons plc until 2008. He was also President of the Chamber of Shipping from March 1995 to March 1996. He is also currently a Non-Executive Director of Neptune Orient Line Limited.

### Executive Directors

**Nicholas P.Henry**
**Chief Executive Officer (aged 47)**
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 61)**
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 48)**
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 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 67) ● ○**
Joined the board in January 2002. He has wide experience in commercial shipping, having been Chairman of Andrew Weir Shipping Limited and was 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 a past Chairman of the Baltic Exchange and is past president of the Institute of Chartered Shipbrokers.

**Maurice Storey**
**Non-executive director (aged 65) ● ○**
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. He is a Trustee of the Historic Dockyard (Chatham).

**Charles J.Rice**
**Non-executive director (aged 55) ● ○**
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 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 60) ● ○**
Joined James Fisher in December 2006 following the acquisition of FT Everard and 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 sits on the executive of The International Chamber of Shipping. He is currently the President of the Institute of Marine Engineers, Science and Technology.


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

● Audit Committee
○ Remuneration and Nominations Committees

# 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 2008.

## Principal group activities, review of operations and results

The Review of Operations on pages 8 to 12 describes the principal activities, operations and the financial position of the Group. The results of the Group are set out in detail on pages 31 to 37 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 4 to 7. The principal subsidiaries and associates are listed on pages 95 and 96.

## Business review and future developments

The Companies Act 2006, section 417 requires the directors to present a Business Review in this report. The information that fulfils this requirement can be found in sections set out below and is incorporated by reference into this report.

- the Chairman's Statement on pages 4 to 7.
- the Review of Operations on pages 8 to 12.
- the summary of principal risks and uncertainties on pages 11 and 12.
- the key performance indicators on page 11.
- the review of environmental matters, employees and social issues on pages 20 and 21.
- the disclosure of contractual arrangements below.

## Results and dividends

The Group profit for the financial year after taxation amounted to £18,301,000 (2007: profit £16,135,000). The directors recommend a final ordinary dividend of 8.65p per share (2007: 7.52p) amounting to £4,305,378 making 13.01p per share and £6,473,103 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 15 May 2009 to ordinary shareholders whose names were on the register on 17 April 2009.

## Directors and their interests

The current members of the board are listed on page 13.
Mr S.A. Harris retires by rotation and, being eligible, offers himself for re-election.
Mr M. Storey retires by rotation and, being eligible, offers himself for re-election.
Mr C.J. Rice retires by rotation and, being eligible, offers himself for re-election.
Brief biographical details of all directors are shown on page 13.

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 2008 No. | 2007 No. |
|---|---|---|
| T.C. Harris | 241,260 | 210,223 |
| N.P. Henry | 43,083 | 27,907 |
| M.J. Shields | 187,284 | 168,769 |
| S.A. Harris | 18,116 | 10,636 |
| A.R.C.B. Cooke | 33,684 | 21,684 |
| M. Storey | - | - |
| C.J. Rice | 5,000 | 5,000 |
| F.M. Everard | - | - |

Since 31 December 2008 there have been no change in directors' interests.

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 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 2008 or at any time during 2008.

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

## Substantial shareholders

On 16 March 2009 the following were interested in 3 per cent or more of the Company's issued share capital:

| | No. | Ordinary Shares % |
|---|---|---|
| Rowland Frederick Hart Jackson (non-beneficial) | 8,887,596 | 17.86 |
| Schroder Investment Management | 6,146,635 | 12.35 |
| Therapia Investments Limited | 3,028,351 | 6.08 |
| M&G Investment Management | 2,644,415 | 5.31 |
| Legal and General Investment Management | 2,210,570 | 4.44 |
| Insight Investment | 2,207,255 | 4.43 |
| F&C Asset Management | 1,720,648 | 3.46 |
| Montanaro Investment Managers | 1,698,250 | 3.41 |

| | No. | Preference Shares % |
|---|---|---|
| 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 10.

### Charitable and political contributions
During the financial year the Group made no political contributions (2007: £nil).

Charitable contributions made during the financial year totalled £335 (2007: £70).

### Events after the balance sheet
On 16 March 2009 the Group entered into an agreement for the sale of part of the Reanco Team AS business for £1.2m.

### 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 principally 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 options may be awarded to nominated employees. Awards have been made to the directors and other senior executives under this plan.

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 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 2008.

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 fair value of the options 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 7 May 2009 resolutions 8 to 14 inclusive will be special business. The special business covers: approval for an increase in the authorised share capital of the Company, the directors' authority to allot shares, the partial disapplication of pre-emption rights, the Company's authority to purchase its own shares, the notice period for general meetings 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 98 and 99 and the explanatory Notes on pages 100 to 104.

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 2008 the Group and Company had an average number of 58 days and 52 days purchases outstanding in trade creditors respectively (2007: Group 54 days, Company 49 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 2008, the Company's issued share capital comprised:

| | Number | £000 | % of total Share capital |
|---|---|---|---|
| Ordinary shares of 25p each | 49,753,186 | 12,438 | 99.2 |
| 3.5% cumulative Preference shares of £1 each | 100,000 | 100 | 0.8 |

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 98 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;

# Report of the Directors continued

- 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. Any director who has held office for more than three years since their last appointment must offer themselves up for re-election at the 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 14. Major interests (i.e. 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 0.46% 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 and essential contracts

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 contracts may terminate upon a change of control of the Company or its relevant subsidiary.

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

- the Singapore Submarine Rescue Service Agreement dated 17 October 2008, between James Fisher Marine Services Limited and First Response Marine PTE Ltd.

There are no individual contracts deemed essential to the Group's business.

### 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 20 and 21.

### Auditors

Following an audit tender carried out in 2008, KPMG Audit Plc were appointed as auditors in place of Ernst & Young LLP with effect from 1 July 2008.

The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and their re-appointment as auditors will be proposed at the Annual General Meeting on 7 May 2009.

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

The directors who held office at the date of approval of this director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any 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**
**Company Secretary**
16 March 2009

# 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.

The board has adopted and applied comprehensive procedures addressing the management of potential and actual conflicts of interest.

### Board balance and independence

The board currently comprises an Executive Chairman, a Chief Executive Officer, two 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 13.

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. In 2008 Mr F.M. Everard was paid an annual fee of £61,750 by the Company, which included £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.

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 2009 Annual General Meeting are contained on page 14.

### 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.

# Corporate Governance Statement continued

## Performance evaluation

An evaluation of the performance of the board and its committees during 2008 was conducted in January 2009. The evaluation was conducted internally on a confidential basis and 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 which role it fulfils by way of reviewing and monitoring 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.

Following an audit tender carried out in 2008, KPMG Audit Plc were appointed as auditors in place of Ernst & Young LLP, with effect from 1 July 2008.

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.

*Auditor independence*

Controls are in place to safeguard the independence of the auditors. However there are occasions when services can be more efficiently undertaken by the external auditor and at no risk of impairment of their independence. The audit committee review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements and makes recommendations to the board. Whilst a formal policy around the provision of non audit services by auditors is not in place the audit committee follows the guidelines set out by the Institute of Chartered Accountants in England and Wales and has the necessary approval processes in place for non-audit services.

All non-audit services are reported to the audit committee. A summary of fees paid to the auditor can be found in Note 6 of the accounts.

*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 22 to 28.

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 | 3 | 3 |
| Number of meetings attended in 2008 | | | |
| Mr. T.C. Harris | 4 | * | * |
| Mr. N.P. Henry | 4 | * | - |
| Mr. M.J. Shields | 4 | * | - |
| Mr. S.A. Harris | 4 | - | - |
| Mr. A.R.C.B. Cooke | 4 | 3 | 3 |
| Mr. M. Storey | 4 | 3 | 3 |
| Mr. C.J. Rice | 4 | 3 | 3 |
| Mr. F.M. Everard | 4 | 3 | 3 |

*attends by invitation

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, interim management statements 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. In November 2008 the Company held an investor day at its premises in Renfrew, attended by a diverse range of analysts and other stakeholders. Non attributable feedback 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 consulted 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 (excluding joint ventures) system of internal control that is designed to provide them with reasonable assurance as to the effective and efficient operation of the Group 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. 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. 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 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.

## Going concern

After making enquiries, the Directors believe that the Group and the Company have adequate resources to operate for the foreseeable future, as detailed in Note 1 to the financial statements. For this reason they continue to adopt the going concern basis in preparing the financial statements.

# Corporate Social Responsibility

As a leading provider of marine services in the United Kingdom and overseas, 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 the international quality standard ISO9001:2000. The system encompasses 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.

### 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 2008 to protect the environment include:

a) incorporating an energy efficient heating system into the design of its new premises in Stavanger Norway, which system recycles the steam generated in testing compressor systems;

b) the continued roll-out of the programme to apply anti-fouling hull coatings to vessels in the fleet, minimising friction and discouraging the adherence of marine life to the hull and hence reducing fuel consumption;

c) the adoption of the facility to communicate with shareholders by electronic means, thereby reducing the need to print and deliver hard copy documentation;

d) the introduction of digital x-ray systems at James Fisher Inspection and Measurement Services anticipated to achieve annualised savings of 0.8m litres of water, 4,800 litres of fixer and developer chemical, and 100,000 films.

# Report on Directors' Remuneration

The directors' remuneration report covers all directors, both executive and non-executive, and is set out on pages 22 to 28.

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 7 May 2009.

**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) | 3 | 3 |
| Mr. M. Storey | 3 | 3 |
| Mr. C.J. Rice | 3 | 3 |
| Mr. F.M. Everard | 3 | 3 |

The committee met three times 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. Mr. T.C. Harris was consulted on matters relating to the other executive directors who report to him.

The committee has appointed an independent firm of remuneration consultants, Hewitt New Bridge Street ("Hewitts"), as its principal external adviser on matters of executive directors' remuneration. During 2008 Hewitts carried out a review of certain aspects of executive director remuneration, which the committee has taken into account in making certain amendments to executive director and senior management remuneration, further details of which are set out in this report.

### 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 2008 an offer was made to all eligible staff. In addition in 2008 awards were made under the Long Term Incentive Plan to certain senior executives.

*Elements of remuneration*
The executive directors' total remuneration currently consists of base salary, annual bonus coupled with an 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. Following the review conducted by Hewitts in 2008, the base salaries of the executive directors and certain senior executives were increased with effect from 1st September 2008 in order to move them into line with comparator companies.

*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 2008 was 70% of base salary.

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 made until 2005 under this scheme are shown on page 28. 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 2008 are shown in the table on page 25. 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 2008 the committee set award levels for main board directors under the LTIP at 50% of salary annually and under the performance target, applicable in 2008, 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. Other senior executives participated in the LTIP in 2008.

Following the review conducted by Hewitts in 2008 and having consulted with major shareholders, the committee resolved to make certain changes to the Scheme in order to bring it more into line with market practice. The principal changes comprise increasing the size of the maximum award made in normal circumstances to 75% of salary and introducing a sliding scale for vesting of awards, with one third of the award vesting where growth of diluted earnings per share of RPI plus 9% is achieved over the three year performance period, to full vesting where growth of RPI plus 18% is achieved over the same period. These changes move the scheme from a single hurdle structure to a sliding scale, with reduced reward towards the bottom end of the scale compared to previous incentives but the potential for greater reward than before for performance at the top end of the scale. These changes have been approved by the committee for awards made in 2009 and thereafter.

# Report on Directors' Remuneration continued

*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 page 26. 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 page 26.

*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 2008 invitation to participate, the exercise price was at 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 £332,750 per year. In 2008 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 25.

*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.

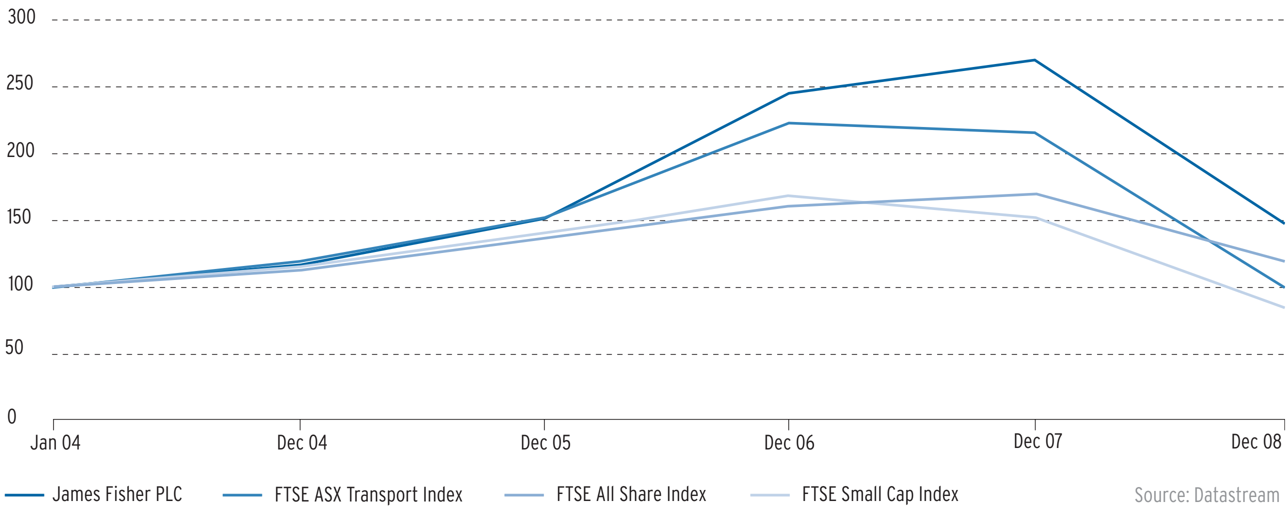
| | Contract date | Expiry date |
|---|---|---|
| A. R. C. B. Cooke | 01.01.09 | 31 December 2009 |
| M. Storey | 01.01.09 | 31 December 2009 |
| C. J. Rice | 01.01.09 | 31 December 2009 |
| F. M. Everard | 01.01.09 | 31 December 2009 |

*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, 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 and Sons PLC Total Return Index vs. FTSE All Share Index, FTSE ASX Transport Index and FTSE Small Cap Index for the period 1 January 2004 to 31 December 2008 (rebased 1 January 2004)**




**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 | 2008 Total £000 | 2007 Total £000 |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| T.C. Harris # | 313 | 219 | - | 15 | 547 | 469 |
| N.P. Henry # | 208 | 146 | - | 13 | 367 | 312 |
| M.J. Shields # | 146 | 102 | 9 | - | 257 | 230 |
| S.A. Harris # | 124 | 87 | - | 10 | 221 | 198 |
| W.D. Everard + | - | - | - | - | - | 188 |
| **Non-executive** | | | | | | |
| A.R.C.B. Cooke | 37 | - | - | - | 37 | 35 |
| M. Storey | 34 | - | - | - | 34 | 93 |
| C.J. Rice | 34 | - | - | - | 34 | 33 |
| F.M. Everard ++ | 62 | - | - | - | 62 | 60 |
| Aggregate emoluments | 958 | 554 | 9 | 38 | 1,559 | 1,618 |

\# With effect from 1 September 2008 the following base salaries became applicable. T.C. Harris £332,750; N.P. Henry £225,000; M.J. Shields £157,500; S.A. Harris £135,000.

\+ To date of resignation 30 September 2007.

++ In addition to his salary as a non-executive director Mr F.M. Everard was paid a fee of £27,500 (2007: £27,500) as Chairman of Cattedown Wharves Limited, a subsidiary of F.T. Everard & Sons Limited. This amount is included in the table above.

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 £158,705 (2007: £155,750) under this arrangement.

# Report on Directors' Remuneration continued

## 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 2008 No. | Granted No. | Exercised No. | Cancelled No. | 31 December 2008 No. | Gains on exercise 2008 £000 |
|---|---|---|---|---|---|---|
| T.C. Harris | 294,352 | 48,581 | - | - | 342,933 | - |
| N.P. Henry | 102,147 | 32,130 | - | - | 134,277 | - |
| M.J. Shields | 80,630 | 22,484 | - | - | 103,114 | - |
| S.A. Harris | 58,923 | 18,951 | - | - | 77,874 | - |
| Total | 536,052 | 122,146 | - | - | 658,198 | - |

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

| | Number of share options | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 January 2008 No. | Granted during year No. | Exercised during year No. | Cancelled during year No. | 31 December 2008 No. | Exercise price | Date from which exercisable | Expiry date |
| 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 | 05.07.10 |
| | - | 48,581 | - | - | 48,581 | 623p** | 25.03.11 | 25.03.18 |
| | 294,352 | 48,581 | - | - | 342,933 | | | |
| 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 | 05.07.10 |
| | - | 32,130 | - | - | 32,130 | 623p** | 25.03.11 | 25.03.18 |
| | 102,147 | 32,130 | - | - | 134,277 | | | |
| M.J. Shields | 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 |
| | 1,132 | - | - | - | 1,132 | 584p+ | 05.01.10 | 05.07.10 |
| | 427 | - | - | - | 427 | 673p+ | 28.09.10 | 28.03.11 |
| | - | 22,484 | - | - | 22,484 | 623p** | 25.03.11 | 25.03.18 |
| | 80,630 | 22,484 | - | - | 103,114 | | | |
| 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 |
| | - | 18,951 | - | - | 18,951 | 623p** | 25.03.11 | 25.03.18 |
| | 58,923 | 18,951 | - | - | 77,874 | | | |

* 1995 Executive Share Option Scheme
** 2005 Executive Share Option Scheme
+ 2005 Savings Related Share Option Scheme

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 2008 was 351p having ranged between 684p and 200p during the financial year.

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%. For awards in 2009 and thereafter the committee has approved amendment of the vesting conditions as set out on page 23.

At 1 January 2008 and 31 December 2008 the number of shares under conditional share option awards held were as follows:

| | 1 January 2008 No. | Granted No. | Vested/ exercisable No. | Cancelled No. | 31 December 2008 No. |
|---|---|---|---|---|---|
| T.C. Harris | 82,399 | 24,291 | (33,639) | - | 73,051 |
| N.P. Henry | 65,412 | 16,060 | (20,183) | - | 61,289 |
| M.J. Shields | 40,402 | 11,242 | (16,514) | - | 35,130 |
| S.A. Harris | 27,939 | 9,475 | (7,263) | - | 30,151 |
| | 216,152 | 61,068 | (77,599) | - | 199,621 |

| | | 1 January 2008 No. | Granted No. | Vested/ exercisable No. | Cancelled No. | 31 December 2008 No. | Exercise price | End of performance period |
|---|---|---|---|---|---|---|---|---|
| T.C. Harris | 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 |
| | 3 Year Award | - | 24,291 | - | - | 24,291 | Nil | 25 March 2011 |
| | | 82,399 | 24,291 | (33,639) | - | 73,051 | | |
| N.P. Henry | 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 |
| | 3 Year Award | - | 16,060 | - | - | 16,060 | Nil | 25 March 2011 |
| | | 65,412 | 16,060 | (20,183) | - | 61,289 | | |
| M.J. Shields | 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 |
| | 3 Year Award | - | 11,242 | - | - | 11,242 | Nil | 25 March 2011 |
| | | 40,402 | 11,242 | (16,514) | - | 35,130 | | |
| S.A. Harris | 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 |
| | 3 Year Award | - | 9,475 | - | - | 9,475 | Nil | 25 March 2011 |
| | | 27,939 | 9,475 | (7,263) | - | 30,151 | | |

The scheme is unapproved for HM Revenue and Customs purposes.

On 17 March 2008 following the attainment of the necessary performance conditions the 2005 award matured and 77,599 shares were vested to the participants Mr T.C. Harris, Mr N.P. Henry, Mr M.J. Shields and Mr S.A. Harris over 33,639, 20,183, 16,514 and 7,263 shares respectively. The market value at the date of vesting was 622.67p.

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 23 the committee does not intend to make further awards under the share matching scheme.

# Report on Directors' Remuneration continued

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

| | 1 January 2008 No. | Granted No. | Vested No. | 31 December 2008 No. |
|---|---|---|---|---|
| T.C. Harris | 30,007 | - | (30,007) | - |
| N.P. Henry | 7,579 | - | (7,579) | - |
| M.J. Shields | 14,868 | - | (14,868) | - |
| S.A. Harris | 5,415 | - | (5,415) | - |
| | 57,869 | - | (57,869) | - |

| | | 1 January 2008 No. | Granted No. | Vested/ exercisable No. | 31 December 2008 No. | Exercise price | End of performance period |
|---|---|---|---|---|---|---|---|
| T.C. Harris | 3 Year Award | 30,007 | - | (30,007) | - | Nil | 17 March 2008 |
| N.P. Henry | 3 Year Award | 7,579 | - | (7,579) | - | Nil | 17 March 2008 |
| M.J. Shields | 3 Year Award | 14,868 | - | (14,868) | - | Nil | 17 March 2008 |
| S.A. Harris | 3 Year Award | 5,415 | - | (5,415) | - | Nil | 17 March 2008 |

The interest in the shares/options 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 2008 the 2005 award matured and 57,869 shares were vested to the participants Mr T.C. Harris, Mr N.P. Henry, Mr M.J. Shields and Mr S.A. Harris over 30,007, 7,579, 14,868 and 5,415 shares respectively. The market value at the date of vesting was 622.67p.

## Directors' pension entitlements

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

| | Age at 31 December 2008 | Accrued pension 1 January 2008 £000 | Accrued pension 31 December 2008 £000 | Increase £000 | Increase after indexation £000 | Transfer value of increase after indexation £000 |
|---|---|---|---|---|---|---|
| M.J. Shields | 61 | 74 | 74 | - | (11) | 111 |

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 2008 £000 | Transfer value of accrued benefits 31 December 2007 £000 |
|---|---|---|
| M.J. Shields | 1,315 | 1,204 |

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 £14,583 for Mr N.P. Henry (2007: £12,250) and £8,284 for Mr S.A. Harris (2007: £7,641). Following the review conducted by Hewitts, the Company's contribution in respect of Mr N.P. Henry and Mr S.A. Harris, was increased to 13% of base salary with effect from 1st January 2009.

