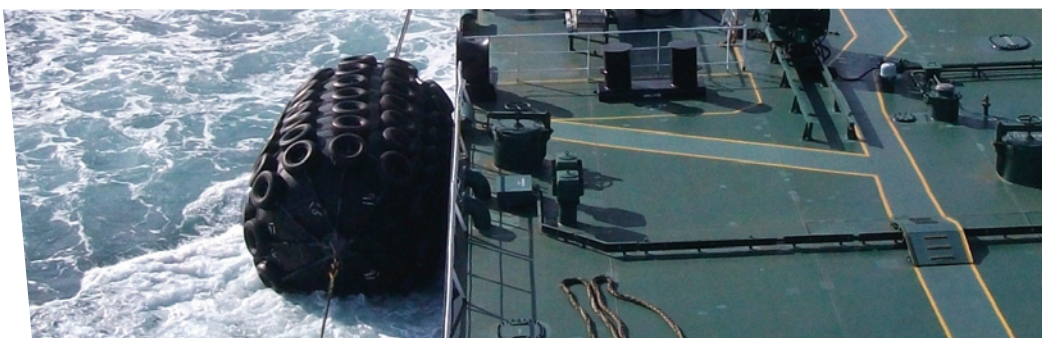


James Fisher and Sons plc

Annual Report 2012





Overview

James Fisher is a leading service provider to all sectors of the global marine industry and a specialist supplier of engineering services to the nuclear industry.

Strategy

Our strategy is to focus our core expertise of marine engineering and operating skills into growing marine service businesses which are targeted on the fast growing global marine markets.

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Financial highlights

	2012	2011	change
Group revenue	£363.3m	£307.6m	+18%
Underlying operating profit *	£41.3m	£36.1m	+14%
Underlying profit before tax *	£35.4m	£30.0m	+18%
Underlying diluted earnings per share *	55.7p	48.4p	+15%
Proposed total dividend	17.70p	16.08p	+10%
Statutory profit before tax	£46.7m	£29.8m	+57%
Statutory diluted earnings per share	79.1p	48.0p	+65%

* Underlying profit or earnings throughout this report exclude separately disclosed items.

Highlights

- Strong performance resulting from the Group's strategy to focus on high growth niche marine services markets
- Specialist Technical benefitted from the BP Angola contract
- Offshore Oil saw improved market conditions in Norway, growth in Asia Pacific, Africa and South America
- Marine Oil produced an improved result and remains profitable and cash generative
- Net debt: ebitda of 1.2 times (2011: 2.1); gearing of 39% (2011: 75%) and strong cash conversion of 132%
- Sale of non-core TRE business for £25.5m in cash realising a profit of £20.9m

Operations overview

Specialist Technical

Fendering and marine equipment, mooring and strain gauge applications, nuclear decommissioning

The sale and hire of large scale pneumatic fenders and related equipment, the design and supply of systems for monitoring strain and stress in structures and equipment, non-destructive testing, and the provision of design, engineering and manufacturing services to the nuclear decommissioning industries.

Revenue
£194.8m

2011: £141.5m

Underlying profit
£22.4m

2011: £19.8m

Margin
11.5%

2011: 14.0%

Return on capital
24.9%

2011: 22.9%



Highlights of the year

- Successful mobilisation of an integrated vessel and diving support contract in the first year of a five year export tanker service for British Petroleum in Angola
- Installation and commissioning of radiological testing equipment for the London 2012 Olympics
- Strong organic growth in ship to ship transfer services, increasing worldwide market share and winning important new contracts in Ghana and India
- Contract wins in UK renewables

Defence

Subsea services to navies and surface ship operations

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

Revenue
£23.3m

2011: £28.1m

Underlying profit
£2.4m

2011: £5.5m

Margin
10.3%

2011: 19.6%

Return on capital
12.3%

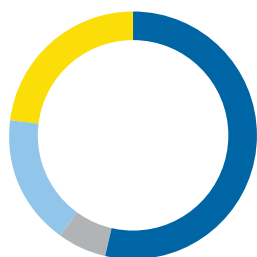
2011: 23.7%



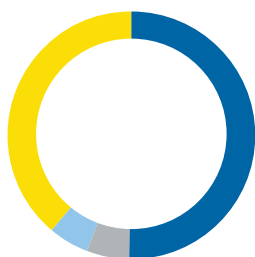
Highlights of the year

- Completed the refurbishment of the Swedish Navy's submarine rescue vessel
- Successfully supported Royal Australian Navy's annual submarine rescue exercise
- Service contracts in Singapore, Australia and the UK performed well

Group revenue by division



Group profit by division



- Specialist Technical
- Defence
- Marine Oil
- Offshore Oil

Offshore Oil

Services and equipment supplied globally to offshore, subsea and windfarm applications

The design, construction, rental and sale of specialist equipment, and the provision of related specialist labour, such as cranes, winches and pumps to the offshore sector, windfarms and to subsea operations.