The director's interests in shares are shown in the Report of the Directors on page 14.

On behalf of the board

**Anthony R.C.B. Cooke**
Board remuneration committee chairman
16 March 2009

# Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

The Group and parent company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the parent company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and parent company financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Responsibility Statement of the Directors in respect of the Annual Financial Report**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' report, Chairman's statement and Review of operations include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

**T.C. Harris**
Chairman

**M.J. Shields**
Group Finance Director

On behalf of the Board of Directors

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

### 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 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash flow Statements, the Consolidated and Parent Company Statements of Recognised Income and Expense and the related notes. 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 EU are set out in the Statement of Directors' Responsibilities on page 29. 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 is consistent with the financial statements. The information given in the Report of the Directors section includes that 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. 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 EU, of the state of the group's affairs as at 31 December 2008 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 EU 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 2008;
- 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;
- the information given in the Report of the Directors is consistent with the financial statements.

**KPMG Audit plc**
Chartered Accountants
St. James' Square, Manchester M2 6DS
Date 16 March 2009

# Consolidated Income Statement
For the year ended 31 December 2008

| | Notes | Year ended 31 December 2008 Before separately disclosed items £000 | Separately disclosed items Note 5 £000 | Total £000 | Year ended 31 December 2007 Before separately disclosed items £000 | Separately disclosed items Note 5 £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Group revenue** | 3 | 233,578 | | 233,578 | 182,046 | | 182,046 |
| Cost of sales | | (199,144) | | (199,144) | (154,327) | | (154,327) |
| **Gross profit** | | 34,434 | | 34,434 | 27,719 | | 27,719 |
| Administrative expenses | | (6,932) | | (6,932) | (6,191) | | (6,191) |
| **Profit from operations before separately disclosed items** | 2 | 27,502 | | 27,502 | 21,528 | | 21,528 |
| Impairment of ship | | - | (107) | (107) | - | - | - |
| Profit on ship disposals | | - | 685 | 685 | - | 95 | 95 |
| **Profit from operations** | 6 | 27,502 | 578 | 28,080 | 21,528 | 95 | 21,623 |
| Finance costs: | | | | | | | |
| Finance income | 8 | 412 | - | 412 | 375 | - | 375 |
| Finance costs | 8 | (6,309) | - | (6,309) | (5,036) | - | (5,036) |
| Exchange loss on loan | | - | (1,152) | (1,152) | - | (184) | (184) |
| | | (5,897) | (1,152) | (7,049) | (4,661) | (184) | (4,845) |
| Share of post tax results of joint ventures | 16 | 2,547 | - | 2,547 | 2,322 | - | 2,322 |
| **Profit on continuing operations before taxation** | | 24,152 | (574) | 23,578 | 19,189 | (89) | 19,100 |
| Taxation | 9 | (5,277) | - | (5,277) | (2,959) | - | (2,959) |
| **Profit for the year on continuing operations** | | 18,875 | (574) | 18,301 | 16,230 | (89) | 16,141 |
| **Discontinued operations** | | | | | | | |
| Loss for the year from discontinued operations | 4 | | | - | | | (6) |
| **Profit for the year** | | | | 18,301 | | | 16,135 |
| Profit attributable to: | | | | | | | |
| Equity holders of the parent | | | | 18,275 | | | 16,078 |
| Minority interests | | | | 26 | | | 57 |
| | | | | 18,301 | | | 16,135 |
| **Earnings per share** | | | | | | | |
| | | | | pence | | | pence |
| **Basic EPS from continuing operations** | 11 | | | 36.94 | | | 32.67 |
| **Diluted EPS from continuing operations** | 11 | | | 36.75 | | | 32.40 |
| **Basic EPS on profit from total operations** | 11 | | | 36.94 | | | 32.66 |
| **Diluted EPS on profit from total operations** | 11 | | | 36.75 | | | 32.39 |
| **Adjusted Earnings per share** | | | | | | | |
| **Basic adjusted EPS from continuing operations** | 11 | | | 38.10 | | | 32.85 |
| **Diluted adjusted EPS from continuing operations** | 11 | | | 37.91 | | | 32.58 |

# Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

| | Notes | Year ended 31 December 2008 £000 | Year ended 31 December 2007 £000 |
|---|---|---|---|
| **Income and expense recognised directly in equity** | | | |
| Exchange differences on translation of foreign operations: | | | |
| Currency translation differences | | 4,906 | 393 |
| Net investment hedge | | (1,070) | 1,041 |
| | | 3,836 | 1,434 |
| Fair value losses on cash flow hedges | 29 | (4,420) | (188) |
| Share of fair value losses of cash flow hedges in joint venture | 16 | (1,453) | (280) |
| Actuarial losses on defined benefit schemes | 25 | (7,795) | (4,587) |
| | | (9,832) | (3,621) |
| Transfers to the income statement on cash flow hedges | | 5 | 8 |
| Tax on items taken directly to equity | 9 | 175 | (199) |
| Net expense recognised directly in equity | | (9,652) | (3,812) |
| Profit for the year | | 18,301 | 16,135 |
| **Total recognised income and expense for the year** | 23 | 8,649 | 12,323 |
| Attributable to: | | | |
| Equity holders of the parent | | 8,623 | 12,266 |
| Minority interests | | 26 | 57 |
| | | 8,649 | 12,323 |

# Company Statement of Recognised Income and Expense

For the year ended 31 December 2008

| | Notes | Year ended 31 December 2008 £000 | Year ended 31 December 2007 £000 |
|---|---|---|---|
| **Income and expense recognised directly in equity** | | | |
| Fair value of losses on cash flow hedges | 29 | (4,400) | (188) |
| Actuarial losses on defined benefit schemes | 25 | (5,712) | (1,513) |
| | | (10,112) | (1,701) |
| Transfers to the income statement on cash flow hedges | | - | 8 |
| Tax on items taken directly to equity | 9 | 319 | (199) |
| Net expense recognised directly in equity | | (9,793) | (1,892) |
| Profit for the year | | 6,201 | 6,900 |
| **Total recognised (expense)/income for the year** | 23 | (3,592) | 5,008 |

# Consolidated Balance Sheet

As at 31 December 2008

| | Notes | 31 December 2008 £000 | 31 December 2007 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non current assets** | | | |
| Goodwill | 13 | 69,993 | 67,190 |
| Other intangible assets | 14 | 76 | 76 |
| Property, plant and equipment | 15 | 102,018 | 92,311 |
| Investment in joint ventures | 16 | 4,547 | 4,217 |
| Available for sale financial assets | 17 | 1,370 | 1,370 |
| Retirement benefit assets | 25 | - | 528 |
| | | 178,004 | 165,692 |
| **Current assets** | | | |
| Inventories | 19 | 21,965 | 18,471 |
| Trade and other receivables | 20 | 62,395 | 39,823 |
| Cash and cash equivalents | 21 | 16,859 | 13,221 |
| | | 101,219 | 71,515 |
| Non-current assets classified as held for sale | 4 | - | 1,172 |
| **Total assets** | | 279,223 | 238,379 |
| **Equity and Liabilities** | | | |
| **Capital and reserves** | | | |
| Called up share capital | 22 | 12,438 | 12,428 |
| Share premium | 23 | 24,432 | 24,338 |
| Treasury shares | 23 | (1,036) | (1,134) |
| Other reserves | 23 | (1,154) | 878 |
| Retained earnings | 23 | 62,560 | 57,395 |
| **Shareholders' Equity** | | 97,240 | 93,905 |
| Minority interests | 23 | - | 128 |
| **Total equity** | | 97,240 | 94,033 |
| **Non current liabilities** | | | |
| Other payables | 24 | 1,248 | 2,012 |
| Retirement benefit obligations | 25 | 16,082 | 11,904 |
| Derivative financial instruments | 29 | - | 188 |
| Cumulative preference shares | 22 | 100 | 100 |
| Loans and borrowings | 27 | 89,315 | 83,628 |
| Deferred tax liabilities | 10 | 1,781 | 2,226 |
| | | 108,526 | 100,058 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | 45,440 | 34,907 |
| Current tax | | 4,465 | 1,940 |
| Derivative financial instruments | 29 | 4,603 | - |
| Loans and borrowings | 27 | 18,949 | 7,441 |
| | | 73,457 | 44,288 |
| **Total liabilities** | | 181,983 | 144,346 |
| **Total equity and liabilities** | | 279,223 | 238,379 |

# Company Balance Sheet
As at 31 December 2008

| | Notes | 31 December 2008 £000 | Restated Note 17 31 December 2007 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 15 | 7,333 | 7,810 |
| Investments | 17 | 147,145 | 138,122 |
| Available for sale financial assets | 17 | 1,368 | 1,368 |
| Deferred tax assets | 10 | 1,224 | 611 |
| Retirement benefit assets | 25 | - | 528 |
| | | 157,070 | 148,439 |
| **Current assets** | | | |
| Trade and other receivables | 20 | 2,307 | 2,701 |
| Corporate tax receivable | | 7,427 | 5,511 |
| Cash and cash equivalents | 21 | 169 | 1,237 |
| | | 9,903 | 9,449 |
| **Total assets** | | 166,973 | 157,888 |
| **Equity and Liabilities** | | | |
| **Capital and reserves** | | | |
| Called up share capital | 22 | 12,438 | 12,428 |
| Share premium | 23 | 24,432 | 24,338 |
| Treasury shares | 23 | (1,036) | (1,134) |
| Other reserves | 23 | (4,589) | (189) |
| Retained earnings | 23 | 13,391 | 18,074 |
| **Total equity** | | 44,636 | 53,517 |
| **Non current liabilities** | | | |
| Other payables | 24 | - | 22 |
| Retirement benefit obligations | 25 | 9,875 | 6,578 |
| Derivative financial instruments | 29 | - | 188 |
| Cumulative preference shares | 22 | 100 | 100 |
| Loans and borrowings | 27 | 81,253 | 78,454 |
| | | 91,228 | 85,342 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | 11,338 | 14,722 |
| Derivative financial instruments | 29 | 4,589 | - |
| Loans and borrowings | 27 | 15,182 | 4,307 |
| | | 31,109 | 19,029 |
| **Total liabilities** | | 122,337 | 104,371 |
| **Total equity and liabilities** | | 166,973 | 157,888 |

# Consolidated Cash Flow Statement

For the year ended 31 December 2008

| | Notes | 31 December 2008 £000 | 31 December 2007 £000 |
|---|---|---|---|
| Group profit before tax from continuing operations | | 23,578 | 19,100 |
| **Adjustments to reconcile Group profit before tax to net cash flows** | | | |
| Loss from discontinued operations | | - | (6) |
| Adjustments for: | | | |
| Depreciation and amortisation | | 9,431 | 8,344 |
| Profit on sale of property, plant and equipment | | (499) | (735) |
| Impairment of non-current assets | | 107 | - |
| Profit on ship disposals | | (685) | (95) |
| Finance income | | (412) | (375) |
| Finance costs | | 6,309 | 5,036 |
| Exchange loss on loan | | 1,152 | 184 |
| Share of post tax results of joint ventures | | (2,547) | (2,322) |
| Increase in trade and other receivables | | (8,530) | (4,669) |
| Increase in inventories | | (8,367) | (3,203) |
| Increase in working capital attributable to submarine rescue vessels | | (10,618) | (3,707) |
| Increase in trade and other payables | | 13,411 | 4,890 |
| Additional defined benefit pension scheme contributions | | (3,081) | (3,147) |
| Share based compensation | | 651 | 587 |
| Cash generated from operations | | 19,900 | 19,882 |
| Income tax payments | | (3,522) | (2,840) |
| **Cash flow from operating activities** | | 16,378 | 17,042 |
| **Investing activities** | | | |
| Dividends from joint venture undertakings | | 1,200 | 1,416 |
| Proceeds from the sale of property, plant and equipment | | 4,681 | 28,377 |
| Proceeds from the sale of subsidiaries net of cash disposed of | | - | 491 |
| Finance income | | 411 | 377 |
| Acquisition of subsidiaries, net of cash acquired | | (5,487) | (18,486) |
| Acquisition of property, plant and equipment | | (18,735) | (22,967) |
| Acquisition of investment in joint ventures | | (9) | (27) |
| **Cash flows used in investing activities** | | (17,939) | (10,819) |
| **Financing activities** | | | |
| Proceeds from the issue of share capital | | 104 | 275 |
| Preference dividend paid | | (3) | (4) |
| Finance costs | | (6,818) | (4,932) |
| Proceeds from other non-current borrowings | | 30,859 | 43,855 |
| Purchase less sale of own shares by ESOP | | (164) | (274) |
| Capital element of finance lease repayments | | (65) | (75) |
| Repayment of borrowings | | (14,828) | (37,017) |
| Dividends paid | | (5,879) | (5,129) |
| **Cash flows from/(used in) financing activities** | | 3,206 | (3,301) |
| Net increase in cash and cash equivalents | 28 | 1,645 | 2,922 |
| Cash and cash equivalents at 1 January 2008 | | 13,221 | 9,655 |
| Effect of exchange rate fluctuations on cash held | | 1,993 | 644 |
| **Cash and cash equivalents at 31 December 2008** | 21 | 16,859 | 13,221 |

# Company Cash Flow Statement

For the year ended 31 December 2008

| | Notes | 31 December 2008 £000 | 31 December 2007 £000 |
|---|---|---|---|
| Company profit before tax | | 5,952 | 5,596 |
| **Adjustments to reconcile Company profit before tax to net cash flows** | | | |
| Depreciation | | 579 | 579 |
| Profit on sale of property, plant and equipment | | (2) | (304) |
| Finance income | | (1,108) | (840) |
| Finance costs | | 5,934 | 4,545 |
| Dividends received from subsidiaries | | (15,000) | (12,150) |
| Reduction in provision against investments | | (68) | (67) |
| Decrease/(increase) in trade and other receivables | | 395 | (554) |
| (Decrease)/increase in trade and other payables | | (1,028) | 3,964 |
| Additional defined benefit pension scheme contributions | | (1,887) | (1,953) |
| Share based compensation | | 466 | 483 |
| Cash generated from operations | | (5,767) | (701) |
| Income tax payments | | (809) | (1,313) |
| **Cash flow used in operating activities** | | (6,576) | (2,014) |
| **Investing activities** | | | |
| Dividends from subsidiaries | | 15,000 | 12,150 |
| Proceeds from the sale of plant and equipment | | 4 | 323 |
| Finance income | | 1,108 | 838 |
| Acquisition of subsidiaries | | (2,054) | (18,822) |
| Acquisition of property, plant and equipment | | (104) | (1,025) |
| **Cash flows from/(used in) investing activities** | | 13,954 | (6,536) |
| **Financing activities** | | | |
| Proceeds from the issue of share capital | | 104 | 275 |
| Preference dividend paid | | (3) | (4) |
| Finance costs | | (6,235) | (3,931) |
| Net loans advanced to subsidiaries | | (8,789) | (10,232) |
| Proceeds from other non-current borrowings | | 25,452 | 36,247 |
| Purchase less sale of own shares by ESOP | | (164) | (274) |
| Repayment of borrowings | | (12,932) | (7,980) |
| Dividends paid | | (5,879) | (5,129) |
| **Cash flows (used in)/from financing activities** | | (8,446) | 8,972 |
| Net (decrease)/increase in cash and cash equivalents | 28 | (1,068) | 422 |
| Cash and cash equivalents at 1 January 2008 | | 1,237 | 815 |
| **Cash and cash equivalents at 31 December 2008** | 21 | 169 | 1,237 |

# Notes to the Financial Statements

## 1 General information

The consolidated financial statements comprise the financial statements of James Fisher and Sons Public Limited Company ("the Company") all of its subsidiary undertakings and the Group's interest in associates and jointly controlled entities (together referred to as "the Group"), for the year ended 31 December 2008.

The consolidated financial statements are prepared on a going concern basis and on an historical cost basis, modified to include revaluation to fair value of certain financial instruments as described below.

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. Accordingly they continue to adopt the going concern basis in preparing the Annual Report and financial statements.

As highlighted in Note 29 to the financial statements, the Group meets its day to day working capital requirements through operating cash flows, with borrowings in place to fund acquisitions and capital expenditure. The group also has £35,430,000 of undrawn committed facilities. The current economic conditions create uncertainty particularly over a) the exchange rate currency between Sterling and the US Dollar and the consequences for the net cash Dollar surplus and b) the exchange rate between Sterling and the Euro and thus the consequences on seafarer payroll costs; and c) the availability of bank facilities in the immediate future.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities. During 2009 borrowing facilities of £7,750,000 (total facility £12,500,000) are fully repayable. This facility relates to the Singapore Submarine rescue contract which is due to complete in April 2009 when full payment of S$43,868,000 (£15,981,000) will become due and is expected to be received by 30 June 2009, the latest date for repayment of the facility.

The Group has two revolving credit facilities due for renewal in 2010; a £20,000,000 facility which expires on 27 September 2010 and a £20,000,000 facility which ends on 22 December 2010. The amounts drawn on these facilities at 31 December 2008 are £19,215,000 and £16,000,000 respectively. The Group will open renewal negotiations with banks in due course and has at no stage sought any written commitment that the facility will be renewed. However, the Group has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest the renewal may not be forthcoming on acceptable terms.

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

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 16 March 2009.

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 £6,201,000 (2007 £6,900,000).

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.

### Statement of compliance

The consolidated financial statements and those of the Company have been prepared in accordance with IFRS adopted by the European Union (EU) as at 31 December 2008 and are applied in accordance with the provisions of the Companies Act 1985.

### 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:
IFRIC 11 IFRS 2 Group and treasury share transactions.
IFRIC 14 IAS 19 The limit on defined benefit asset, minimum funding requirements and their interaction (early adopted).
Adoption of these revised standards did not have a material impact on the Group's financial statements.
The amendments in respect of IFRIC 11 are included in Note 17.

## 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 42. 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 2008 in relation to *mt Rudderman* which is due to be redelivered to its owners in March 2009, the directors concluded that the carrying value exceeded the recoverable amount and an impairment of this asset had occurred. 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.

### 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 differences will impact the income tax and deferred tax provisions in the period in which such determination is made. 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. Income and profits outside this regime are taxed under normal tax rules. This means that it is necessary to make estimates of the allocation of some income and expenses between tonnage and non tonnage tax activities. These estimates are subject to agreement with the relevant tax authorities and may be revised in future periods. Further details are provided in Notes 9 and 10.

### Construction contracts
The Group's Defence division is currently undertaking two significant construction contracts which are expected to generate total revenue of £25,742,000. As set out in the accounting policy on page 47 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 forseeable. Details of the amounts included in the accounts in relation to these contracts are set out in Note 3.

### 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. See Note 15 for details of movements on tangible fixed assets in the year.

### Investments
The Group holds a number of investments in unquoted entities. These interests are accounted for as investments as the Group does not consider that it exercises significant influence over the policies and control of these entities. As the fair value of these shareholdings cannot be readily ascertained or reliably measured these investments are held at initial cost subject to annual impairment review.

# Notes to the Financial Statements continued

The Group holds investments in subsidiaries operating in certain jurisdictions where foreign investors are prohibited from owning a majority of the equity share capital of locally domiciled entities. These investments have been structured so that in the opinion of the directors the Group is able to assert a dominant influence to the extent that it is able to consolidate 100% of the operations and is not required to recognise a minority interest in these entities.

**Basis of preparation of group accounts**

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 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.

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 the 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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition are translated into Sterling at the period end exchange rate. The income and expenses arising in foreign operations are translated at the average exchange rate for the reporting period.

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 other exchange differences on assets and liabilities denominated in foreign currencies are taken to the income statement.

**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.

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 uncollectable.

(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.

Where investments are held in unlisted equity shares where there is no active market the investment is held at cost within non-current assets and is subject to annual impairment within non-current assets.

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.

(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.

# Notes to the Financial Statements continued

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. No provisions for warranty costs are included in the balance sheet at 31 December 2008.

**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 relating to vessels are capitalised separately when incurred and amortised over 30 months which is deemed to be the useful economic life of the asset. 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.

| | |
|---|---|
| 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.

**Research and development costs**
Expenditure undertaken by the Group on research activities is recognised in the income statement as incurred.

Expenditure on development costs which relates to the application of research to the development of new products or processes is capitalised provided that specific projects are identifiable, technically feasible and the Group has sufficient resources to complete development. The useful life of projects meeting the criteria for capitalisation would be determined on a project by project basis. Other development costs are recognised in the income statement as incurred. The Group currently has no development costs which meet the criteria for capitalisation.

**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. The stage of completion is assessed by reference to physical progress, attributable man hours and costs incurred measured against the expected outcome based on the most appropriate method for the specific type of contract. Revenue from the contract 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 continued

**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 the 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.

Deferred tax arising on actuarial gains and losses relating to defined benefit pension funds is recorded in equity. Where the cash contributions made to the schemes exceed the service costs recognised in the income statement the deferred tax arising is recorded in equity.

**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 firm 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 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.

# Notes to the Financial Statements continued

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 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. 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.

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 unrecognised actuarial gains or losses, 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 unrecognised past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan or on settlement of the plan liabilities. The benefit recognised will be no greater than the expected cost of the future benefit accrual, life assurance and expenses payable from the scheme.

In respect of recognising any obligations the Group or Company holds for funding the plan, the Group holds as a minimum liability the expected cost of deficit recovery contributions up to the disclosure date of the next formal actuarial valuation of the plan reduced by the expected cost of future accrual, life assurance and expenses.

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 of the Company and its subsidiary undertakings.

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 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.

When awards are made to employees of a subsidiary, the award is treated as a capital contribution to the subsidiary with a corresponding increase in the cost of investment being reflected in the Company balance sheet.

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 and the design and manufacture of specialist downhole tools and equipment for extracting oil under the Pumptools and Remote Marine Systems brands.

- 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 Strainstall brand.

- Defence - provision of marine services to the Ministry of Defence (MoD) and other navies including the UK submarine rescue service, maintenance, asset management and consultancy services provided by James Fisher Marine Services, 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 relate to long term contracts and 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. There are no rental commitments in respect of long term leasing arrangements.

# Notes to the Financial Statements continued

**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 remeasurement.

**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 from the original acquisition date.

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

**Net debt**
Net debt comprises interest bearing loans and borrowings less cash and cash equivalents.

**Intra Group financial instruments**
Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

**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 which have been endorsed by the EU at 31 December 2008 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 |
| Amendments to: | | |
| IAS 1 | Presentation of financial statements. A revised presentation | 1 January 2009 |
| IFRS 2 | Share based payment: Vesting conditions and cancellations | 1 January 2009 |
| IAS 23 | Borrowing costs | 1 January 2009 |
| **International Financial Reporting Interpretations Committee (IFRIC)** | | |
| IFRIC 13 | Customer Loyalty Programmes | 1 January 2009 |

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.

## 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 2008 and 2007.

### Year ended 31 December 2008

| | Continuing Operations | | | | |
|---|---|---|---|---|---|
| | Offshore Oil Services £000 | Specialist Technical Services £000 | Defence £000 | Marine Oil Services £000 | Total £000 |
| **Revenue** | | | | | |
| Segmental revenue | 48,294 | 79,893 | 29,415 | 80,819 | 238,421 |
| Inter segment sales | (8) | (4,629) | (146) | (60) | (4,843) |
| **Group revenue** | 48,286 | 75,264 | 29,269 | 80,759 | 233,578 |
| **Result** | | | | | |
| Segmental result before ship disposals | 12,702 | 9,084 | 2,451 | 5,982 | 30,219 |
| Common costs | | | | | (2,717) |
| **Profit from operations before separately disclosed items and joint ventures** | | | | | 27,502 |
| Impairment of non-current assets * | | | | | (107) |
| Profit on ship disposals * | | | | | 685 |
| **Profit from operations before joint ventures** | | | | | 28,080 |
| Finance income | | | | | 412 |
| Finance costs | | | | | (6,309) |
| Exchange loss on loan | | | | | (1,152) |
| | | | | | (7,049) |
| Share of post tax results of joint ventures | | 514 | 2,033 | | 2,547 |
| | 12,702 | 9,598 | 4,484 | 5,982 | |
| **Profit before tax** | | | | | 23,578 |
| Taxation | | | | | (5,277) |
| **Profit attributable to equity holders** | | | | | 18,301 |

* Relates to the Marine Oil Services division

| | Offshore Oil Services £000 | Specialist Technical Services £000 | Defence £000 | Marine Oil Services £000 | Total £000 |
|---|---|---|---|---|---|
| **Assets & Liabilities** | | | | | |
| Segment assets | 85,343 | 71,850 | 25,536 | 87,217 | 269,946 |
| Investment in joint ventures | - | 1,896 | 2,651 | - | 4,547 |
| Unallocated assets † | | | | | 4,730 |
| Total assets | | | | | 279,223 |
| Segment liabilities | (9,217) | (15,830) | (6,036) | (19,567) | (50,650) |
| Unallocated liabilities | | | | | (131,333) |
| Total liabilities | | | | | (181,983) |
| **Other segment information** | | | | | |
| Capital expenditure: | | | | | |
| Property, plant & equipment | 14,111 | 3,145 | 242 | 2,385 | 19,883 |
| Unallocated | | | | | 117 |
| | | | | | 20,000 |
| Intangible fixed assets | 8 | 3 | - | - | 11 |
| Depreciation | 2,762 | 1,305 | 79 | 5,078 | 9,224 |
| Amortisation of intangible assets | 3 | 8 | - | - | 11 |
| Unallocated | | | | | 196 |
| | | | | | 9,431 |

† Unallocated assets comprise deferred tax and centrally held corporate assets

# Notes to the Financial Statements continued

Segmental information for December 2007 has been restated following the decision to transfer the results of Remote Marine Systems and Pumptools from the Specialist Technical Services division to the Offshore Oil Services division. These businesses are involved in the supply of equipment and services used in oilfield development and it was therefore considered that their activities are more closely aligned with the existing businesses in the Offshore Oil Services division. The impact of the restatement on the year ended 31 December 2007 segmental information is to increase the segmental revenue and result of the Offshore Oil Services division by £3,960,000 and £647,000 respectively, with a corresponding reduction in the revenue and operating results of the Specialist Technical Services division.

**Year ended 31 December 2007**

| | Continuing Operations | | | | | Discontinued Operations | |
|---|---|---|---|---|---|---|---|
| | Offshore Oil Services £000 | Specialist Technical Services £000 | Defence £000 | Marine Oil Services £000 | Total £000 | Cable Ships £000 | Total £000 |
| **Revenue** | | | | | | | |
| Segmental revenue | 30,271 | 65,304 | 14,132 | 75,932 | 185,639 | - | |
| Inter segment sales | - | (3,406) | (187) | - | (3,593) | - | |
| **Group revenue** | 30,271 | 61,898 | 13,945 | 75,932 | 182,046 | - | |
| **Result** | | | | | | | |
| Segmental result before ship disposals | 9,213 | 5,066 | 1,228 | 8,605 | 24,112 | (6) | |
| Common costs | | | | | (2,584) | - | |
| **Profit from operations before separately disclosed items and joint ventures** | | | | | 21,528 | (6) | |
| Profit on ship disposals * | | | | | 95 | - | |
| **Profit from operations before joint ventures** | | | | | 21,623 | (6) | |
| Finance income | | | | | 375 | - | |
| Finance costs | | | | | (5,036) | - | |
| Exchange loss on loan | | | | | (184) | - | |
| | | | | | (4,845) | - | |
| Share of post tax results of joint ventures | | 548 | 1,774 | | 2,322 | | |
| | 9,213 | 5,614 | 3,002 | 8,605 | | | |
| **Profit before tax** | | | | | 19,100 | (6) | |
| Taxation | | | | | (2,959) | - | |
| **Profit attributable to equity holders** | | | | | 16,141 | (6) | |

* Relates to the Marine Oil Services division

| | Offshore Oil Services £000 | Specialist Technical Services £000 | Defence £000 | Marine Oil Services £000 | Total £000 | Cable Ships £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Assets & Liabilities** | | | | | | | |
| Segment assets | 69,873 | 55,379 | 12,405 | 90,063 | 227,720 | - | 227,720 |
| 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 † | | | | | 5,270 | - | 5,270 |
| Total assets | | | | | 238,379 | - | 238,379 |
| Segment liabilities | (5,436) | (11,356) | (2,432) | (19,107) | (38,331) | - | (38,331) |
| Unallocated liabilities | | | | | (106,015) | - | (106,015) |
| Total liabilities | | | | | (144,346) | - | (144,346) |
| **Other segment information** | | | | | | | |
| Capital expenditure: | | | | | | | |
| Property, plant & equipment | 7,440 | 4,513 | 67 | 10,938 | 22,958 | - | 22,958 |
| Unallocated | | | | | 991 | | 991 |
| | | | | | 23,949 | - | 23,949 |
| Intangible fixed assets | 24 | 8 | - | - | 32 | - | 32 |
| Depreciation | 2,009 | 761 | 57 | 5,334 | 8,161 | - | 8,161 |
| Amortisation of intangible assets | 1 | 4 | - | - | 5 | - | 5 |
| Unallocated | | | | | 178 | | 178 |
| | | | | | 8,344 | - | 8,344 |

† Unallocated assets comprise deferred tax and centrally held corporate assets

### Geographical segments

The following table represents revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 2008 and 2007.

| | UK & Ireland | | Norway | | Rest of the World | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| **Revenue** | | | | | | | | |
| Group revenue | 148,368 | 118,015 | 20,910 | 18,271 | 69,143 | 49,353 | 238,421 | 185,639 |
| Inter-segment sales | (4,843) | (3,593) | - | - | - | - | (4,843) | (3,593) |
| **Segmental revenue** | 143,525 | 114,422 | 20,910 | 18,271 | 69,143 | 49,353 | 233,578 | 182,046 |
| Segment assets | 206,365 | 182,815 | 47,789 | 36,044 | 15,792 | 8,861 | 269,946 | 227,720 |
| Investment in joint ventures | 2,651 | 3,271 | - | - | 1,896 | 946 | 4,547 | 4,217 |
| Non-current assets classified as held for sale | - | 1,172 | - | - | - | - | - | 1,172 |
| Unallocated assets | | | | | | | 4,730 | 5,270 |
| | | | | | | | 279,223 | 238,379 |
| Segment liabilities | (43,277) | (34,083) | (4,889) | (2,318) | (2,484) | (1,930) | (50,650) | (38,331) |
| Unallocated liabilities | | | | | | | (131,333) | (106,015) |
| | | | | | | | (181,983) | (144,346) |
| Capital expenditure: Property, plant and equipment | 8,980 | 17,919 | 8,246 | 3,432 | 2,774 | 2,598 | 20,000 | 23,949 |

## 3 Revenue

Revenue disclosed in the income statement is analysed as follows:

### Continuing operations

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Sale of goods and services | 209,352 | 160,620 |
| Rental income | 24,226 | 21,426 |
| **Total Revenue** | 233,578 | 182,046 |

### Contract work in progress

The following amounts are included in respect of the Singapore and Korea Submarine Rescue contracts:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Contract revenue recognised in the period | 18,339 | 4,359 |
| Amounts included in the balance sheet: | | |
| Amount due from customers included in receivables | 13,569 | - |
| Work in progress | 1,087 | 3,905 |
| Net advances received included in creditors | (235) | (33) |
| Net investment in contract work in progress | 14,421 | 3,872 |

## 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.

# Notes to the Financial Statements continued

The results of discontinued operations are presented below:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Cost of sales | - | (6) |
| Gross profit | - | (6) |
| Profit on ship disposals | - | - |
| Loss before tax from discontinued operations | - | (6) |
| Taxation | - | - |
| Loss attributable to discontinued operations | - | (6) |

Taxation is payable on the loss from operations under the tonnage tax regime as explained in Note 9.

The net cash flows attributable to discontinued operations are:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Operating cash flows | 6 | (10) |
| Investing cash flows | - | - |
| Financing activities | - | - |
| | 6 | (10) |

Loss per share from discontinued operations (pence):

| | pence | pence |
|---|---|---|
| Basic | - | (0.01) |
| Diluted | - | (0.01) |

**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.

## 5 Separately disclosed items

Separately disclosed items consist of:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Loss on ship disposals | (2) | (77) |
| Profit on ship disposals | 687 | 172 |
| Impairment of ship | (107) | - |
| Exchange loss on loan | (1,152) | (184) |
| | (574) | (89) |

The profit on ship disposals relates to the sale of *mt Alacrity* in January 2008 and *mt Annuity* in October 2008 and adjustments in respect of the sale of *mt Agility* and *mt Severn Fisher*.

The Directors have performed an impairment review of the carrying value of the *mt Rudderman*. This vessel is due to be redelivered to its owners in March 2009. In view of the short earnings period before the proposed redelivery full provision has been made against the carrying value of the remaining unamortised special survey expenditure of £107,000.

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

**Year ended 31 December 2007**
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.

The tax arising on these items is £Nil (2007: £Nil).

## 6 Profit from operations

This is stated after charging/(crediting):

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Profit on sale of property, plant and equipment excluding ships | (499) | (735) |
| Depreciation of property,plant and equipment | | |
| ships | 3,304 | 3,438 |
| refit costs | 1,738 | 1,615 |
| others | 4,378 | 3,286 |
| Total depreciation charge | 9,420 | 8,339 |
| Amortisation of intangible assets | 11 | 5 |
| Research & Development costs | 1,844 | 2,962 |
| Net foreign currency gains | (2,366) | (231) |
| Cost of inventories recognised as an expense | 74,774 | 43,037 |
| Operating lease rentals: | | |
| property | 1,426 | 1,194 |
| bareboat charter | 11,535 | 8,952 |
| others | 381 | 238 |
| | 13,342 | 10,384 |

Auditor's remuneration comprises the following:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Audit of the financial statements* | 190 | 199 |
| Fees payable to the Company's auditors and its associates for other services: | | |
| The audit of group pension schemes | - | 9 |
| Local statutory audits of subsidiaries | 170 | 197 |
| Taxation services | 85 | 44 |
| Corporate finance services | 41 | - |
| Other services | - | - |
| | 296 | 250 |
| | 486 | 449 |

* Audit fees for 2008 relate entirely to the Group's current auditors, KPMG Audit plc. Audit fees relating to the prior year relate entirely to the Group's previous auditors, Ernst & Young LLP. KPMG were appointed tax advisers to the Group in 2007. Their charges for the year ended 31 December 2007 are not included in the above table.

# Notes to the Financial Statements continued

## 7 Staff costs and directors' emoluments

### (a) Staff costs including executive directors

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Wages & salaries | 34,604 | 28,829 | 2,922 | 2,662 |
| Social security costs | 3,777 | 3,323 | 369 | 330 |
| Pension costs - defined contribution plans | 1,038 | 840 | 61 | 43 |
| Pension costs - defined benefit plans (see Note 25) | 205 | (40) | 213 | 49 |
| Share based compensation | 651 | 587 | 466 | 483 |
| | 40,275 | 33,539 | 4,031 | 3,567 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 No. | 2007 No. | 2008 No. | 2007 No. |
| Technical and administrative | 1,009 | 892 | 85 | 99 |
| Seafarers | 360 | 404 | - | - |
| | 1,369 | 1,296 | 85 | 99 |

### (b) Directors' emoluments

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Directors' emoluments | 1,559 | 1,618 |
| Aggregate gains made by directors on the exercise of options | - | 442 |
| Amounts receivable under long term incentive plans | - | - |
| Pension contributions to defined contribution schemes | 23 | 20 |
| Number of directors accruing benefits under: | | |
| Defined benefit schemes | 1 | 1 |
| Defined contribution schemes | 2 | 2 |

For further details see the Report on Directors' Remuneration on pages 22 to 28.

## 8 Finance income/(costs)

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Bank interest receivable | 412 | 375 |
| Interest payable on: | | |
| Bank loans and overdrafts | (6,490) | (5,176) |
| Preference dividend | (3) | (4) |
| Finance charges payable under finance leases | (17) | (22) |
| Other interest | (13) | - |
| | (6,523) | (5,202) |
| Interest on bank loans capitalised* | 214 | 166 |
| | (6,309) | (5,036) |
| Exchange loss on loan conversion | (1,152) | (184) |
| * Interest on bank loans capitalised relates to: | | |
| Other tangible fixed assets | 82 | 104 |
| Construction contracts | 132 | 62 |
| | 214 | 166 |

Interest has been capitalised at the rate applying to the specific funds borrowed in respect of the project or where no specific funds were obtained at a rate consistent the Group's general borrowing costs.

## 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:**

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Current tax: | | |
| UK tonnage tax | (29) | (31) |
| UK corporation tax | (3,100) | (1,433) |
| | (3,129) | (1,464) |
| Tax (under)/over provided in previous years | (41) | 175 |
| Foreign tax | (1,632) | (1,542) |
| Total current tax | (4,802) | (2,831) |
| Deferred tax: | | |
| Origination and reversal of timing differences | (475) | (302) |
| Impact of change in rate | - | 174 |
| Total taxation on continuing operations | (5,277) | (2,959) |

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

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Taxation expense reported in group income statement | 5,277 | 2,959 |
| Attributable to joint ventures | 78 | 20 |
| Total tax expense | 5,355 | 2,979 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| *Current tax:* | | | | |
| Current tax on foreign exchange profit on internal loans | (758) | - | (614) | - |
| *Deferred tax:* | | | | |
| Deferred tax relating to the actuarial gains and losses on defined benefit pension schemes | 1,010 | (276) | 1,010 | (276) |
| Deferrred tax relating to share based payments | (77) | 77 | (77) | 77 |
| | 175 | (199) | 319 | (199) |

**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:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Profit before tax from continuing operations | 23,578 | 19,100 |
| Tax arising on interests in joint ventures (Note 16) | 78 | 20 |
| Loss before tax from discontinued activities | - | (6) |
| | 23,656 | 19,114 |
| At UK statutory tax rate of 28.5% (2007: 30%) | 6,742 | 5,734 |
| Difference due to application of tonnage tax to all vessel disposals and operating activities | (803) | (1,882) |
| Expenses not deductible for tax purposes | 46 | 42 |
| Chargeable gains | - | (22) |
| Over provision in previous years: | | |
| Current tax | 41 | (175) |
| Deferred tax | 18 | (269) |
| Share based payments | 332 | - |
| Lower taxes on overseas income | (773) | (258) |
| Rate change on deferred tax | - | (174) |
| Research and development relief | (140) | - |
| Other | (108) | (17) |
| | 5,355 | 2,979 |

The effective income tax rate on profit from continuing operations is 22.4% (2007: 15.5%).

# Notes to the Financial Statements continued

The UK tax rate of 28.5% reflects the change in the UK corporation tax rate from 30% to 28% which became effective on 1 April 2008.

**Unrecognised tax losses**
At 31 December 2008 the Group has unrecognised tax losses of £1,507,000 (2007: £1,025,000). No Deferred tax asset has been recognised in respect of these losses due to the uncertainty relating to their future recovery.

The Group elected to enter tonnage tax with effect from 2000. This election was renewed in 2008. The shipping activities of FT Everard & Sons Limited entered the regime on acquisition in 2006. The election had the effect of eliminating future potential tax liabilities on shipping profits of qualifying ships in the United Kingdom. The regime includes provisions whereby a proportion of capital allowances previously claimed by the Group can be subject to tax in the event of a significant number of assets being sold and not replaced. This contingent liability diminishes to nil over the seven year period following entry into tonnage tax. The contingent liability relating to the ships operated by the Group on entry onto tonnage tax in 2000 has expired in accordance with this seven year provision. However, there is a contingent liability at 31 December 2008 relating to the FT Everard fleet which entered into tonnage tax in 2006. The contingent liability at 31 December 2008 was £983,000 (2007: £1,631,000). This assumes that any such ships unsold at 31 December are sold at the lower of net book value at 31 December 2008 and market value on entry into tonnage tax and that after 2008 no reliefs are available to reduce the balancing charge giving rise to the liability other than the seven year tapering relief provided in the Finance Act 2000. No provision has been made on the basis that no liability is expected to arise.

## 10 Deferred tax

**Group**
Deferred tax at 31 December relates to the following:

| | Group Balance sheet | | Group Income statement | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| *Deferred tax assets* | | | | |
| Retirement benefits | 1,152 | 190 | (48) | (189) |
| Share based payments | 87 | 443 | (279) | 118 |
| | 1,239 | 633 | | |
| *Deferred tax liabilities* | | | | |
| Accelerated capital allowances for tax purposes | (1,561) | (1,383) | (165) | (46) |
| Roll over gains | (1,459) | (1,476) | 17 | (11) |
| | (3,020) | (2,859) | | |
| Deferred income tax charge | | | (475) | (128) |
| Net deferred income tax liability | (1,781) | (2,226) | | |

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

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Balance at 1 January | (2,226) | (1,987) |
| Credited/(charged) to equity in statement of recognised income and expense | 933 | (199) |
| (Charged) to income statement | (475) | (128) |
| Exchange adjustments | (6) | - |
| Acquired with subsidiaries (Note 18) | (7) | 88 |
| Balance at 31 December | (1,781) | (2,226) |

At 31 December 2008 the Group has no recognised deferred income tax liability (2007: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. At 31 December 2008 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £6,443,000 (2007: £2,174,000). No deferred income tax liability has been recognised in respect of this temporary timing difference due to the availability of double taxation relief and the ability to control the remittance of earnings.

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 decreased from 30% to 28% from 1 April 2008. The deferred tax balance was adjusted in the year ended 31 December 2007 to reflect this change.

**Company**

Deferred tax at 31 December relates to the following:

| | Company Balance sheet | | Company Income statement | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| *Deferred tax assets* | | | | |
| Retirement benefits | 1,152 | 190 | (48) | (189) |
| Share based payments | 87 | 443 | (279) | 118 |
| | 1,239 | 633 | | |
| *Deferred tax liabilities* | | | | |
| Accelerated capital allowances for tax purposes | (15) | (22) | 7 | 95 |
| | (15) | (22) | | |
| Deferred income tax (charge)/credit | | | (320) | 24 |
| Net deferred income tax asset | 1,224 | 611 | | |

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

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Balance at 1 January | 611 | 786 |
| Credited/(charged) to equity in statement of recognised income and expense | 933 | (199) |
| (Charged)/credited to income statement | (320) | 24 |
| Balance at 31 December | 1,224 | 611 |

At 31 December 2008 the Company has no recognised deferred income tax liability (2007: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries and joint ventures. At 31 December 2008 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £6,443,000 (2007: £2,174,000). No deferred income tax liability has been recognised in respect of this temporary timing difference due to the availability of double taxation relief and the ability to control the remittance of earnings.

## 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:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Profit attributable to equity holders | 18,275 | 16,078 |
| Loss attributable to discontinued activities | - | 6 |
| Profit on continuing activities attributable to equity holders | 18,275 | 16,084 |

Weighted average number of shares

| | 2008 Number of shares | 2007 Number of shares |
|---|---|---|
| For basic earnings per ordinary share* | 49,472,598 | 49,236,346 |
| Exercise of share options and LTIPs | 248,810 | 399,411 |
| For diluted earnings per ordinary share | 49,721,408 | 49,635,757 |

*Excludes 229,305 (2007:312,870) shares owned by the James Fisher and Sons Public Limited Company Employee Share Ownership Trust.