Revenue

£83.4m

2011: £71.2m

Underlying profit

£17.2m

2011: £12.8m

Margin

20.7%

2011: 18.0%

Return on capital

15.0%

2011: 12.2%



Highlights of the year

- Strong market in North Sea (Norway) and new oil regions
- Underlying margins improved reflecting greater proportion of rental business
- Invested £12.9m of capital for future growth
- Early indication of post Macondo move to higher specification equipment

Marine Oil

Coastal delivery of clean petroleum product in North Western Europe

Engaged in the transportation of clean petroleum products and wharf operations.

Revenue

£61.8m

2011: £66.8m

Underlying profit

£2.4m

2011: £1.1m

Margin

3.9%

2011: 1.6%

Return on capital

6.0%

2011: 2.7%



Highlights of the year

- Improved profits reflect further capacity reduction
- Profits increased by 118%
- Ebitda* of £7.1m (2011: 6.0m)
- After the impairment, assets now less than 12% of Group total



Chairman's statement



Charles Rice, Chairman

"Another excellent year for James Fisher with revenue and underlying profit up by 18%"



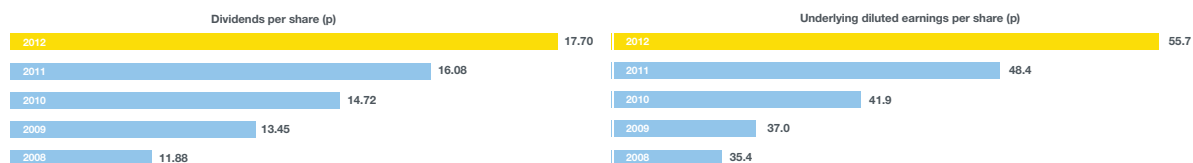
Group Results and Dividend

In making my first full year statement as Chairman, I am pleased to report that 2012 was another excellent year for James Fisher with revenue up by 18% to £363.3m and underlying profit before tax up by 18% at £35.4m before separately disclosed items and by 57% after such items. With no acquisitions being made during the year, the 18% headline figure reflected purely organic growth, with the Group benefitting from its consistent strategy of focusing on marine services and the high growth markets outside of the US and Continental Europe.

James Fisher's Offshore Oil businesses did particularly well, reflecting strong market conditions and the benefit of the significant investment made in these businesses in recent years. Specialist Technical continued to show double digit growth with our Nuclear business doing well and with the benefit of the new Angola contract showing through. Marine Oil improved as the measures to bring own capacity into line with demand produced benefits. Only our Defence division, as previously flagged, produced a lower result due to the re-negotiation of two of the Foreland charters and to a gap in project work at our submarine rescue business.

Following the sale of The Railway Engineering Company (TRE) in December, year end gearing was reduced to 39% from 75% last year. This figure reflected both the £25.5m proceeds from this disposal and the continued strong cash conversion of the Group at 132%.

The strong trading performance of the Group in 2012 and the continued positive outlook has led the Board to propose a final dividend of 11.83p per share which is 10% up on prior year and which together with the interim dividend of 5.87p makes a total dividend of 17.70p per share for the year (2011: 16.08p per share).



Strategic Highlights

On December 31, the Group sold TRE for £25.5m in cash and realised a gain on disposal of £20.9m. TRE was acquired as part of the Straininstall Group in 2006. Its focus on the rail industry and its rapid growth in recent years led the Board to decide that the time was right for TRE to be sold to a new strategic owner who would take it forward to the next level. The sale achieved good value for James Fisher.

We have today announced the acquisition of Divex Limited (Divex) for an initial cash consideration of £20m. Divex is a global leader in the design, supply and assembly of diving and subsea equipment. The company is a lead supplier to the commercial offshore sector as well as to navies across the globe. It matches James Fisher's strategic criteria well, being a strong niche player with a well established reputation and brand and a broad revenue spread across international markets.

Divex will now form the major part of a new Subsea Division within our Specialist Technical business stream together with our James Fisher Defence submarine rescue unit. By grouping these businesses together we will aim to achieve significant benefits both in terms of market penetration into the commercial as well as defence sectors and of production efficiencies.

Our earnings in Marine Oil have begun to improve as we have reduced capacity to meet contract demand. Over the next two to three years we would expect to make further adjustments to our fleet both in total and between tonnage types. We have therefore decided to recognise the likely book losses that will be incurred as we continue with this process by taking a £9.2m impairment to the value of our ships at year end.

Board and Staff

Tim Harris retired on 31 July 2012. During his ten years as Executive Chairman, James Fisher saw its fortunes transformed with profit and turnover quadrupled and the share price increased by seven times since 2002. The Group was reshaped from its origins as a domestically focused coastal tanker business into the UK's leading marine services business, with its subsidiaries operating worldwide and 60% of revenues coming from outside the UK. The Board would like to express our appreciation to Tim for the great contribution that he made to the Group and wish him well for the future.