# Notes to the Financial Statements continued

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | £000 | pence | £000 | pence |
| Basic earnings per share | 18,275 | 36.94 | 16,078 | 32.66 |
| Loss attributable to discontinued activities | - | - | 6 | 0.01 |
| Basic earnings per share on profit from continuing operations | 18,275 | 36.94 | 16,084 | 32.67 |
| Diluted earnings per share | 18,275 | 36.75 | 16,078 | 32.39 |
| Loss attributable to discontinued activities | - | - | 6 | 0.01 |
| Diluted earnings per share on profit from continuing operations | 18,275 | 36.75 | 16,084 | 32.40 |

**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. No tax is attributable to the adjustments included in the table below.

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | £000 | pence | £000 | pence |
| Basic earnings per share on profit on continuing operations | 18,275 | 36.94 | 16,084 | 32.67 |
| Adjustments: | | | | |
| Exchange loss on loan conversion | 1,152 | 2.33 | 184 | 0.37 |
| Profit on ship disposals | (685) | (1.39) | (95) | (0.19) |
| Impairment of ship | 107 | 0.22 | - | - |
| Basic adjusted earnings per share on profit from continuing operations | 18,849 | 38.10 | 16,173 | 32.85 |
| Diluted earnings per share on profit on continuing operations | 18,275 | 36.75 | 16,084 | 32.40 |
| Adjustments: | | | | |
| Exchange loss on loan conversion | 1,152 | 2.32 | 184 | 0.37 |
| Profit on ship disposals | (685) | (1.38) | (95) | (0.19) |
| Impairment of ship | 107 | 0.22 | - | - |
| Diluted adjusted earnings per share on profit from continuing operations | 18,849 | 37.91 | 16,173 | 32.58 |

## 12 Dividends paid and proposed

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Declared and paid during the year | | |
| Equity dividends on ordinary shares: | | |
| Final dividend for 2007 7.52p (2006 6.54p) | 3,739 | 3,238 |
| Interim dividend for 2008 4.36p (2007 3.89p) | 2,168 | 1,929 |
| Less dividends on own shares held by ESOP | (28) | (38) |
| | 5,879 | 5,129 |
| Proposed for approval at Annual General Meeting (not recognised as a liability at 31 December) | | |
| Equity dividends on ordinary shares: | | |
| Final dividend* for 2008 8.65p (2007 7.52p) | 4,284 | 3,715 |

*Based on shares in issue at 31 December 2008

## 13 Goodwill

**Group**

Cost and net book value:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| At 1 January 2008 | 67,190 | 55,814 |
| Exchange differences | 456 | 468 |
| Acquisition of subsidiaries | 2,347 | 10,908 |
| At 31 December 2008 | 69,993 | 67,190 |

(Based on shares held at 31 December 2008)

**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, Lofteteknikk and the business of Monyana Eurotech.

**Offshore**
Offshore - 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 and Pumptools which is involved in the design and manufacture of specialist downhole tools and systems for the extraction of oil.

**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, including Impact Industrial Support Services acquired in 2008.

Strainstall - The load measurement, safety monitoring and control business of Strainstall Group, including JCM Scotload and the 30% minority interest in Soil Dynamics acquired in 2008.

**Marine Oil Services**
Cattedown - The port facility business of FT Everard & Sons.

**Defence**
Defence - comprises Mimic, Ocean fleets and the remaining parts of Rumic included in the Defence division.

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

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

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Offshore Oil Services | | |
| Scan Tech Norway | 14,924 | 14,626 |
| Offshore | 16,072 | 16,068 |
| Specialist Technical Services | | |
| Nuclear | 4,511 | 4,511 |
| Fendercare | 7,625 | 7,292 |
| Strainstall | 11,232 | 9,064 |
| Marine Oil Services | | |
| Cattedown | 10,259 | 10,259 |
| Defence | 5,370 | 5,370 |
| | 69,993 | 67,190 |

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. A terminal value of cash flows beyond that date has been calculated at a growth rate in line with managements long term expectations for the relevant market.

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

Growth estimates are based on the levels achieved in the current and historic periods adjusted for management expectations of the impact of management actions and the future development of the relevant market. Growth rates for turnover vary between 3% for Cattedown which operates in a relatively mature market to 7% to 9% for Fendercare and Strainstall, which operate in more developing markets. These growth rates are considered to be reasonable in the light of the recent trading history of these businesses. Direct costs are expected to increase in line with turnover in initial periods before stabilising at a long term inflationary level of 2%. Administrative costs are anticipated to increase at 3%.

Payroll inflation reflects the fact that 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 initial growth rates for payroll costs range between 3.5% in mature business to up to 15% for specific posts in businesses located in the Middle East and Aberdeen where skilled staff are in short supply.

# Notes to the Financial Statements continued

Discount rates reflect managements estimate of the return required from the business to reflect the cost of funds plus an appropriate risk premium. In 2007 this was determined from the Group's cost of borrowing and was estimated at 7.0%. In 2008 the Group's weighted average cost of capital (WACC) has been used as the basis for the discount rate. This has been adjusted for risks specific to each CGU's cash flows. The average pre-tax discount rate used is 9.0% (range of 8.76% and 10.04%). A tax rate of 28% has been assumed.

Based on the value in use calculations performed no impairment of any of the cash generating units is required.

A summary of the key assumptions applied to each CGU is set out in the table below:

| | Growth in Gross profit | | Growth in payroll range | Growth in direct costs | |
|---|---|---|---|---|---|
| | max % | long term % | % | max % | long term % |
| Offshore Oil Services | | | | | |
| Scan Tech Norway | 8 | 5 | 4-5 | 8 | 5 |
| Offshore | 5-6 | 5 | 3-5 | 5-6 | 5 |
| Specialist Technical Services | | | | | |
| Nuclear | 6 | 5 | 3-8 | 6 | 5 |
| Fendercare | 7 | 5 | 4-5 | 7 | 5 |
| Strainstall | 9 | 5 | 2-15 | 9 | 5 |
| Marine Oil Services | | | | | |
| Cattedown | 3 | 2 | 4-5 | 3 | 2 |

**Sensitivity to impairment**

In order to assess the likelihood of impairment, the impairment calculations have been re-performed assuming a reduced long term growth rate of 2%. There continued to be no requirement for an impairment provision at this level.

Impairment testing has also been performed by adjusting the discount rate based on the WACC to 15%. No requirement for an impairment provision was identified.

## 14 Other Intangible assets

**Group**

| | Intellectual property £000 | Patents & Licences £000 | Total £000 |
|---|---|---|---|
| Cost | | | |
| At 1 January 2007 | 61 | - | 61 |
| Acquisition of subsidiary undertaking | - | 21 | 21 |
| At 31 December 2007 | 61 | 21 | 82 |
| Additions | 8 | 3 | 11 |
| At 31 December 2008 | 69 | 24 | 93 |
| Amortisation | | | |
| At 1 January 2007 | 1 | - | 1 |
| Charge for the period | 4 | 1 | 5 |
| At 31 December 2007 | 5 | 1 | 6 |
| Charge for the period | 7 | 4 | 11 |
| At 31 December 2008 | 12 | 5 | 17 |
| **Net book value at 31 December 2008** | 57 | 19 | 76 |
| **Net book value at 31 December 2007** | 56 | 20 | 76 |
| **Net book value at 1 January 2007** | 60 | - | 60 |

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 three and twenty years.

Based on an assessment of value in use there are no indications that any impairment of these assets has arisen during the period.

## 15 Property, plant and equipment

| | Analysis of ships | | | | Freehold | | |
|---|---|---|---|---|---|---|---|
| | Ships £000 | Refit £000 | Total ships £000 | Assets under construction £000 | & leasehold property £000 | Plant & equipment £000 | Total £000 |
| **Group** | | | | | | | |
| **Cost:** | | | | | | | |
| 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 |
| Additions | 718 | 1,808 | 2,526 | 2,445 | 7,294 | 5,357 | 17,622 |
| Reclassifications | (229) | 194 | (35) | (1,557) | 990 | 2,888 | 2,286 |
| Acquisition of subsidiary undertaking | - | - | - | - | - | 92 | 92 |
| Disposals | (4,200) | (803) | (5,003) | - | (7) | (1,813) | (6,823) |
| Exchange differences | 397 | 193 | 590 | - | 365 | 958 | 1,913 |
| At 31 December 2008 | 74,943 | 7,306 | 82,249 | 1,747 | 21,562 | 34,194 | 139,752 |
| **Group** | | | | | | | |
| **Depreciation and impairment:** | | | | | | | |
| At 1 January 2007 | 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 |
| Provided during the year | 3,304 | 1,738 | 5,042 | - | 381 | 3,997 | 9,420 |
| Disposals | (3,117) | (506) | (3,623) | - | - | (874) | (4,497) |
| Exchange differences | - | - | - | - | 20 | 440 | 460 |
| At 31 December 2008 | 19,890 | 3,572 | 23,462 | - | 1,297 | 12,975 | 37,734 |
| **Net book value at 31 December 2008** | 55,053 | 3,734 | 58,787 | 1,747 | 20,265 | 21,219 | 102,018 |
| **Net book value at 1 January 2008** | 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 |

### Assets held for resale

The reclassification in 2007 of £1,172,000 relates to the *mt Alacrity* which was classified as an asset held for resale in June 2007. The disposal of this vessel was completed in in January 2008.

### Reclassifications

Reclassifications in 2008 include £2,286,000 of assets held by Fisher Offshore which were previously classified as inventory but are now held for hire by the business. Other reclassifications relate to items previously classified as assets under construction.

### 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 2008 was £345,000 (2007: £493,000). Included in ships are assets with a cost of £5,864,000 (2007: £5,435,000) and accumulated depreciation of £2,213,000 (2007: £1,601,000) which relate to assets held under operating leases. Included in property, plant and equipment is aggregate interest capitalised of £2,422,000 (2007: £2,340,000).

Details of the value of property, plant and equipment which is secured against borrowing facilities are included in Note 27 on page 83.

# Notes to the Financial Statements continued

| | Total ships £000 | Freehold & leasehold property £000 | Assets under construction £000 | Plant & equipment £000 | Total £000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **Cost:** | | | | | |
| At 1 January 2007 | 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 |
| Additions | 9 | 19 | 60 | 37 | 125 |
| Disposals | (250) | - | - | (175) | (425) |
| Inter group transfers | - | - | - | (2) | (2) |
| At 31 December 2008 | 8,774 | 1,890 | 60 | 952 | 11,676 |
| **Company** | | | | | |
| **Depreciation:** | | | | | |
| At 1 January 2007 | 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 |
| Provided during the year | 384 | 94 | - | 101 | 579 |
| Disposals | (229) | - | - | (173) | (402) |
| Inter group transfers | - | - | - | (2) | (2) |
| At 31 December 2008 | 3,121 | 460 | - | 762 | 4,343 |
| **Net book value at 31 December 2008** | 5,653 | 1,430 | 60 | 190 | 7,333 |
| **Net book value at 31 December 2007** | 6,049 | 1,505 | - | 256 | 7,810 |
| **Net book value at 1 January 2007** | 6,028 | 804 | 448 | 103 | 7,383 |

Included in property, plant and equipment is aggregate interest capitalised of £187,000 (2007: £187,000).

## 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. This interest was increased to 50% in 2008. The Group also 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 2008 of its joint ventures, all of which are accounted for under the equity accounting method, are as follows:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Foreland £000 | FCM £000 | Total £000 | Foreland £000 | FCM £000 | Total £000 |
| Current assets | 5,886 | 1,391 | 7,277 | 3,556 | 789 | 4,345 |
| Non-current assets | 43,340 | 1,330 | 44,670 | 42,086 | 635 | 42,721 |
| Current liabilities | (4,420) | (825) | (5,245) | (2,203) | (478) | (2,681) |
| Non-current liabilities | (42,155) | - | (42,155) | (40,168) | - | (40,168) |
| | 2,651 | 1,896 | 4,547 | 3,271 | 946 | 4,217 |
| Revenue | 9,004 | 3,395 | 12,399 | 8,841 | 2,348 | 11,189 |
| Cost of sales | (4,693) | (2,083) | (6,776) | (4,652) | (1,407) | (6,059) |
| Administrative expenses | (263) | (735) | (998) | (233) | (389) | (622) |
| Profit from operations | 4,048 | 577 | 4,625 | 3,956 | 552 | 4,508 |
| Finance costs: | | | | | | |
| Finance income | 168 | 1 | 169 | 107 | 8 | 115 |
| Finance costs | (2,169) | - | (2,169) | (2,281) | - | (2,281) |
| Profit before tax | 2,047 | 578 | 2,625 | 1,782 | 560 | 2,342 |
| Taxation | (14) | (64) | (78) | (8) | (12) | (20) |
| Net profit attributable to equity holders | 2,033 | 514 | 2,547 | 1,774 | 548 | 2,322 |
| Movement on investment in joint ventures | | | | | | |
| At 1 January | 3,271 | 946 | 4,217 | 2,977 | 598 | 3,575 |
| Acquisitions | - | 9 | 9 | - | 27 | 27 |
| Profit for the period | 2,033 | 514 | 2,547 | 1,774 | 548 | 2,322 |
| Dividends received | (1,200) | - | (1,200) | (1,200) | (216) | (1,416) |
| Share of fair value losses on cash flow hedges | (1,453) | - | (1,453) | (280) | - | (280) |
| Exchange adjustments | - | 427 | 427 | - | (11) | (11) |
| At 31 December | 2,651 | 1,896 | 4,547 | 3,271 | 946 | 4,217 |

## 17 Financial assets

**Group**

Available for sale assets

| | 2008 £000 | 2007 £000 |
|---|---|---|
| At 1 January and 31 December 2008 | 1,370 | 1,370 |
| **Company** | | |
| At 1 January and 31 December 2008 | 1,368 | 1,368 |

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. 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.

# Notes to the Financial Statements continued

3. An investment of £593 in shares in The Baltic Exchange.

   The investments listed above are in unquoted entities whereby the fair value of the shareholding cannot be readily ascertained or measured reliably. The investments are therefore held at initial cost subject to annual impairment review. No impairment was required at 31 December 2008.

**Investments**
**Company**

| | Subsidiary undertakings shares £000 | Subsidiary undertakings loans £000 | Total £000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2007 | 62,692 | 61,377 | 124,069 |
| Prior year adjustment | 127 | - | 127 |
| Restated at 1 January 2007 | 62,819 | 61,377 | 124,196 |
| Exchange adjustments | - | 1,612 | 1,612 |
| Additions/increases | 14,823 | 24,382 | 39,205 |
| Repayments | - | (15,762) | (15,762) |
| At 31 December 2007 | 77,642 | 71,609 | 149,251 |
| Reclassification | (2,678) | - | (2,678) |
| At 1 January 2008 | 74,964 | 71,609 | 146,573 |
| Exchange adjustments | - | 1,070 | 1,070 |
| Additions/increases | 188 | 39,992 | 40,180 |
| Transfer to subsidiaries | (10,109) | 10,109 | - |
| Repayments | - | (32,295) | (32,295) |
| At 31 December 2008 | 65,043 | 90,485 | 155,528 |
| **Amount provided** | | | |
| At 1 January 2007 | 445 | 8,073 | 8,518 |
| Released | - | (67) | (67) |
| At 31 December 2007 | 445 | 8,006 | 8,451 |
| Released | - | (68) | (68) |
| At 31 December 2008 | 445 | 7,938 | 8,383 |
| **Net book value at 31 December 2008** | 64,598 | 82,547 | 147,145 |
| **Net book value at 31 December 2007** | 74,519 | 63,603 | 138,122 |

The reclassification which relates to the accounting for the deferred consideration payable in respect of the contingent consideration payable on the acquisition of FT Everard & Sons also affects amount due to group undertakings as referred to in Note 24.

**Prior year adjustment**
An adjustment has been made following the adoption of IFRIC 11: IFRS 2 Group and treasury share transactions, which relates to the costs of share options relating to shares in the Company given to employees of subsidiaries. The costs of these options are treated as a capital contribution and added to the cost of the Company's investment in the subsidiary. These amounts were previously not recognised in the Company. The total adjustment to investments held at 31 December 2007 was £235,000 of which £108,000 was recognised in 2007 and £127,000 recognised at 1 January 2007.

A list of subsidiary undertakings is included on page 95.

## 18 Business combinations

**Year ended 31 December 2008**

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

On 22 August 2008 the Group acquired the entire issued share capital of Impact Industrial Support Services Limited (Impact), a company specialising in marine and industrial blast cleaning and painting for a cash consideration of £510,000.

The provisional fair values of the assets and liabilities acquired (which are equal to the net book value of assets acquired), are set out below. The businesses of Scotload and Impact have been integrated into the Strainstall and Fendercare Groups respectively and are expected to benefit from synergies derived from common marketing and distribution bases. Included in goodwill are certain intangible assets, including the anticipated impact on these businesses of distributing their products to existing group customers, that cannot be individually separated and reliably measured due to their nature.

| | JCM Scotload £000 | Impact £000 | Total £000 |
|---|---|---|---|
| Intangible assets | - | - | - |
| Property, plant & equipment | 13 | 79 | 92 |
| Inventories | 137 | 11 | 148 |
| Trade and other receivables | 401 | 202 | 603 |
| Cash and short term deposits | 1,027 | 86 | 1,113 |
| Trade and other payables | (395) | (116) | (511) |
| Interest-bearing loans and borrowings | – | (22) | (22) |
| Deferred tax | (1) | (6) | (7) |
| Fair value of net assets acquired | 1,182 | 234 | 1,416 |
| Goodwill arising on acquisitions | 1,937 | 334 | 2,271 |
| | 3,119 | 568 | 3,687 |
| Consideration: | | | |
| Cash | 2,985 | 510 | 3,495 |
| Direct costs associated with acquisition | 134 | 58 | 192 |
| | 3,119 | 568 | 3,687 |

In accordance with the acquisition agreement in respect of the Group's acquisition of 70% of Soil Dynamics (Malaysia) SDN BHD (Soil Dynamics) on 24 January 2008 the Group made a payment of £200,000.

On 31 March 2008 the Group acquired the outstanding minority interest of 30% in Soil Dynamics for a cash consideration of £225,000. Goodwill of £72,000 arose on the purchase of the minority interest.

On 16 January 2008 the Group made the final payment of contingent consideration in respect of £750,000 due to the vendors of FT Everard and Sons following the delivery into service of *mt Superiority*.

On 11 March 2008 the Group made a payment of £800,000 to the vendors of Inspection Holdings Limited (NDT) in accordance with their achievement of the earnout provisions for 2007 included in the purchase agreement.

On 27 March 2008 the Group made a payment of £500,000 to the vendors of Strainstall Group in accordance with their achievement of the earnout provisions for 2007 included in the purchase agreement. This amount was settled in part by the issue of £212,000 of loan notes. These loan notes must be redeemed no later than 31 March 2010. During the year a total of £500,000 were redeemed.

In March 2008 in accordance with the terms of the acquisition agreement between Strainstall Group and The Railway Engineering Company Limited (TRE), the vendors of TRE received a payment of £362,000 in respect of their achievement of the earnout provisions for 2007 included in the purchase agreement. This amount was settled in full by the issue of loan notes by the Company. These loan notes were settled in March 2008.

No adjustments have been made to the provisional figures previously included in the Group financial statements for 2007.

**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.

# Notes to the Financial Statements continued

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 was payable in 2008 (see above) 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 values of the assets and liabilities acquired are as follows:

| | Buchan £000 | NDT £000 | Pumptools £000 | Total £000 |
|---|---|---|---|---|
| Intangible assets | - | - | 21 | 21 |
| Property, plant & equipment | 550 | 85 | 54 | 689 |
| Inventories | 45 | - | 606 | 651 |
| Trade and other receivables | 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 |

Net cash flows in respect of acquisitions comprised:

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Per fair value tables: | | |
| Cash consideration and expenses | (3,687) | (14,341) |
| Net cash acquired | 1,113 | 2,069 |
| Soil Dynamics minority interest | (222) | - |
| | (2,796) | (12,272) |
| Adjustments: | | |
| Accrued expenses | - | 75 |
| Payments relating to acquisitions in previous periods | | |
| Contingent consideration | (2,612) | (6,500) |
| Initial consideration recovered | - | 2,062 |
| Expense paid in respect of previous year | (79) | (1,851) |
| | (5,487) | (18,486) |

**Disposals**

On 28 June 2007 the Group disposed of its wholly owned subsidiary Ships Electronic Services Limited (SES), a provider of marine navigation, communication and entertainment equipment, to four members of the management of SES. The cash consideration received of £394,000 was equal to the net assets of SES which included a cash balance of £97,000.

**Contributions to Group results**

The overall contribution of the businesses acquired during the period to the Group's profit after tax was £353,000 with £1,954,000 being contributed to Group revenue.

Had the business combinations taken place at the start of the financial year the contribution to Group profit from continuing operations for the year would have been £432,000 and the revenue from continuing operations would have been £2,615,000.

Had the business combinations arising in 2007 taken place at the start of the financial year the contribution to 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.

## 19 Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Work in progress | 3,846 | 4,196 | - | - |
| Work in progress relating to sub rescue contracts | 1,087 | 3,905 | - | - |
| Raw material and consumable stores | 5,268 | 4,365 | - | - |
| Finished goods | 11,764 | 6,005 | - | - |
| | 21,965 | 18,471 | - | - |

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Inventories stated at net realisable value | 8 | 8 | - | - |
| Amount charged to the income statement in the period in respect of inventory write-downs | 431 | 66 | - | - |
| Reversal of inventory write-downs | - | (36) | - | - |

## 20 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Trade receivables | 34,239 | 30,796 | 45 | 38 |
| Amounts owed by group undertakings | - | - | 1,315 | 1,761 |
| Amounts owed by joint venture undertakings | 365 | 963 | 32 | 29 |
| Other non-trade receivables | 4,767 | 1,727 | 562 | 224 |
| Amount due under Singapore sub rescue contract | 13,569 | - | - | - |
| Prepayments and accrued income | 9,455 | 6,337 | 353 | 649 |
| | 62,395 | 39,823 | 2,307 | 2,701 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Other receivables | 35 | 8 | - | - |
| Prepayments and accrued income | - | 7 | - | - |
| | 35 | 15 | - | - |

Further information on the credit risks relating to trade and other receivables is given in Note 29.

## 21 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Cash at bank and in hand | 16,859 | 13,221 | 169 | 1,237 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is equal to the book value.

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. This balance was fully utilised during the year ended 31 December 2008.

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

# Notes to the Financial Statements continued

## 22 Share capital

| | 2008 £000 | 2007 £000 |
|---|---|---|
| **Group & Company** | | |
| **Authorised** | | |
| 66,320,000 ordinary shares of 25p each | 16,580 | 16,580 |
| 100,000 3.5% cumulative preference shares of £1 each | 100 | 100 |
| **Allotted and called up** | | |
| 49,753,186 (2007: 49,710,193) ordinary shares of 25p each | 12,438 | 12,428 |
| 100,000 3.5% cumulative preference shares of £1 each | 100 | 100 |

### 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.

Shares all carry equal voting rights of one vote per share held.

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.

| | 2008 £000 | 2007 £000 |
|---|---|---|
| **Treasury shares** | | |
| 229,305 (2007: 312,870) ordinary shares of 25p | 1,036 | 1,134 |

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 2008 was £804,861 (2007: £2,055,556). The Trust has not waived its right to receive dividends.

During the year 42,993 ordinary shares with an aggregate nominal value of £10,748 were issued under the Company's Executive Share Option Scheme and Savings Related Share Option Scheme at option prices of 143p, 352p and 384p per share, giving rise to a total consideration of £104,913.

During 2007 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.

## 23 Reconciliation of movements in equity

### Group

| | Capital: Share capital £000 | Capital: Share premium £000 | Retained earnings £000 | Reserves: Other reserves £000 | Reserves: Treasury shares £000 | Total shareholders equity £000 | Minority interests £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2007 | 12,377 | 24,114 | 50,932 | (96) | (1,147) | 86,180 | 71 | 86,251 |
| 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 |
| Total recognised income and expense in the period | – | – | 10,655 | (2,032) | – | 8,623 | 26 | 8,649 |
| Acquisition of minority interest | – | – | – | – | – | – | (154) | (154) |
| Ordinary dividends paid | – | – | (5,879) | – | – | (5,879) | – | (5,879) |
| Share-based compensation expense | – | – | 651 | – | – | 651 | – | 651 |
| Purchase of shares | – | – | – | – | (164) | (164) | – | (164) |
| Arising on the issue of shares | 10 | 94 | – | – | – | 104 | – | 104 |
| Transfer on disposal of shares | – | – | (262) | – | 262 | – | – | – |
| At 31 December 2008 | 12,438 | 24,432 | 62,560 | (1,154) | (1,036) | 97,240 | – | 97,240 |

| Other reserves | Translation reserve £000 | Hedging reserve £000 | Total £000 |
|---|---|---|---|
| At 1 January 2007 | (170) | 74 | (96) |
| Cash flow hedges: | | | |
| Transferred to the income statement | – | 8 | 8 |
| Fair value losses 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 |
| Cash flow hedges: | | | |
| Transferred to the income statement | – | 5 | 5 |
| Fair value gains in the period | – | (4,420) | (4,420) |
| Share of fair value gains of joint ventures | – | (1,453) | (1,453) |
| Recognised income in the period including the effect of net investment hedges | 3,836 | – | 3,836 |
| At 31 December 2008 | 5,100 | (6,254) | (1,154) |

# Notes to the Financial Statements continued

## Company

| | Capital | | Restated Note 17 | Reserves | | |
|---|---|---|---|---|---|---|
| | Share capital £000 | Share premium £000 | Retained earnings £000 | Other reserves £000 | Treasury shares £000 | Total £000 |
| At 1 January 2007 | 12,377 | 24,114 | 17,584 | (9) | (1,147) | 52,919 |
| Prior year adjustment | - | - | 127 | - | - | 127 |
| Restated at 1 January 2007 | 12,377 | 24,114 | 17,711 | (9) | (1,147) | 53,046 |
| Total recognised income and expense in the period | - | - | 5,188 | (180) | - | 5,008 |
| Ordinary dividends paid | - | - | (5,129) | - | - | (5,129) |
| Share-based compensation expense | - | - | 591 | - | - | 591 |
| 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 | 18,074 | (189) | (1,134) | 53,517 |
| Total recognised income and expense in the period | - | - | 808 | (4,400) | - | (3,592) |
| Ordinary dividends paid | - | - | (5,879) | - | - | (5,879) |
| Share-based compensation expense | - | - | 650 | - | - | 650 |
| Purchase of shares | - | - | - | - | (164) | (164) |
| Arising on the issue of shares | 10 | 94 | - | - | - | 104 |
| Transfer on disposal of shares | - | - | (262) | - | 262 | - |
| At 31 December 2008 | 12,438 | 24,432 | 13,391 | (4,589) | (1,036) | 44,636 |

| Other reserves | Translation reserve £000 | Hedging reserve £000 | Total £000 |
|---|---|---|---|
| At 1 January 2007 | - | (9) | (9) |
| Cash flow hedges: | | | |
| Transferred to the income statement | - | 8 | 8 |
| Fair value of gains in the period | - | (188) | (188) |
| At 31 December 2007 | - | (189) | (189) |
| Cash flow hedges: | | | |
| Transferred to the income statement | - | - | - |
| Fair value of losses in the period | - | (4,400) | (4,400) |
| At 31 December 2008 | - | (4,589) | (4,589) |

*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 2008 £000 | Group 2007 £000 | Company 2008 £000 | Company 2007 £000 |
|---|---|---|---|---|
| Contingent consideration | – | 22 | – | 22 |
| Accruals and deferred income | 1,248 | 1,990 | – | – |
| | 1,248 | 2,012 | – | 22 |

### Current liabilities

| | Group 2008 £000 | Group 2007 £000 | Company 2008 £000 | Company Restated Note 17 2007 £000 |
|---|---|---|---|---|
| Trade payables | 25,253 | 14,557 | 1,347 | 981 |
| Amounts owed to group undertakings | – | – | 8,859 | 10,057 |
| Taxation and social security | 497 | 686 | 283 | 163 |
| Other payables | 1,199 | 1,600 | 77 | 74 |
| Accruals and deferred income | 18,081 | 15,064 | 772 | 1,397 |
| Contingent consideration | 410 | 3,000 | – | 2,050 |
| | 45,440 | 34,907 | 11,338 | 14,722 |

The reclassification which reduces the amount owed by the Company to Group undertakings by £2,678,000 relates to the accounting for the deferred payments in respect of the contingent consideration payable on the acquisition of FT Everard & Sons.

## 25 Retirement benefit 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 The Everard Group Pension Fund (Everard), together with the Group's obligations to the Merchant Navy Officers Pension Fund (MNOPF), 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 MNOPF 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 2008 by qualified actuaries using agreed assumptions consistent with those used in 2007 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 2008 were as follows:

### Assets

| | Group 2008 £000 | Group 2007 £000 | Company 2008 £000 | Company 2007 £000 |
|---|---|---|---|---|
| Shore staff pension scheme | – | 528 | – | 528 |
| | – | 528 | – | 528 |

### Obligations

| | Group 2008 £000 | Group 2007 £000 | Company 2008 £000 | Company 2007 £000 |
|---|---|---|---|---|
| Shore staff pension scheme | (3,259) | – | (3,259) | – |
| Dockworkers pension scheme | (1,806) | (916) | (1,806) | (916) |
| Everard Group pension scheme | (1,684) | – | – | – |
| MNOPF pension scheme | (9,333) | (10,988) | (4,810) | (5,662) |
| | (16,082) | (11,904) | (9,875) | (6,578) |

# Notes to the Financial Statements 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. These financial statements incorporate the latest full actuarial valuation of the Shore Staff Scheme carried out as at 31 March 2007, rolled forward to 31 December 2008.

The Company is currently contributing 14.5% (2007: 14.7%) of pensionable pay.

The Company reviews the position of the pension schemes at three yearly intervals. The latest review was carried out in 2008. The Company agreed with the trustees of the scheme to continue the existing contributions to the deficit recovery plan of £55,000 per month (2007: £55,000). Contributions will continue at this level in 2009.

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 the scheme remains open to existing members the rate of growth of pensionable salary reduced to a maximum of 1.5%.

In 2007 the Group recognised an asset of £528,000 in respect of the surplus in the Shore Staff scheme. This was the amount recoverable from the scheme by the Group through reduced contributions and represents the value of employer's service costs over the remaining period until accrual ceases in 2010. Following the incorporation of revised mortality assumptions, changes in the commutation factor, changes in the valuation of investments and the discount rate applied to the pension liability as a result of the incorporation of the scheme valuation at 31 March 2007 and subsequent roll forward, the scheme is now in deficit.

The surplus arising in 2007 was calculated in accordance with the principles of IFRIC 14 - IAS 19 - The limit on defined benefit asset, minimum funding requirements and their interaction. No adjustment to this amount is therefore required on adoption of this standard in 2008.

**James Fisher and Sons Public Limited Company Pension and Life assurance scheme for Permanent Dockworkers**
The Group also operates a defined benefit scheme for dockworkers. The scheme has no active members. The only contributions made by the Company are in respect of the deficit recovery plan. These financial statements incorporate the latest full actuarial valuation of the Dockworkers Scheme carried out as at 31 March 2007, rolled forward to 31 December 2008.

As a result of the review carried out in 2008 the Company agreed with the trustees of the scheme to continue the existing contributions to the deficit recovery plan of £20,833 per month (2007: £20,833). Contributions will continue at this level in 2009.

**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 2007 an actuarial surplus of £1,506,000 existed relating to the Everard scheme. No element of surplus was recognised relating to the scheme as this is already closed to future accrual. A full actuarial valuation of the scheme as at 1 August 2007 has been performed and the results, rolled forward to 31 December 2008, have been incorporated into these financial statements. As a result of the incorporation of revised mortality assumptions, changes in the commutation factor, changes in the valuation of investments and the discount rate applied to the pension liability, the scheme is now in deficit.

**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 was 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 of £194,000,000 as revised by the latest valuation as at 31 March 2006 in which an additional £151,000,000 deficit was recognised. 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. These liabilities are separate from those of the Company and are included in 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.

As a result of the last actuarial valuation of the scheme which was carried out at 31 March 2006, in August 2007 following the approval of this 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 2008 to the MNOPF was £1,885,000 (2007: £1,896,000). Following further correspondence with the MNOPF additional small claims have also been settled in full in 2007 and 2008. The Group is not aware of any further outstanding claims in respect of the MNOPF.

The Group has an annual commitment to make six further annual payments of £1,873,000 to the scheme, payable in two instalments on 31 March and 30 September 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% (2007: 3.1%) and Company 1.6% (2007: 1.6%).

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 6.7% (2007: 5.8%). 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 liabilities attributable to the Group and Company are shown overleaf.

# Notes to the Financial Statements continued

**Actuarial assumptions**

The last actuarial valuations performed have been updated to 31 December 2008 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:

| | | 2008 %pa | 2007 %pa |
|---|---|---|---|
| Inflation (long term rate after adjustment for short term fluctuations) | | 2.6 | 2.9 |
| Rate of general long term increase in salaries – Shore Staff | | 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 | | 1.5-2.6 | 2.9 |
| Rate of increase of pensions in payment – Everard | | 1.5-3.0 | 2.9-3.0 |
| Discount rate for scheme liabilities | | 6.7 | 5.8 |
| Expected rates of return on assets | | | |
| Equities | | 8.2 | 7.5 |
| Fixed interest bonds | | 3.7 | 4.5 |
| Gilts/Corporate bonds | | 3.7/6.7 | 4.5/5.8 |
| Other assets | | 4.9 | 4.5 |
| Post retirement mortality: | | | |
| Shore Staff scheme | | Years | Years |
| Current pensioner at 65 | male | 20.7 | 20.8 |
| Current pensioner at 65 | female | 23.7 | 23.6 |
| Future pensioner at 65 | male | 22.5 | 21.5 |
| Future pensioner at 65 | female | 25.8 | 24.3 |
| Dockworkers scheme | | | |
| Current pensioner at 65 | male | 20.7 | 19.2 |
| Current pensioner at 65 | female | 23.7 | 21.9 |
| Future pensioner at 65 | male | 22.5 | 20.0 |
| Future pensioner at 65 | female | 25.8 | 22.6 |
| Everard scheme | | | |
| Current pensioner at 65 | male | 20.7 | 16.9 |
| Current pensioner at 65 | female | 23.7 | 19.9 |
| Future pensioner at 65 | male | 22.5 | 19.8 |
| Future pensioner at 65 | female | 25.8 | 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.

**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 4.5% and 3% per annum respectively.

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

**Group**
**As at 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | Everard £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|---|
| Equities | 14,134 | 3,201 | 8,633 | - | 25,968 |
| Gilts/Corporate bonds | 8,025 | 1,849 | 2,151 | - | 12,025 |
| Property | - | 63 | 74 | - | 137 |
| Cash/net current assets | 103 | 23 | 392 | - | 518 |
| Fair value of scheme assets | 22,262 | 5,136 | 11,250 | - | 38,648 |
| Present value of scheme liabilities | (25,521) | (6,942) | (12,934) | (9,333) | (54,730) |
| Net pension liabilities recognised in the balance sheet | (3,259) | (1,806) | (1,684) | (9,333) | (16,082) |

**Group**
**As at 31 December 2007**

| | Shore Staff £000 | Dockworkers £000 | Everard £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|---|
| Equities | 20,460 | 4,163 | 12,343 | - | 36,966 |
| Gilts/Corporate bonds | 7,207 | - | 1,499 | - | 8,706 |
| Property | - | 85 | 405 | - | 490 |
| Insurance policies | - | 2,488 | - | - | 2,488 |
| Cash/net current assets | (16) | 28 | 389 | - | 401 |
| Fair value of scheme assets | 27,651 | 6,764 | 14,636 | - | 49,051 |
| Present value of scheme liabilities | (26,994) | (7,680) | (13,130) | (10,988) | (58,792) |
| Restriction of actuarial gain | (129) | - | (1,506) | - | (1,635) |
| Net pension assets/(liabilities) recognised in the balance sheet | 528 | (916) | - | (10,988) | (11,376) |

**Company**
**As at 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|
| Equities | 14,134 | 3,201 | - | 17,335 |
| Gilts/Corporate bonds | 8,025 | 1,849 | - | 9,874 |
| Property | - | 63 | - | 63 |
| Cash/net current assets | 103 | 23 | - | 126 |
| Fair value of scheme assets | 22,262 | 5,136 | - | 27,398 |
| Present value of scheme liabilities | (25,521) | (6,942) | (4,810) | (37,273) |
| Net pension liabilities recognised in the balance sheet | (3,259) | (1,806) | (4,810) | (9,875) |

**Company**
**As at 31 December 2007**

| | Shore Staff £000 | Dockworkers £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|
| Equities | 20,460 | 4,163 | - | 24,623 |
| Gilts/Corporate bonds | 7,207 | - | - | 7,207 |
| Property | - | 85 | - | 85 |
| Insurance policies | - | 2,488 | - | 2,488 |
| Cash/net current assets | (16) | 28 | - | 12 |
| Fair value of scheme assets | 27,651 | 6,764 | - | 34,415 |
| Present value of scheme liabilities | (26,994) | (7,680) | (5,662) | (40,336) |
| Restriction of actuarial gain | (129) | - | - | (129) |
| Net pension assets/(liabilities) recognised in the balance sheet | 528 | (916) | (5,662) | (6,050) |

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.

# Notes to the Financial Statements continued

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

**Group**
**Year ended 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | Everard £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|---|
| Current service cost | 132 | - | - | - | 132 |
| Interest cost on benefit obligation | 1,531 | 444 | 750 | 564 | 3,289 |
| Expected return on plan assets | (1,796) | (388) | (1,032) | - | (3,216) |
| | (133) | 56 | (282) | 564 | 205 |
| Actual return on plan assets | (4,395) | (1,790) | (2,970) | | |

**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 | | |

**Company**
**Year ended 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|
| Current service cost | 132 | - | - | 132 |
| Interest cost on benefit obligation | 1,531 | 444 | 290 | 2,265 |
| Expected return on plan assets | (1,796) | (388) | - | (2,184) |
| | (133) | 56 | 290 | 213 |
| Actual return on plan assets | (4,395) | (1,790) | - | - |

**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 |
| Actual return on plan assets | 713 | - | - | - |

Movements in the benefit liability during the year:

**Group**
**Year ended 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | Everard £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|---|
| As at 1 January 2008 | (528) | 916 | - | 10,988 | 11,376 |
| Expense recognised in the income statement | (133) | 56 | (282) | 564 | 205 |
| Contributions paid to scheme | (873) | (250) | (286) | (1,885) | (3,294) |
| Actuarial loss/(gain) | 4,793 | 1,084 | 2,252 | (334) | 7,795 |
| | 3,259 | 1,806 | 1,684 | 9,333 | 16,082 |

**Group**
**Year ended 31 December 2007**

| | Shore Staff £000 | Dockworkers £000 | Everard £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|---|
| As at 1 January 2007 | 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 |
| | (528) | 916 | – | 10,988 | 11,376 |

**Company**
**Year ended 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|
| As at 1 January 2008 | (528) | 916 | 5,662 | 6,050 |
| Expense recognised in the income statement | (133) | 56 | 290 | 213 |
| Contributions paid to scheme | (873) | (250) | (977) | (2,100) |
| Actuarial loss/(gain) | 4,793 | 1,084 | (165) | 5,712 |
| | 3,259 | 1,806 | 4,810 | 9,875 |

**Company**
**Year ended 31 December 2007**

| | Shore Staff £000 | Dockworkers £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|
| As at 1 January 2007 | 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 |
| | (528) | 916 | 5,662 | 6,050 |

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

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

**Group**
**Year ended 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | Everard £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|---|
| As at 1 January 2008 | 26,994 | 7,680 | 13,130 | 10,988 | 58,792 |
| Current service cost | 132 | – | – | – | 132 |
| Interest cost | 1,531 | 444 | 750 | 564 | 3,289 |
| Contributions by scheme participants | 76 | – | – | – | 76 |
| Actuarial gains on scheme liabilities | (1,810) | (1,123) | (636) | (334) | (3,903) |
| Net benefits paid out | (1,402) | (59) | (310) | (1,885) | (3,656) |
| | 25,521 | 6,942 | 12,934 | 9,333 | 54,730 |

**Group**
**Year ended 31 December 2007**

| | Shore Staff £000 | Dockworkers £000 | Everard £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|---|
| As at 1 January 2007 | 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) |
| | 26,994 | 7,680 | 13,130 | 10,988 | 58,792 |

# Notes to the Financial Statements continued

**Company**
**Year ended 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|
| As at 1 January 2008 | 26,994 | 7,680 | 5,662 | 40,336 |
| Current service cost | 132 | - | - | 132 |
| Interest cost | 1,531 | 444 | 290 | 2,265 |
| Contributions by scheme participants | 76 | - | - | 76 |
| Actuarial gains on scheme liabilities | (1,810) | (1,123) | (165) | (3,098) |
| Net benefits paid out | (1,402) | (59) | (977) | (2,438) |
| | 25,521 | 6,942 | 4,810 | 37,273 |

**Company**
**Year ended 31 December 2007**

| | Shore Staff £000 | Dockworkers £000 | MNOPF £000 | Total £000 |
|---|---|---|---|---|
| As at 1 January 2007 | 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) |
| | 26,994 | 7,680 | 5,662 | 40,336 |

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

**Group**
**Year ended 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | Everard £000 | Total £000 |
|---|---|---|---|---|
| As at 1 January 2008 | 27,651 | 6,764 | 14,636 | 49,051 |
| Expected return on scheme assets | 1,796 | 388 | 1,032 | 3,216 |
| Actuarial gains on scheme liabilities | (6,731) | (2,207) | (4,068) | (13,006) |
| Contributions by employer | 873 | 250 | 286 | 1,409 |
| Contributions by scheme participants | 76 | - | - | 76 |
| Net benefits paid out | (1,403) | (59) | (636) | (2,098) |
| | 22,262 | 5,136 | 11,250 | 38,648 |

**Group**
**Year ended 31 December 2007**

| | Shore Staff £000 | Dockworkers £000 | Everard £000 | Total £000 |
|---|---|---|---|---|
| As at 1 January 2007 | 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 | 963 | 250 | 286 | 1,499 |
| Contributions by scheme participants | 85 | - | - | 85 |
| Net benefits paid out | (1,326) | (31) | (657) | (2,014) |
| | 27,651 | 6,764 | 14,636 | 49,051 |

**Company**
**Year ended 31 December 2008**

| | Shore Staff £000 | Dockworkers £000 | Total £000 |
|---|---|---|---|
| As at 1 January 2008 | 27,651 | 6,764 | 34,415 |
| Expected return on scheme assets | 1,796 | 388 | 2,184 |
| Actuarial gains on scheme liabilities | (6,731) | (2,207) | (8,938) |
| Contributions by employer | 873 | 250 | 1,123 |
| Contributions by scheme participants | 76 | - | 76 |
| Net benefits paid out | (1,403) | (59) | (1,462) |
| | 22,262 | 5,136 | 27,398 |

**Company**
**Year ended 31 December 2007**

| | Shore Staff £000 | Dockworkers £000 | Total £000 |
|---|---|---|---|
| As at 1 January 2007 | 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 | 963 | 250 | 1,213 |
| Contributions by scheme participants | 85 | - | 85 |
| Net benefits paid out | (1,326) | (31) | (1,357) |
| | 27,651 | 6,764 | 34,415 |

History of experience gain and losses:

**Shore Staff**

| | 2008 £000 | 2007 £000 | 2006 £000 | 2005 £000 | 2004 £000 |
|---|---|---|---|---|---|
| Fair value of scheme assets | 22,262 | 27,651 | 27,300 | 23,600 | 19,400 |
| Defined benefit obligation | (25,521) | (26,994) | (28,700) | (31,700) | (29,600) |
| Restriction of actuarial gain | - | (129) | - | - | - |
| (Deficit)/surplus in scheme | (3,259) | 528 | (1,400) | (8,100) | (10,200) |
| Experience (losses)/gains on scheme assets | (6,731) | (1,059) | 700 | 2,500 | 400 |
| Experience (losses)/gains on scheme liabilities | (5,949) | (82) | - | - | 1,200 |

**Dockworkers**

| | 2008 £000 | 2007 £000 | 2006 £000 | 2005 £000 | 2004 £000 |
|---|---|---|---|---|---|
| Fair value of scheme assets | 5,136 | 6,764 | 6,590 | 5,900 | 4,700 |
| Defined benefit obligation | (6,942) | (7,680) | (8,140) | (8,300) | (7,300) |
| Deficit in scheme | (1,806) | (916) | (1,550) | (2,400) | (2,600) |
| Experience (losses)/gains on scheme assets | (2,178) | (388) | 160 | 500 | 300 |
| Experience (losses)/gains on scheme liabilities | (361) | 42 | - | - | 300 |

**Everard**

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Fair value of scheme assets | 11,250 | 14,636 |
| Defined benefit obligation | (12,934) | (13,130) |
| Unrecognised actuarial gains | - | (1,506) |
| Deficit in scheme | (1,684) | - |
| Experience losses on scheme assets | (4,002) | (288) |
| Experience (losses)/gains on scheme liabilities | (4,176) | 141 |

**MNOPF**
**Group**

| | 2008 £000 | 2007 £000 | 2006 £000 | 2005 £000 |
|---|---|---|---|---|
| Fair value of scheme assets | - | - | - | - |
| Defined benefit obligation | (9,333) | (10,988) | (7,201) | (3,036) |
| Deficit in scheme | (9,333) | (10,988) | (7,201) | (3,036) |

**MNOPF**
**Company**

| | 2008 £000 | 2007 £000 | 2006 £000 | 2005 £000 |
|---|---|---|---|---|
| Fair value of scheme assets | - | - | - | - |
| Defined benefit obligation | (4,810) | (5,662) | (3,739) | (3,036) |
| Deficit in scheme | (4,810) | (5,662) | (3,739) | (3,036) |

# Notes to the Financial Statements continued

The cumulative amount of actuarial gains and losses relating to all schemes recognised since 1 January 2004 in the Group and Company statement of total recognised income and expense is (£12,370,000) (2007: (£4,575,000)).

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 £211,000 (2007: £187,000).

**Defined Contribution schemes operated by or on behalf of other Group entities**
Other defined contribution schemes exist in the Group. The total charge for the year for these schemes amounted to £827,000 (2007: £653,000).

## 26 Share based payments

As noted in the Directors' Remuneration Report, the Company operates an Executive Share Option Scheme (ESOS) and a Long Term Incentive Plan (LTIP) and Share Matching Scheme (SMS) 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 is 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 excluding Investment Trusts. 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 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 September 2008.

**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 £651,000 (2007: £587,000).

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 241,487 (2007: 297,806) 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**

| | | | | | "Nil" Options | |
|---|---|---|---|---|---|---|
| | 2008 No | WAEP | 2007 No | WAEP | 2008 No | 2007 No |
| Outstanding at 1 January | 854,088 | £3.96 | 821,877 | £2.59 | 303,923 | 380,537 |
| Granted during the year | 212,410 | £6.08 | 285,576 | £6.11 | 102,935 | 80,200 |
| Forfeited during the year | (50,275) | £5.20 | (47,952) | £4.50 | - | (8,389) |
| Exercised | (40,696) | £2.50+ | (205,413) | £1.36† | (165,370) | (148,425) |
| Expired during the year | - | - | - | - | - | - |
| Outstanding at 31 December* | 975,527 | £4.42 | 854,088 | £3.96 | 241,488 | 303,923 |
| Exercisable at 31 December | 330,188 | £2.53 | 134,416 | £1.42 | - | - |

* Included in this balance are options over 34,257 (2007: 40,873) 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 £6.27.

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

For the share options outstanding at 31 December 2008, the weighted average remaining contractual life is 7 years and 3 months (2007: 7 years and 6 months).

The weighted average fair value of options granted during the year was £2.76 (2007: £2.48). The range of exercise prices for options outstanding at the end of the year was £1.42 - £6.73 (2007: £1.42 - £6.73).

**Company**

| | | | | | "Nil" Options | |
|---|---|---|---|---|---|---|
| | 2008 No | WAEP | 2007 No | WAEP | 2008 No | 2007 No |
| Outstanding at 1 January | 584,032 | £3.60 | 637,507 | £2.49 | 265,843 | 342,895 |
| Granted during the year | 121,288 | £6.17 | 130,140 | £6.01 | 55,303 | 62,583 |
| Forfeited during the year | (6,632) | £6.89 | (4,130) | £3.06 | - | - |
| Exercised | (23,046) | £2.23+ | (179,485) | £1.40† | (147,966) | (139,635) |
| Expired during the year | - | - | - | - | - | - |
| Outstanding at 31 December* | 675,642 | £3.63 | 584,032 | £3.60 | 173,180 | 265,843 |
| Exercisable at 31 December | 291,389 | £2.44 | 132,579 | £1.42 | - | - |

* Included in this balance are options over 23,086 (2007: 25,383) 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 £6.45.

† The weighted average share price at the date of exercise for the options exercised was £6.51.

For the share options outstanding at 31 December 2008, the weighted average remaining contractual life is 8 years and 6 months (2007: 8 years and 5 months).

The weighted average fair value of options granted during the year was £2.77 (2007: £2.85). The range of exercise prices for options outstanding at the end of the year was £1.42 - £6.73 (2007: £1.42 - £6.73).

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.

# Notes to the Financial Statements continued

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

| | 2008 | 2007 |
|---|---|---|
| **LTIP** | | |
| Dividend yield (%) | 1.80% | 1.80% |
| Expected life of option (years) | 3 | 3 |
| Share price at date of grant | £6.00 | £5.85 |
| **2005 ESOS** | | |
| Dividend yield (%) | 1.80% | 1.80% |
| Expected life of option (years) | 6.5 | 6.5 |
| Share price at date of grant | £6.00 | £5.85 |
| Expected share price volatility (%) | 30% | 28% |

| | 2008 | 2007 |
|---|---|---|
| **SAYE** | | |
| 5 January 2007 | | |
| Dividend yield (%) | n/a | 1.90% |
| Expected life of option (years) | n/a | 3.26-7.26 |
| Share price at date of grant | n/a | £6.18 |
| Expected share price volatility (%) | n/a | 26-30% |
| Risk free interest rate (%) | n/a | 5.10% |
| **SAYE** | | |
| 26 September 2008/28 September 2007 | | |
| Dividend yield (%) | 2.00% | 1.60% |
| Expected life of option (years) | 3.26-7.26 | 3.26-7.26 |
| Share price at date of grant | £5.21 | £6.37 |
| Expected share price volatility (%) | 19-29% | 25-29% |
| Risk free interest rate (%) | 4.40% | 5.00% |

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.

## 27 Loans and borrowings

### Non-current liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Bank loans | 89,155 | 83,400 | 81,253 | 78,454 |
| Finance leases | 160 | 228 | - | - |
| | 89,315 | 83,628 | 81,253 | 78,454 |

### Current liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Bank loans | 18,881 | 7,376 | 15,182 | 4,307 |
| Finance leases | 68 | 65 | - | - |
| | 18,949 | 7,441 | 15,182 | 4,307 |

The terms and conditions of outstanding loans were as follows:

| | Note | currency~ | Interest rate* | Year of maturity | Group 2008 £000 | Group 2007 £000 | Company 2008 £000 | Company 2007 £000 |
|---|---|---|---|---|---|---|---|---|
| Unsecured bank loan | 1 | | | 2010 | 16,000 | 19,000 | 16,000 | 19,000 |
| Unsecured bank loan | | | | 2012 | 8,357 | 15,000 | 8,357 | 15,000 |
| Unsecured bank loan | 2 | | | 2011 | 10,500 | 10,500 | 10,500 | 10,500 |
| Unsecured bank loan | 3 | | | 2010 | 19,215 | 19,215 | 19,215 | 19,215 |
| Secured bank loan | | | | 2010 | 4,000 | 5,912 | 4,000 | 5,912 |
| Unsecured bank loan | 4 | | | 2012 | 15,000 | 5,000 | 15,000 | 5,000 |
| Unsecured bank loan | 5 | | | 2009 | 7,750 | 3,000 | 7,750 | 3,000 |
| Secured bank loan | | euro | EURIBOR +1% | 2017 | 4,635 | 3,811 | 4,635 | 3,811 |
| Secured bank loan | | | | 2017 | 1,221 | 1,323 | 1,221 | 1,323 |
| Secured bank loan | | | | 2010 | 1,500 | 2,500 | - | - |
| Secured bank loan | | | LIBOR +0.625% | 2011 | 1,104 | 1,656 | - | - |
| Secured bank loan | | nok | NIBOR +0.8% | 2039 | 5,559 | - | - | - |
| Unsecured bank loan | | nok | NIBOR +1% | 2013 | 1,324 | 2,342 | - | - |
| Unsecured bank loan | | nok | NIBOR +1% | 2014 | 251 | 271 | - | - |
| Unsecured bank loan | 6 | | LIBOR +1.2% | 2011 | 10,000 | - | 10,000 | - |
| US Dollar Letter of credit facilities | | usd | FED +1% | + | 1,863 | 1,246 | - | - |
| Facility fees | | | | | (243) | - | (243) | - |
| | | | | | 108,036 | 90,776 | 96,435 | 82,761 |
| Less current instalments due on bank loans | | | | | (18,881) | (7,376) | (15,182) | (4,307) |
| | | | | | 89,155 | 83,400 | 81,253 | 78,454 |

~ GBP unless stated
* Interest calculated at LIBOR +1% unless stated
1. May be repaid or redrawn at 22 December 2010
2. May be repaid or redrawn at 30 November 2011
3. May be repaid or redrawn at 27 September 2010
4. Converted into a term loan in November 2008 repayable over four years
5. Provided to finance the construction of a submarine rescue system by James Fisher Marine Services Limited for the Singapore Government. Repayable on the earlier of the delivery of the vessel or 30 June 2009
6. May be repaid or redrawn at 12 August 2011

\+ All letters of credit have a maturity of less than six months

Secured bank loans are secured over property, plant and equipment with a carrying value of £45,391,000 (2007: £39,445,000).

## 28 Reconciliation of net debt

### Group

| | 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) |

| | 1 January 2008 £000 | Acquisitions £000 | Cash flow £000 | Other non cash £000 | Exchange movement £000 | December 2008 £000 |
|---|---|---|---|---|---|---|
| Cash in hand and at bank | 13,221 | - | 1,645 | - | 1,993 | 16,859 |
| Short term deposits | - | - | - | - | - | - |
| Cash and cash equivalents | 13,221 | - | 1,645 | - | 1,993 | 16,859 |
| Debt due after 1 year | (83,500) | - | - | (4,679) | (1,076) | (89,255) |
| Debt due within 1 year | (7,376) | (22) | (16,031) | 4,624 | (76) | (18,881) |
| | (90,876) | (22) | (16,031) | (55) | (1,152) | (108,136) |
| Finance leases | (293) | - | 65 | - | - | (228) |
| Net debt | (77,948) | (22) | (14,321) | (55) | 841 | (91,505) |

# Notes to the Financial Statements continued

**Company**

| | 1 January 2007 £000 | Cash flow £000 | Other non cash £000 | Exchange movement £000 | December 2007 £000 |
|---|---|---|---|---|---|
| Cash in hand and at bank | 815 | 422 | – | – | 1,237 |
| Short term deposits | – | – | – | – | – |
| Cash and cash equivalents | 815 | 422 | – | – | 1,237 |
| Debt due after 1 year | (52,762) | – | (25,721) | (71) | (78,554) |
| Debt due within 1 year | (1,650) | (28,265) | 25,721 | (113) | (4,307) |
| | (54,412) | (28,265) | – | (184) | (82,861) |
| Net debt | (53,597) | (27,843) | – | (184) | (81,624) |

| | 1 January 2008 £000 | Cash flow £000 | Other non cash £000 | Exchange movement £000 | December 2007 £000 |
|---|---|---|---|---|---|
| Cash in hand and at bank | 1,237 | (1,068) | – | – | 169 |
| Short term deposits | – | – | – | – | – |
| Cash and cash equivalents | 1,237 | (1,068) | – | – | 169 |
| Debt due after 1 year | (78,554) | – | (1,723) | (1,076) | (81,353) |
| Debt due within 1 year | (4,307) | (12,522) | 1,723 | (76) | (15,182) |
| | (82,861) | (12,522) | – | (1,152) | (96,535) |
| Net debt | (81,624) | (13,590) | – | (1,152) | (96,366) |

## 29 Financial instruments

**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 is required to maintain covenant ratios in respect of net debt to earnings before interest and depreciation and amortisation (EBITDA), net interest costs to earnings before interest (EBIT) and EBIT and operating lease costs to net interest and operating lease costs. The Group has met its covenant ratios for the year ended 31 December 2008. The directors have prepared forecasts of the cash flows for the subsequent eighteen month period which indicate that the Group will meet its covenant requirements for this period.

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.

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Interest bearing loans | 108,264 | 91,069 |
| Less cash and cash equivalents | (16,859) | (13,221) |
| Net debt (excluding preference shares) | 91,405 | 77,848 |
| Equity attributable to the equity holders of the parent | 97,240 | 93,905 |
| Gearing ratio | 94.0% | 82.9% |

The reasons for the increase in gearing over the previous year are discussed in the Chairman's statement on page 4. A significant element of the increase is accounted for by the funding by the Group of the Singapore submarine rescue contract. As shown in Note 3 the Group has invested over £14,000,000 in this contract to date. As indicated in the exchange risk section of this note a further £4,589,000 has been debited to equity in respect of the fair value of forward foreign exchange contracts in respect of this contract. The contract is expected to be delivered in the first half of 2009. The impact of the contract in 2008 is to increase the gearing by 18.5% compared to 4% in 2007.

The Group has exposure to the following risks from its use of financial instruments:
- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign exchange risk

Details of the Group's financial instrument risk management objectives, strategies and policies are set out on page 10 of the Review of Operations.

Further information on these risks is presented below and is included in other disclosures throughout these consolidated financial statements.

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

These arise principally from the Group's receivables from customers.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Available for sale financial assets | 1,370 | 1,370 | 1,368 | 1,368 |
| Receivables | 51,729 | 33,980 | 1,648 | 2,220 |
| Cash and Cash equivalents | 16,859 | 13,221 | 169 | 1,237 |
| | 69,958 | 48,571 | 3,185 | 4,825 |

There are no significant concentrations of credit risk within the Group. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the industry and country in which each customer operates. The Group has a number of large customers including Government agencies in the UK and overseas, major oil companies and other multinational corporations. The ten largest customers of the Group accounted for approximately 46% of Group revenue (2007: 42%). No single customer accounted for more than 8% (2007: 8%) of revenue.

As referred to in Note 3, receivables for 2008 includes £13,569,000 due in respect of the Singapore submarine rescue contract. This amount is expected to be received when the contract commences service in the first half of 2009.

New customers are subject to creditworthiness checks and credit limits are subject to approval by senior management. Goods are sold subject to retention of title clauses so that in the event of non-payment the Group may have a secured claim.

Trade receivables are non interest-bearing and are generally on 3 to 30 days terms. At 31 December the value of trade debtors outstanding was:

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | 2007 | | 2008 | | 2007 | |
| | Gross £000 | allowance £000 | Gross £000 | allowance £000 | Gross £000 | allowance £000 | Gross £000 | allowance £000 |
| Not past due | 23,456 | – | 20,013 | – | 42 | – | 26 | – |
| Past due | 12,067 | 1,284 | 11,923 | 1,140 | 3 | – | 12 | – |
| | 35,523 | 1,284 | 31,936 | 1,140 | 45 | – | 38 | – |

The Group establishes an allowance for unrecoverable amounts movements on which are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Balance at 1 January 2008 | 1,140 | 123 | – | – |
| Exchange differences | 29 | 2 | – | – |
| Additional provisions | 833 | 1,104 | – | – |
| Recoveries | (9) | (5) | – | – |
| Write offs | (709) | (84) | – | – |
| | 1,284 | 1,140 | – | – |

The principal write off in 2008 relates to £503,000 provided in Fisher Offshore against a debt due from a customer in Mexico. The debt was provided against in 2007.

No other receivables are considered to be past due.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its cash resources to ensure that it will have sufficient liquidity to meet its liabilities as they fall due but in a manner designed to maximise the benefit of those resources whilst ensuring the security of investment resources.

The Group forecasts the profile of its cash requirements on a monthly basis and ensures that sufficient facilities are available to meet peak requirements which occur at predictable times in the year.

# Notes to the Financial Statements continued

Details of the Group's loans and borrowings are set out in Note 27 to the financial statements. The Group's revolving credit facilities extend over several accounting periods and fall due for renewal in different accounting periods ensuring that the Group negotiations with individual lenders follow an orderly process which does not expose the Group the possibility of a significant reduction in available facilities in a single period.

As explained in the general information to the notes to the financial statements on page 38 the Group has two facilities maturing in 2010 on which drawings of £35,215,000 have been made. There are no factors which indicate that the Group will not be able to renew these facilities on acceptable terms.

At 31 December 2008, the Group has available £35,430,000 of undrawn committed bank facilities (2007: £23,314,000). There were no committed bank facilities falling due for renewal (at the option of the Company) within twelve months at 31 December 2008 (2007: £15,000,000).

The following are the contractual maturities of financial liabilities, including interest payments:

**31 December 2008**
**Group**

| | Carrying amount £000 | Contractual cash flows £000 | Within 1 year £000 | 1 - 2 years £000 | 2 - 5 years £000 | More than 5 years £000 |
|---|---|---|---|---|---|---|
| **Non-Derivative financial liabilities** | | | | | | |
| Secured bank loans | 18,019 | (23,773) | (4,813) | (4,116) | (3,330) | (11,514) |
| Unsecured bank loans | 90,017 | (99,265) | (7,558) | (51,425) | (40,219) | (63) |
| Finance lease liabilities | 228 | (253) | (80) | (78) | (95) | - |
| Trade and other payables | 49,799 | (49,799) | (49,799) | - | - | - |
| **Derivative financial liabilities** | | | | | | |
| Forward exchange contracts used for hedging | | | | | | |
| Outflow | - | - | - | - | - | - |
| Inflow | 4,603 | 14,532 | 14,532 | - | - | - |
| | 162,666 | (158,558) | (47,718) | (55,619) | (43,644) | (11,577) |

**31 December 2007**
**Group**

| | Carrying amount £000 | Contractual cash flows £000 | Within 1 year £000 | 1 - 2 years £000 | 2 - 5 years £000 | More than 5 years £000 |
|---|---|---|---|---|---|---|
| **Non-Derivative financial liabilities** | | | | | | |
| Secured bank loans | 15,202 | (15,335) | (3,992) | (3,946) | (4,236) | (3,161) |
| Unsecured bank loans | 75,574 | (76,255) | (4,198) | (7,353) | (64,278) | (426) |
| Finance lease liabilities | 293 | (335) | (82) | (80) | (173) | - |
| Trade and other payables | 41,105 | (41,105) | (41,105) | - | - | - |
| **Derivative financial liabilities** | | | | | | |
| Forward exchange contracts used for hedging | | | | | | |
| Outflow | - | - | - | - | - | - |
| Inflow | 188 | 7,018 | - | 7,018 | - | - |
| | 132,362 | (126,012) | (49,377) | (4,361) | (68,687) | (3,587) |

**31 December 2008**
**Company**

| | Carrying amount £000 | Contractual cash flows £000 | Within 1 year £000 | 1 - 2 years £000 | 2 - 5 years £000 | More than 5 years £000 |
|---|---|---|---|---|---|---|
| **Non-Derivative financial liabilities** | | | | | | |
| Secured bank loans | 9,856 | (11,301) | (2,814) | (2,740) | (1,961) | (3,786) |
| Unsecured bank loans | 86,579 | (95,252) | (5,223) | (50,982) | (39,047) | - |
| Trade and other payables | 11,338 | (11,338) | (11,338) | - | - | - |
| **Derivative financial liabilities** | | | | | | |
| Forward exchange contracts used for hedging | | | | | | |
| Outflow | - | - | - | - | - | - |
| Inflow | 4,589 | 14,457 | 14,457 | - | - | - |
| | 112,362 | (103,434) | (4,918) | (53,722) | (41,008) | (3,786) |

## 31 December 2007
## Company

| | Carrying amount £000 | Contractual cash flows £000 | Within 1 year £000 | 1 - 2 years £000 | 2 - 5 years £000 | More than 5 years £000 |
|---|---|---|---|---|---|---|
| **Non-Derivative financial liabilities** | | | | | | |
| Secured bank loans | 11,046 | (11,059) | (2,320) | (2,394) | (3,184) | (3,161) |
| Unsecured bank loans | 71,715 | (72,396) | (2,681) | (6,250) | (63,465) | - |
| Trade and other payables | 14,744 | (14,744) | (14,744) | - | - | - |
| **Derivative financial liabilities** | | | | | | |
| Forward exchange contracts used for hedging | | | | | | |
| Outflow | - | - | - | - | - | - |
| Inflow | 188 | 7,018 | - | 7,018 | - | - |
| | 97,693 | (91,181) | (19,745) | (1,626) | (66,649) | (3,161) |

### Foreign exchange 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 10, 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's exposure to foreign currency risk in its principal currencies was as follows based on notional amounts:

| | 31 December 2008 | | | | 31 December 2007 | | | |
|---|---|---|---|---|---|---|---|---|
| | USD 000 | euro 000 | nok 000 | SGD 000 | USD 000 | euro 000 | nok 000 | SGD 000 |
| Trade receivables | 14,126 | 2,951 | 52,016 | 775 | 11,188 | 3,194 | 42,573 | 726 |
| Cash at bank and in hand | 6,336 | 1,883 | 27,555 | 587 | 3,051 | 4,104 | 35,543 | 944 |
| Unsecured bank loans | - | - | (15,880) | - | - | - | (28,236) | - |
| Secured bank loans | - | (4,793) | (56,049) | - | - | (5,191) | - | - |
| Letters of credit | (2,678) | - | - | - | (2,480) | - | - | - |
| Trade payables | (7,415) | (2,530) | (34,993) | (153) | (3,577) | (1,473) | (5,307) | (786) |
| Gross balance sheet exposure | 10,369 | (2,489) | (27,351) | 1,209 | 8,182 | 634 | 44,573 | 884 |
| Forecast sales | 16,568 | 710 | 39,850 | 43,930 | 2,037 | - | 38,143 | 43,904 |
| Forecast purchases | (6,738) | (619) | (14,535) | - | (2,200) | (259) | (7,816) | - |
| Gross exposure | 20,199 | (2,398) | (2,036) | 45,139 | 8,019 | 375 | 74,900 | 44,788 |
| Forward exchange | - | - | - | (40,000) | - | - | - | (20,000) |
| Net exposure | 20,199 | (2,398) | (2,036) | 5,139 | 8,019 | 375 | 74,900 | 24,788 |

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 5% strengthening in the exchange rate in the Group's key currencies against Pound Sterling. The obverse movements would be of the same magnitude. These amounts have been calculated by applying changes in exchange rates to the Group's estimated foreign investment in entities which do not use Sterling as their base currency.

# Notes to the Financial Statements continued

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Equity £000 | Profit or loss £000 | Equity £000 | Profit or loss £000 |
| US Dollar | (65) | (1,581) | (41) | (711) |
| Norweigan Kroner | (202) | (230) | (103) | (225) |
| Euro | (5) | (215) | (1) | 328 |
| UAE Dirham | (266) | (121) | (41) | (280) |
| Singapore Dollar | 571 | (183) | 535 | (157) |
| Malaysian Ringgit | (28) | (16) | (21) | (9) |
| | 5 | (2,346) | 328 | (1,054) |

### Interest rate 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.

| | Group | | Company | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| **Fixed rate instruments** | | | | |
| Financial liabilities | (100) | (100) | (100) | (100) |
| **Variable rate instruments** | | | | |
| Financial assets | 16,859 | 13,221 | 169 | 1,237 |
| Financial liabilities | (108,036) | (90,776) | (96,435) | (82,761) |
| | (91,177) | (77,555) | (96,266) | (81,524) |

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 have had the following impact:

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Equity £000 | Profit or Loss £000 | Equity £000 | Profit or Loss £000 |
| Variable rate instruments | - | (912) | - | (776) |
| Interest rate swap | - | - | - | - |
| Cash flow sensitivity | - | (912) | - | (776) |

### 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.

**Group**

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Carrying value £000 | Fair value £000 | Carrying value £000 | Fair value £000 |
| Secured bank loans | (18,019) | (18,019) | (15,202) | (15,202) |
| Unsecured bank loans | (90,017) | (90,017) | (75,574) | (75,574) |
| Receivables | 51,729 | 51,729 | 33,980 | 33,980 |
| Trade and other payables | (49,799) | (49,799) | (41,105) | (41,105) |
| Finance leases | (228) | (238) | (293) | (285) |
| Preference shares | (100) | (100) | (100) | (100) |
| Cash and cash equivalents | 16,859 | 16,859 | 13,221 | 13,221 |
| Available for sale financial assets | 1,370 | 1,370 | 1,370 | 1,370 |
| Forward exchange contracts – cash flow hedges: | | | | |
| Assets | – | – | – | – |
| Liabilities | (4,603) | (4,603) | (188) | (188) |
| | (92,808) | (92,818) | (83,891) | (83,883) |
| Unrecognised (loss)/gain | (10) | | 8 | |

**Company**

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | Carrying value £000 | Fair value £000 | Carrying value £000 | Fair value £000 |
| Secured bank loans | (9,856) | (9,856) | (11,046) | (11,046) |
| Unsecured bank loans | (86,579) | (86,579) | (71,715) | (71,715) |
| Receivables | 1,648 | 1,648 | 2,220 | 2,220 |
| Trade and other payables | (11,338) | (11,338) | (14,744) | (14,744) |
| Preference shares | (100) | (100) | (100) | (100) |
| Cash and cash equivalents | 169 | 169 | 1,237 | 1,237 |
| Financial assets | 1,368 | 1,368 | 1,368 | 1,368 |
| Forward exchange contracts: | | | | |
| Assets | – | – | – | – |
| Liabilities | (4,589) | (4,589) | (188) | (188) |
| | (109,277) | (109,277) | (92,968) | (92,968) |
| Unrecognised gain/(loss) | – | | – | |

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

**Hedges – Group and Company**

**Fair value hedges**

At 31 December 2008 and 31 December 2007 the Group did not have any outstanding fair value hedges.

**Cash flow hedges**

At 31 December 2008 the Group and Company held forward currency contracts 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 | Fair value £'000 |
|---|---|---|---|
| Forward contract to hedge expected future income | | | |
| *Sell* | | | |
| SG$20,000,000 | 30 June 2009 | 2.8500 | 2,503 |
| SG$10,000,000 | 30 June 2009 | 2.7105 | 1,073 |
| SG$10,000,000 | 30 June 2009 | 2.6665 | 1,013 |
| | | | 4,589 |

The Group also held forward contracts to hedge expected future income in relation to future income receivable by a subsidiary.

| | | | |
|---|---|---|---|
| *Sell* | | | |
| US$ 113,400 | 31 March 2009 | 1.7594 | 12 |
| US$ 18,900 | 30 April 2009 | 1.7569 | 2 |
| | | | 4,603 |

At 31 December 2007 the Group held a forward currency contracts 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 | Fair value £'000 |
|---|---|---|---|
| Forward contract to hedge expected future income | | | |
| *Sell* | | | |
| SG$20,000,000 | 30 June 2009 | 2.85 | 188 |

The foreign exchange contract has been negotiated to match the expected profile of receipts. At 31 December 2008 these hedges were assessed to be highly effective and an unrealised loss of £4,603,000 (2007: £188,000) relating to the hedging instruments is included in equity.

**Interest rate swaps**

The Group and Company have 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 2008 there were no outstanding interest rate swaps. The following contracts expired during 2007:

| Amount | Maturity | Fixed rate |
|---|---|---|
| £5,000,000 | 14 May 2007 | 5.48% |

**Net investment in foreign operations**

The Company funded the acquisition of the goodwill arising on 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 (2007: NOK 160,000,000). On transition to IFRS the Group took advantage of the exemptions available under IFRS 3 to fix the Sterling value of goodwill relating to acquisitions made prior to 1 January 2004. The loan of 160,000,000 NOK is used as a net investment hedge against the remaining assets of Scantech AS.

**Derivative financial instruments not qualifying as hedges**

The Group does not have any derivative financial instruments which do not qualify for hedge accounting.

## 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 | |
|---|---|---|
| | 2008 £000 | 2007 £000 |
| *Future minimum payments due:* | | |
| Within one year | 80 | 82 |
| Within two to five years | 173 | 253 |
| After five years | – | – |
| | 253 | 335 |
| Less: finance charges allocated to future periods | (25) | (42) |
| | 228 | 293 |
| Present value of minimum lease payments is analysed as follows: | | |
| Within one year | 68 | 65 |
| Within two to five years | 160 | 228 |
| After five years | – | – |
| | 228 | 293 |

*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 | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| Within one year | 16,333 | 13,782 | 154 | 106 |
| After one year but not more than five years | 50,656 | 49,011 | 366 | 334 |
| After five years | 22,764 | 29,852 | 139 | 197 |
| | 89,753 | 92,645 | 659 | 637 |

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 | |
|---|---|---|---|---|
| | 2008 £000 | 2007 £000 | 2008 £000 | 2007 £000 |
| | 7,308 | 2,599 | – | 34 |

Capital commitments includes £4,962,000 in respect of buildings in Stavanger and Malton and £900,000 in respect of the purchase of the UKSRS.

# Notes to the Financial Statements 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 23 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 2008 was £2,420,000 (2007: £2,571,000).

(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 *mt Chartsman* and *mt Steersman*. The total guarantee at 31 December 2008 was £800,000 (2007: £693,000).

(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 eight 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 £1,913,000 (2007: £674,000).

(g) As referred to in Note 25, the Trustees of the Merchant Navy Officers Pension Fund (MNOPF) 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 MNOPF, 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 by 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) In 2007 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. This guarantee expired in 2008.

(i) The Group has guaranteed an amount of £4,407,000 (2007: £4,428,000) in respect of James Fisher Marine Services Limited and its activity in relation to the provision of a submarine rescue service vessel to the Korean 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 2008 the scheme has an actuarial deficit of £1,684,000 (2007: surplus £1,506,000).

(k) The Group has given an unlimited guarantee to the Singapore Navy in respect of the performance of First Response Marine Pte Ltd, its Singapore joint venture, in relation to the provision of submarine rescue and related activities.

## 31 Related party transactions

**Compensation of key management to the Group**

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Short-term employee benefits | 1,559 | 1,618 |
| Post-employment benefits | 111 | 15 |
| Share based payments | 523 | 523 |
| | 2,193 | 2,156 |

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 22 to 28.

**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.

FT Everard & Sons (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 Everard and to provide accommodation and management services, including the provision of payroll management services. No amounts are due to or from Alchymist.

On 28 June 2007 the Group disposed of its investment in Ships Electronic Services Limited (SES) to a consortium including Mr S.Roper, the former Finance Director of FT Everard & Sons. Mr Roper continued to act as an employee of the Group until October 2007.

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 | 2008 | 413 | – | – | 32 | – |
| | 2007 | 414 | – | – | 29 | – |
| FCM businesses | 2008 | – | 868 | – | 333 | – |
| | 2007 | – | 1,111 | 747 | 934 | – |
| Everard Insurance Brokers | 2008 | 96 | – | 19 | 9 | – |
| | 2007 | 678 | – | 318 | 66 | 58 |

No provision for bad debts has been made in respect of these balances (2007: £nil). No bad debts arose during the period relating to these transactions (2007: £nil).

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.

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 (2007: £27,500).

## 32 Post balance sheet events

On 16 March 2009 the Group entered into an agreement to dispose of the business and assets excluding cash and freehold property of Reanco Team AS for a consideration of 11.5m NOK (£1,195,000) subject to a working capital adjustment. The Reanco business, which is involved in the fabrication of offshore rig living quarters, forms part of the Offshore Oil Services division but is not considered to be part of the core activities of the division. Completion of the disposal which was at approximate book value of the business is subject to competition approval and is expected to take place in April 2009.

# Group Financial Record

For the five years ended 31 December

| | 2004 £000 | 2005 £000 | 2006 £000 | 2007 £000 | 2008 £000 |
|---|---|---|---|---|---|
| Goodwill and other intangible assets | 21,254 | 36,168 | 55,874 | 67,266 | 70,069 |
| Property, plant and equipment | 103,091 | 67,081 | 103,620 | 92,311 | 102,018 |
| Financial assets | 2,967 | 3,955 | 4,945 | 5,587 | 5,917 |
| Other assets | 30,365 | 37,745 | 53,805 | 72,043 | 101,219 |
| Non-current asserts classified as held for sale | - | 7,959 | 1,518 | 1,172 | - |
| **Total assets employed** | 157,677 | 152,908 | 219,762 | 238,379 | 279,223 |
| Financed by: | | | | | |
| Called up share capital | 12,305 | 12,345 | 12,377 | 12,428 | 12,438 |
| Other Reserves | 70,926 | 60,984 | 73,803 | 81,477 | 84,802 |
| Equity shareholders' interest | 83,231 | 73,329 | 86,180 | 93,905 | 97,240 |
| Minority interests | - | - | 71 | 128 | - |
| Cumulative preference shares | 100 | 100 | 100 | 100 | 100 |
| Financial liabilities | 46,651 | 49,058 | 83,593 | 91,069 | 108,264 |
| Other liabilities | 27,695 | 30,421 | 49,818 | 53,177 | 73,619 |
| **Total funds invested** | 157,677 | 152,908 | 219,762 | 238,379 | 279,223 |
| **Revenue, profit and reserves** | | | | | |
| Revenue | 71,153 | 91,411 | 118,085 | 182,046 | 233,578 |
| Profit before tax on continuing operations | 10,221 | 11,446 | 14,147 | 19,100 | 23,578 |
| Taxation | (2,123) | (754) | (2,411) | (2,959) | (5,277) |
| Profit after taxation | 8,098 | 10,692 | 11,736 | 16,141 | 18,301 |
| Discontinued operations | 3,886 | (12,889) | 2,041 | (6) | - |
| Minority interests | - | - | 3 | (57) | (26) |
| Dividends | (4) | - | - | - | - |
| **Transferred to/(from) reserves** | 11,980 | (2,197) | 13,780 | 16,078 | 18,275 |

| | pence | pence | pence | pence | pence |
|---|---|---|---|---|---|
| Continuing operations | | | | | |
| Basic earnings per ordinary share | 16.77 | 21.91 | 23.93 | 32.67 | 36.94 |
| Diluted earnings per ordinary shares | 16.56 | 21.72 | 23.71 | 32.40 | 36.75 |

# 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 (Incorporated in Great Britain unless otherwise stated)** | **Principal activities** | **Place of business** |
|---|---|---|
| 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 |
| Fender Care Middle East LLC (49%)† | Marine Services* | Dubai |
| 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 |
| Impact Industrial Support Services Limited | Marine Services* | Plymouth |
| 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 Australia Pty Ltd* | Engineering* | *Australia* |
| James Fisher (Crewing Services) Limited | Crewing Agents | Barrow |
| *James Fisher (Cyprus) Limited (Incorporated in Cyprus)* | *Crewing Agents* | *Cyprus* |
| 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 Marine Services Limited | Marine Services | Barrow |
| James Fisher Mimic Limited | Marine Services | 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 Rumic Limited | Marine Services | Barrow |
| *James Fisher Scan Tech AS (Incorporated in Norway)* | *Engineering** | *Norway* |
| James Fisher (Shipping Services) Limited | Ship Operators | Barrow |
| *James Fisher Singapore Pte. Ltd* | *Provision of subsea services and support* | *Singapore* |
| James Fisher Tankships Holdings Limited | Investment | London |
| JCM Scotload Limited | Marine Services* | Aberdeen |
| *Load Test SDN BHD* | *Engineering** | *Malaysia* |
| 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* |
| *Soil Dynamics (Malaysia) SDN BHD* | *Engineering** | *Malaysia* |
| Strainstall AMTS Limited | Engineering* | Cowes |
| *Strainstall AS (Incorporated in Norway)* | *Engineering** | *Norway* |
| Strainstall AMTS Limited | Engineering | Cowes |
| Strainstall UK Limited | Engineering* | Cowes |
| Strainstall Middle East LLC (49%)† | Engineering* | Dubai |
| 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
*Overseas Trading*

† As described in Note 1 on page 40, these investments are accounted for as wholly owned subsidiaries

# Joint Ventures and Associated Undertakings

*held by a subsidiary undertaking

| 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 (50%) | Marine Services* | Europe |
| Fender Care (Malaysia) SDN BHD (25%) | Marine Services* | Malaysia |
| Fender Care Marine Omega Limited (50%) | Marine Services* | India |
| Fender Care Viking SDN BHD (50%) | Marine Services* | Malaysia |
| First Response Marine Pte. Ltd (50%) | Marine Services* | Singapore |
| Foreland Holdings Limited (25%) | Ship owning* | London |
| Pars Fender Care (50%) | Marine Services* | Arabian Gulf |
| Silvertide Inc (40%) | Marine Services* | West Africa |
| Strainstall/Allison Inc (50%) | Engineering* | USA |

# Fleet List
As at 16th March 2009

| | Built | D.W.T | Type |
|---|---|---|---|
| **James Fisher & Sons Public Limited Company** | | | |
| **Owned** | | | |
| *mt Thames Fisher* | 1997 | 4,765 | Clean products tanker |
| **James Fisher Everard Limited** | | | |
| **Owned** | | | |
| *mt Asperity* | 1997 | 3,778 | Clean products tanker |
| *mt Forth Fisher* | 1997 | 4,972 | Clean products tanker |
| *mt Galway Fisher* | 1997 | 4,967 | Clean products tanker |
| *mt Solent Fisher* | 1997 | 4,970 | Clean products tanker |
| *mt Mersey Fisher* | 1998 | 4,765 | Clean products tanker |
| *mt Milford Fisher* | 1998 | 4,973 | Clean products tanker |
| **Long Term Bareboat Charter** | | | |
| *mt Chartsman* | 1993 | 6,397 | Clean products tanker |
| *mt Rudderman* | 1994 | 6,417 | Clean products tanker |
| *mt Steersman* | 1994 | 6,403 | Clean products tanker |
| *mt Pembroke Fisher* | 1997 | 14,204 | Clean products tanker |
| *mt Cumbrian Fisher* | 2004 | 12,921 | Clean products tanker |
| *mt Clyde Fisher* | 2005 | 12,984 | Clean products tanker |
| *mt Shannon Fisher* | 2006 | 5,420 | Clean products tanker |
| *mt Solway Fisher* | 2006 | 5,422 | Clean products tanker |
| *mt Speciality* | 2006 | 4,426 | Clean products tanker |
| *mt Seniority* | 2006 | 4,430 | Clean products tanker |
| *mt Stability* | 2004 | 3,517 | Clean products tanker |
| *mt Summity* | 2005 | 3,503 | Clean products tanker |
| *mt Superiority* | 2007 | 4,430 | Clean products tanker |
| **James Fisher (Shipping Services) Limited** | | | |
| **Owned** | | | |
| *mt Humber Fisher* | 1997 | 4,765 | Clean products tanker |
| **F.T. Everard Shipping Limited** | | | |
| **Owned** | | | |
| *mt Audacity* | 1997 | 3,778 | Clean products tanker |
| *mt Supremity* | 2007 | 4,405 | Clean products tanker |
| **Long Term Bareboat Charter** | | | |
| *mt Vedrey Tora* | 2007 | 3,392 | Clean products tanker |
| | **Built** | **G.R.T** | **Type** |
| **Fendercare Marine Pte. Ltd (Singapore)** | | | |
| *mt F-C Viking* | 1981 | 277.18 | Offshore Tug currently a Support Craft |
| **Fendercare Nigeria Ltd** | | | |
| *mv Fendercare 1* | 1976 | 426 | 1st Generation Platform Supply Vessel currently a Support Craft |
| *mv Fendercare 2* | 1970 (rebuilt 1988) | 702 | 1st Generation Platform Supply Vessel currently a Support Craft |
| *mt Charles Plane* | 1963 | 114.59 | Offshore Tug currently a Support Craft |
| *mt Bateleur* | 1978 | 123 | Offshore Tug currently a Support Craft |

# 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 7 May 2009 at noon to consider and, if thought fit, to pass Resolutions 1 to 9 inclusive as ordinary resolutions and Resolutions 10 to 14 inclusive as special resolutions:

**ORDINARY BUSINESS**

**Resolution 1**

To receive the accounts and the reports of the directors and the auditors thereon for the year ended 31 December 2008.

**Resolution 2**

To receive and approve the report on directors' remuneration (as set out on pages 22 to 28 of the Annual Report and Accounts) for the year ended 31 December 2008.

**Resolution 3**

To declare a final dividend for the year ended 31 December 2008 of 8.65p per ordinary share payable on 15 May 2009 to shareholders on the Register as at 17 April 2009.

**Resolution 4**

To re-elect Mr S.A. Harris as a director of the Company, who retires by rotation.

**Resolution 5**

To re-elect Mr M. Storey as a director of the Company, who retires by rotation.

**Resolution 6**

To re-elect Mr C.J. Rice as a director of the Company, who retires by rotation.

**Resolution 7**

To reappoint KPMG Audit Plc as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and authorise the directors to determine their remuneration.

**SPECIAL BUSINESS**

**Resolution 8**

That the authorised share capital of the Company be and is hereby increased from £16,680,000 to £20,800,000 by the creation of an additional 16,480,000 ordinary shares of 25p each.

**Resolution 9**

That the directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot:

(a) relevant securities (as defined in the said section) up to an aggregate nominal amount of £4,128,654;

(b) relevant securities comprising equity securities (within the meaning of section 94 of the Act) up to a further aggregate nominal amount of £4,128,654 provided that they are offered by way of a rights issue to holders of ordinary shares on the register of members at such record date as the directors may determine where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date and to other holders of equity securities entitled to participate therein, 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,

provided that this authority shall expire on the date of the next Annual General Meeting of the Company or, if earlier, on 7 August 2010, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require relevant securities to be allotted after such expiry and the directors shall be entitled to allot relevant securities pursuant to any such offer or agreement as if this authority had not expired; and all unexercised authorities previously granted to the directors to allot relevant securities be and are hereby revoked.

**Resolution 10**

**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 9 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:

(a) the allotment of equity securities in connection with an offer of securities (but in the case of the authority granted under paragraph (b) of Resolution 9 by way of rights issue only) in favour of the holders of ordinary shares on the register of members at such record date 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 practicable) to the respective numbers of ordinary shares held or deemed to be 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; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £619,298;

and shall expire upon the expiry of the general authority conferred by Resolution 9 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 11**
**SPECIAL RESOLUTION**
The Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the 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 that 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 12**
**SPECIAL RESOLUTION**
That the Company be and is hereby generally and unconditionally authorised to hold general meetings (other than an Annual General Meeting) on 14 days notice from the date of passing of this resolution and expiring at the conclusion of the next Annual General Meeting of the Company.

**Resolution 13**
**SPECIAL RESOLUTION**
That the articles of association produced to the meeting, initialled by the Chairman of the meeting, and marked "Pre-October Articles" for the purpose of identification be adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

**Resolution 14**
**SPECIAL RESOLUTION**
That, with effect from 00.01 a.m. on 1 October 2009:

(a) the articles of association of the Company be amended by deleting all the provisions of the Company's memorandum of association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's articles of association;

(b) subject to (c) below, the articles of association produced to the meeting, initialled by the Chairman of the meeting, and marked "Post-October Articles" for the purpose of identification be adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association; and

(c) if Resolution 13 was not passed at the meeting, article 99 (borrowing powers) in the existing articles of association of the Company shall be substituted for article 95 (restriction on borrowing powers) in the Post-October Articles.

By order of the Board
J.J.B. Tyler
Company Secretary
16 March 2009

Registered office:
Fisher House, PO Box 4, Barrow-in-Furness,
Cumbria, LA14 1HR

Registered in England number: 211475

# Notice of Annual General Meeting continued

**Notes**

1. Any member who has not elected to receive the Annual Report and Accounts for 2008 may obtain copies by writing to the Company Secretary, Fisher House, PO Box 4, Barrow in Furness, Cumbria, LA14 1HR. Members who wish to receive the printed Annual Report and Accounts, free of charge, in future years should write to the Company's Registrars, Capita Registrars, PO Box 25, Beckenham, Kent, BR3 4BR.

2. 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 but must attend the meeting in order to represent a member. A proxy could be the Chairman, another director of the Company or another person who has agreed to attend and represent a member. Details of how to appoint the Chairman or another person as a proxy using the proxy form are set out in the notes to the proxy form. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. Completion of the proxy form will not preclude a member from attending and voting in person, in which case that member's proxy appointment will automatically be terminated. Proxy forms, duly executed (including any authority under which it is executed or a copy of the authority certified notarially), 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. Proxy forms may also be hand delivered to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU during normal office hours. The deadline for receipt of proxy appointments also applies in relation to amended instructions, and any attempt to amend a proxy appointment after the relevant deadline will be disregarded. Where two or more valid proxy appointments are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.

3. The right to appoint a proxy can not be exercised by persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person"): they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he 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.

4. 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.

5. Copies of the directors' service contracts, the terms and conditions of appointment of the non-executive directors, together with a copy of the Company's 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.

6. 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 8.65p per ordinary share for payment to ordinary shareholders who are on the register at the close of business on 17 April 2009. If approved the final dividend will be paid on 15 May 2009.

7. Only persons entered on the register of members of the Company at 6.00pm on 5 May 2009 (or, if the meeting is adjourned, at 6.00pm 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.

8. As at 16 March 2009 (being the latest business day prior to the publication of this Notice), the Company's issued share capital consists of 49,773,161 ordinary shares, carrying one vote each, and 100,000 preference shares carrying one vote each. Therefore the total voting rights in the Company are 49,873,161.

**Ordinary Business Explanatory Note**

Resolutions 4, 5 and 6. In accordance with the Company's articles of association Mr S.A. Harris, Mr M. Storey and Mr C.J. Rice will retire by rotation at this year's AGM. The board believes that each of Mr S.A. Harris, Mr M. Storey and Mr C.J. Rice continues to perform effectively and with commitment to his role. Further information about each of Mr S.A. Harris, Mr M. Storey and Mr C.J. Rice is given on page 13 of the 2008 Annual Report and Accounts.

**Special Business Explanatory Notes**

Resolution 8 comprises a proposal to increase the authorised share capital of the Company in order to provide sufficient headroom to allow the issue of additional shares within the parameters established by Resolution 9 and Resolution 10. With effect from 1 October 2009 the concept of authorised share capital is abolished by The Companies Act 2006 and accordingly this limit on authorised share capital will cease to be of relevance.

Resolution 9 deals with the directors' authority to allot shares. At the last Annual General Meeting of the Company held on 1 May 2008, the directors were given authority to allot ordinary shares in the capital of the Company up to a maximum nominal amount of £4,142,898 representing approximately one third of the Company's then issued ordinary share capital. This authority expires at the end of the forthcoming Annual General Meeting.

In December 2008, the Association of British Insurers ("ABI") revised its guidelines on directors' authority to allot shares (in line with the recommendations of the report issued in November 2008 by the Rights Issue Review Group). The ABI's guidelines previously stated that the directors' general authority to allot shares should be limited to an amount equal to one-third of the Company's issued share capital. The new guidelines state that ABI members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to two-thirds of the Company's issued share capital. The guidelines provide that the extra routine authority (that is the authority to allot shares representing the additional one-third of the Company's issued share capital) can only be used to allot shares pursuant to a fully pre-emptive rights issue.

In light of these revised guidelines, the Board considers it appropriate that directors be granted authority to allot shares in the capital of the Company up to a maximum nominal amount of £8,257,309 representing the new guideline limit of approximately 66% of the Company's issued ordinary share capital (excluding treasury shares) as at 16 March 2009 (the latest practicable date prior to publication of this notice). Of this amount 16,514,618 shares (representing approximately 33% of the Company's issued ordinary share capital excluding treasury shares) can only be allotted pursuant to a rights issue. This authority will last until the conclusion of the next Annual General Meeting in 2010 or, if earlier 7 August 2010. The directors have no present intention of exercising this authority. As at the date of this notice the Company is holding 229,305 shares in treasury representing 0.46% of the Company's issued ordinary share capital (excluding treasury shares) as at 16 March 2009 (the latest practicable date before publication of this notice).

Resolution 10 will give the directors authority to allot shares in the capital of the Company pursuant to the authority granted under Resolution 9 for cash without complying with the pre-emption rights in the Companies Act 1985 in certain circumstances. In the light of the new ABI guidelines described in relation to Resolution 9 above, this authority will permit the directors to allot:

(a) shares up to a nominal amount of £8,257,309 (representing 66% of the company's issued share capital) on an offer to existing shareholders on a pre-emptive basis. However unless the shares are allotted pursuant to a rights issue (rather than an open offer), the directors may only allot shares up to a nominal amount of £4,128,654 (representing 33% of the company's issued share capital) (in each case subject to adjustments for fractional entitlements and overseas shareholders); and

(b) shares up to a maximum nominal value of £619,298, representing approximately 5% of the issued ordinary share capital of the Company as at 16 March 2009 (the latest practicable date prior to publication of this notice) otherwise than in connection with an offer to existing shareholders.

The directors have no present intention of exercising this authority.

The directors confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period. The Principles provide that companies should not issue shares for cash representing more than 7.5% of the Company's issued share capital in any rolling three-year period, other than to existing shareholders, without prior consultation with shareholders.

# Notice of Annual General Meeting continued

Resolution 11 gives the Company authority to purchase in the market up to 2,400,000 of its ordinary shares of 25p each (representing approximately 5 per cent of the issued share capital excluding treasury shares). The authority will expire at the conclusion of the Annual General Meeting to be held in 2010 and replaces a similar authority granted on 1 May 2008 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 12 will be proposed as a special resolution to approve the holding of general meetings, other than Annual General Meetings, on 14 days notice. Although the Company's Articles of Association currently permit this, regulations are due to come into force on 3 August 2009 to implement the Shareholder Rights Directive in the UK which, as currently drafted, will require the passing of a shareholder resolution to authorise such notice. Without the passing of this resolution, the minimum notice period under the regulations, as currently drafted, would be 21 days.

Resolutions 13 and 14 will be proposed as special resolutions to approve (with reference to Resolution 13) the adoption of new articles of association of the Company incorporating revised borrowing powers, to be in place for the period from the close of the meeting until, subject to Resolution 14 being passed, 1 October 2009 (the "Pre-October Articles"), and (with reference to Resolution 14) the adoption of new articles of association with effect from 1 October 2009, when the remaining provisions of the Companies Act 2006 (the "2006 Act") come into force (the "Post-October Articles").

Resolution 13 concerns a proposed amendment to the borrowing powers set out in the articles of association of the Company. At present, the Company is permitted to borrow an aggregate amount not exceeding four times its adjusted capital and reserves. In performing this calculation the articles provide that goodwill must be deducted from the capital and reserves. The Company is not in breach of these particular provisions but the directors are of the opinion that it is not appropriate for the Company to continue to operate under the constraint of the borrowing powers as currently set out in the articles and that an update is required. A significant proportion of the Company's capital and reserves comprises goodwill attributable to acquisitions carried out in recent years, Whereas previously this goodwill would have been reduced through amortisation over a number of years, changes to the accounting treatment of goodwill, such that it is only reduced to the extent that it is considered to be impaired, have meant that the goodwill associated with these acquisitions remains reflected in full in the Company's accounts. Deducting this goodwill in this manner effectively places an out of date and artificial constraint upon the ability of the Company to borrow additional monies to fund, for example, further acquisitions. The Company is predominantly a service based business, as opposed to one heavily dependant upon the value of any physical assets it owns, and as such goodwill forms an important constituent of its value. Therefore it is proposed that new borrowing powers be adopted by the Company, which powers, amongst other matters, will not deduct goodwill in the calculation of adjusted capital and reserves. This is in common with other UK listed "service based" companies. At the same time in order to maintain a prudent balance within the powers it is proposed that the multiple of adjusted capital and reserves be reduced from four to three.

Resolution 14 seeks to reflect the remaining provisions of the 2006 Act that will be coming into effect on 1 October 2009, as well as a number of other technical or clarifying changes. At the 2008 Annual General Meeting, new articles of association were adopted by shareholders. At the time it was noted that the phased implementation of the 2006 Act was likely to mean that shareholders would be asked to approve further changes to the articles of association at the next Annual General Meeting.

The principal changes in the new articles of association proposed to be adopted pursuant to Resolution 14 relate to the Company's constitution and share capital. Under the 2006 Act all provisions of the Company's memorandum, but most significantly the objects clause, will be deemed to form part of the Company's articles from 1 October 2009. It is possible for the objects clause to be removed or amended by amending the articles by special resolution. It is not necessary under the 2006 Act for a company to set out its objects. The 2006 Act provides that, unless the articles state otherwise, a company's objects will be unrestricted. One of the other key provisions of the memorandum which will be deemed to form part of the Company's articles from 1 October 2009 is the existing authorised share capital statement. The 2006 Act removes the requirement for a company to place limits on its authorised share capital. By adopting new articles which do not contain the objects clause or the authorised share capital statement, the Company will remove these provisions from its articles, which would otherwise be deemed to form part of the Company's articles under section 28 of the 2006 Act.

For a more detailed explanation of these and other amendments, please refer to the Appendix to this document.

Copies of the current articles of association and the new articles of association that are proposed to be adopted pursuant to Resolutions 13 and 14 will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the registered office of the Company up to the time of the meeting. Copies will be available at the Abbey House Hotel, Abbey Road, Barrow-in-Furness on the morning of the meeting from 11.30 am until its conclusion.

**APPENDIX: SUMMARY OF POST-OCTOBER ARTICLES OF ASSOCIATION**

The Companies Act 2006 (the "2006 Act"), which is replacing the Companies Act 1985 (the "1985 Act") has been implemented in stages and will be fully in force by 1 October 2009. Under Resolution 14, the Company will be adopting new articles of association (the "Post-October Articles") which will reflect the changes in company law brought about by the 2006 Act which are to come into effect on 1 October 2009.

As well as those changes, the Post-October Articles include some other modernising and clarificatory amendments, including, where appropriate, tracking the wording of the new model form articles for public companies contained in Schedule 3 to the Companies (Model Articles) Regulations 2008 ("the model form articles"), which are replacing the Table A articles under the 1985 Act on which many of the Company's current articles are based.

Set out below is a summary of the principal changes. As a result of the proposed amendments, the numbering of provisions in the Post-October Articles does not correspond to the current articles, and references in the summary below are to the provisions as renumbered in the Post-October Articles.

The proposed amendment to the Company's borrowing restrictions contained in the Pre-October Articles, and the subject of Resolution 13, is reflected in the proposed Post-October Articles. As the borrowing restrictions in the Post-October Articles and Pre-October Articles are identical, reference should be made to the summary of this provision in the explanatory notes to Special Business.

**The Company's objects**

The 2006 Act significantly reduces the constitutional significance of a company's memorandum. The provisions governing the operations of the Company are currently set out in both its memorandum of association and its articles of association. Under the 2006 Act, the memorandum will no longer contain an objects clause and will simply record the names of the subscribers and the number of shares which each subscriber agreed to take in the Company. Under section 28 of the 2006 Act, the objects clause and all other provisions in the memorandum will be treated as part of the articles with effect from 1 October 2009 but the Company can remove these provisions by special resolution. Unless the articles provide otherwise, the Company's objects will be unrestricted. The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the 2006 Act, are to be treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 14 confirms the removal of these provisions and adopts the Post-October Articles.

**Limited liability (Article 3)**

Under the 2006 Act, the memorandum of association will also no longer contain a clause stating that the liability of the shareholders of a company is limited. For existing companies, this statement will automatically be treated as having moved into the articles on 1 October 2009. As noted in the paragraph above, Resolution 14 confirms the removal, from the Company's articles of association, of the provisions of the Company's memorandum of association which are to be treated as forming part of the Company's articles of association by virtue of section 28 of the 2006 Act, which includes the statement of limited liability. An explicit statement of the shareholders' limited liability is therefore included in the Post-October Articles.

**Authorised share capital and unissued shares**

The 2006 Act abolishes the concept of authorised share capital and under the 2006 Act, the memorandum of association will no longer contain statement of the Company's authorised share capital. For existing companies, this statement will be deemed to be a provision of the Company's articles of association setting out the maximum amount of shares that may be allotted by the Company. The adoption of the Post-October Articles by the Company will have the effect of removing this provision relating to the maximum amount. Directors will still need to obtain the usual shareholders' authorisation in order to allot shares.

References to authorised share capital and to unissued shares have therefore been removed from the Post-October Articles.

**Redeemable shares (Article 6)**

Under the 2006 Act, the articles of association need not include the terms on which redeemable shares may be redeemed. The directors may determine the terms, conditions and manner of redemption of redeemable shares provided they are authorised to do so by the articles. The Post-October Articles contain such authorisation. The Company currently has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

**Uncertificated Shares (Articles 9 & 10)**

Where shares in the Company are held in uncertificated form, a member's shareholding is reflected in an electronic register and the member is not issued a separate physical share certificate by the Company. The Post-October Articles expressly permit the holding and transfer of shares in the Company in uncertificated form. Article 9 provides for the Company to issue shares in uncertificated form, and to convert shares from certificated form to uncertificated form and vice versa. Article 10 states that where a member holds shares of the same class in both certificated and uncertificated form, these will be treated as separate holdings.

**Share certificates (Article 13)**

The Post-October Articles contain new provisions for the issue of consolidated share certificates, in line with the model form articles. A member whose shareholding in the same class has increased can request a consolidated certificate or an individual certificate

**Interest on calls (Article 21)**

The current articles provide that if a call remains unpaid after it has become due, the directors may determine that the member shall pay interest on the amount unpaid at a rate of up to 20%, per annum. Under the Post-October Articles, the rate of interest charged on unpaid amounts can not exceed 5%, per annum

**Transfer of shares in uncertificated form (Article 30)**

New Article 30 of the Post-October Articles provides that shares held in uncertificated form may be transferred using a relevant electronic trading system and recorded on an electronic register of members, but such a transfer cannot be in favour of more than four transferees.

**Refusal to register transfers (Article 31)**

The discretion of the directors to refuse to register a transfer of shares has been extended to include a transfer of shares held in uncertificated form to a person who is to hold them thereafter in certificated form, in cases where such refusal is permitted under the Uncertificated Securities Regulations 2001.

**Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital (Article 41)**

At present, a company requires specific authorisations in its articles of association to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital. Under the 2006 Act, public companies do not require specific authorisations in their articles of association to undertake these actions, but shareholder authority will still be required. Amendments have been made to the Post-October Articles to reflect these changes.

# Notice of Annual General Meeting continued

**Proceedings at General Meetings (Articles 49, 50, 52 and 53)**
Articles 49 and 50 of the Post-October Articles contain provisions relating to orderly conduct and security at general meetings. These provisions enable the directors to refuse entry to, or to eject, persons seeking to attend a general meeting if they refuse to submit to appropriate security searches or other security arrangements. Articles 52 and 53 allow members to simultaneously attend and participate in general meetings at satellite meeting places, including by way of video link. Such members or proxies who chose to attend and participate at satellite meeting places would be counted in the quorum and be entitled to vote as if they were attending the meeting at its principal venue.

**Retirement of directors by rotation (Article 83)**
The Post-October Articles have been redrafted in order to make it clearer and to ensure (as far as possible) a regular number of retiring directors each year, with the number to retire being the number nearest to one-third of the board. Article 83 continues to comply with Combined Code provision A.7.1 which recommends that all directors should be subject to re-election at intervals of no more than three years.

**Removal of director (Article 86)**
Under the current articles, the Company may remove a director by ordinary resolution before the expiration of his period of office (without prejudice to a claim in damages for breach of contract). Article 86 of the Post-October Articles provides that, in addition to any power to remove a director under the Companies Acts, the Company may remove a director by special resolution.

**Alternate directors (Articles 89, 91 and 93)**
Article 89 now clarifies that an alternate director is entitled to be paid expenses (but not directors' fees). Article 91 is a new provision which effectively applies the provisions of Article 86, regarding removal of directors, to alternate directors. Article 93(c) makes it clear that an alternate is subject to the same restrictions as the director who appointed him.

**Provisions for employees on cessation or transfer of business (Article 96)**
The 2006 Act provides that the powers of the directors to make provision for a person employed or formerly employed by a company or any of its subsidiaries in connection with the cessation or transfer of the whole or part of the undertaking of the company or that subsidiary may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. Article 96 provides that the directors may exercise this power.

**Delegation to persons or committees (Article 97)**
Article 97 follows the new, simplified approach to delegation adopted in the model form articles, allowing the directors to delegate as they decide appropriate.

**Directors' remuneration, gratuities and pensions (Article 98)**
This article enables directors who hold another office, such as that of chairman, or who serve on any committee of the directors, to be paid additional remuneration as well as their basic directors' fees.

**Procedures regarding board meetings & resolution in writing (Articles 104 and 107)**
Article 104 makes it clear that notice of a board meeting may be given personally, by telephone, in hard copy or in electronic form. The requirements for giving notice to directors who are not in the United Kingdom have also been clarified. In order to clarify the procedure for written resolutions of directors, Article 107 has been amended so that, rather than referring to a resolution in writing by all directors, a resolution in writing will be valid and effectual as if it had been passed at a meeting if executed by all the directors entitled to receive notice of the meeting and who would have been entitled to vote on a resolution at a meeting.

**Quorum (Article 108)**
The proposed amendment to Article 108, which deals with the quorum requirement for board meetings, clarifies that a director cannot count in the quorum for a matter or resolution on which he is not entitled to vote but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

**Permitted interests and voting (Article 109)**
Article 109 has been amended to allow a director to vote on a resolution which relates to giving him an indemnity or funding for expenditure incurred in defending proceedings provided all the other directors have been given or are to be given arrangements on substantially the same terms. This exception has become a common exception for listed companies to include.

**Making and retention of minutes (Article 132)**
Article 132 contains a new provision to the effect that minutes must be retained for at least 10 years, reflecting the relevant provision of the 2006 Act (no minimum retention time was previously specified).

**The seal (Article 135)**
Article 135 provides that instruments (other than share certificates) to which the seal is affixed shall be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors.

**Indemnification of directors (Article 139)**
The proposed amendment to the directors' indemnity provision in Article 139 makes it clear that the Company may, subject to the provisions of the 2006 Act, indemnify a director of an associated company that is a trustee of an occupational pension scheme, taking advantage of the qualifying pension scheme indemnity provision in section 235 of the 2006 Act.

# Registered Office and Advisers

**Company Secretary and registered office**
J.J.B. Tyler
James Fisher and Sons Public Limited Company
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**
KPMG Audit Plc
St James Square
Manchester
M2 6DS

**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

**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

Royal Bank of Scotland plc
5th Floor
5-10 Great Tower Street
London
EC3P 3HX

Sparebank 1 SR-Bank
Bjergstad Terrasse
4007 Stavanger
Norway

Barclays Bank PLC
Barclays Commercial Bank
7th Floor
1 Marsden Street
Manchester
M2 1HW

**Merchant bankers**
E.C.Hambro Rabben & Partners Ltd
11 Albermarle Street, London W15 4HH

# Financial Calendar

**15 April 2009**
Ex dividend date for 2008 final dividend

**17 April 2009**
Record date

**7 May 2009**
Annual General Meeting

**15 May 2009**
Payment of 2008 final dividend

**August 2009**
Announcement of 2009 interim results

**Design** Mediasterling 020 7749 2000 **Print** Sterling 020 7786 7000

**James Fisher and Sons Public Limited Company**

Registered Office:
Fisher House, P.O. Box 4,
Barrow-in-Furness, Cumbria LA14 1HR

Registered in England no. 211475

T: 01229 615400
F: 01229 836761

www.james-fisher.co.uk