With Nick Henry having been a successful CEO of long-standing, the Board decided that the new Chairman should be non-executive. The transition to this corporate structure has gone well, with the Executive team of Nick Henry and Stuart Kilpatrick (Group Finance Director)



Ship-to-Ship Transfers

Fendercare Marine is a world leader in ship to ship transfers in the oil and gas market. Operating from a global network of 40 strategically located bases, Fendercare successfully completed over 3,500 transfers worldwide in 2012, increased its market share, and handled a variety of cargoes including crude oil, white and black oil products and liquid gases.



"The Railway Engineering Company was sold on 31 December 2012 realising a profit of £20.9m with cash consideration of £25.5m"

leading the Company but with the continued active involvement of the Chairman in the key issues.

One of the strengths of James Fisher has been the strong management teams in the Group's subsidiaries. This has enabled the Group to be structured in a de-centralised way, with initiative and entrepreneurial ambition supported and encouraged. I am pleased to say that the transition at Board level has not disrupted this management team which continues to function well and with enthusiasm for the future.

As a service company, our key asset is our people and their professional approach to the business and operating challenges which they face every day, both onshore and at sea. I would like to thank all our staff for their tremendous contribution to James Fisher's continuing growth and success.

Outlook

Over the last several years, James Fisher has pursued a consistent marine service strategy focused on the world's growing regions rather than on the more mature markets of Europe and North America. This strategy has worked well and will remain the focus of our development as the Group moves forward. The strength of the Group's balance sheet enables us to continue to invest in our

businesses to strengthen their market position and to boost organic growth. We will also keep opportunities for bolt-on acquisitions under review where these can speed the development of our businesses.

The rapid pace of offshore oil and gas development worldwide means that our Specialist Technical and Offshore Oil divisions are well placed to continue their growth pattern of recent years. The growing scale and scope of James Fisher's service offering means that these divisions have a spread of income across all phases of the production cycle from development, through production to decommissioning. Their engineering and service skills have direct application not only to the oil and gas sector but to the nuclear, offshore renewables and specialist defence sectors. These skills are increasingly interdisciplinary and can be applied to major contract opportunities, where we currently see strong demand. The Board is conscious of the increased risks which come with these types of contract so we will hold to a measured pace of development in this area.

Our Marine Oil division has improved its results as a result of the management action taken in recent years. By matching our capacity to the changing requirements of our customers as we move forward, this division should be able to maintain and hopefully improve its trading performance.

Trading in 2013 to date has been to management expectations and we continue to be well placed to provide further growth and value for our shareholders.

Charles Rice
Chairman

5 March 2013



EMSA Oil Spill Response

A key task for the European Maritime Safety Agency is to make available additional at-sea oil recovery resources to assist EU States responding to large scale incidents such as the Erika (1999, France) and Prestige (2002, Spain). James Fisher provides three vessels fully equipped as stand-by Oil Spill Response Vessels operating in the Irish Sea and English Channel. The vessels are the Galway Fisher, Forth Fisher and Mersey Fisher and each can be rapidly converted for oil pollution response activities. These vessels are equipped with specialised oil spill response equipment including a radar based oil slick detection system and are able to decant excess water so maximising the utilisation of the onboard storage capacity. These vessels are also able to heat the recovered cargo and high capacity pumps to facilitate the discharging of heavy viscous oil.



Operating and financial review

Segmental result

	2012			2011				
	revenue £m	profit* £m	margin %	revenue £m	profit* £m	margin %	Increase in revenue (%)	Increase in profit* (%)
Specialist Technical	194.8	22.4	11.5	141.5	19.8	14.0	37.7	13.1
Offshore Oil	83.4	17.2	20.7	71.2	12.8	18.0	17.1	34.4
Defence	23.3	2.4	10.3	28.1	5.5	19.6	-17.1	-56.4
Marine Services	301.5	42.0	13.9	240.8	38.1	15.8	25.2	10.2
Marine Oil	61.8	2.4	3.9	66.8	1.1	1.6	-7.5	118.2
common costs	-	(3.1)		-	(3.1)		-	-
	363.3	41.3	11.4	307.6	36.1	11.7	18.1	
finance costs		(5.9)			(6.1)			-
profit before tax*		35.4			30.0			18.0

James Fisher & Sons plc is reporting another excellent year in 2012 with the main financial measures showing strong double digit growth.

Strategy

James Fisher has pursued a consistent strategy in recent years of driving growth in its marine services with focus on the fast growing regions of the world rather than the more mature markets which prevail in Europe and North America. The Company has developed a range of niche marine operational and engineering services which it aims to grow internationally. Such niche services typically command margins in excess of 10%, returns on capital in excess of 15% while being cash generative.

The success of this strategy has seen the marine service revenues grow by a compound annual growth rate of 36% in the last eight years, and 60% of Group revenues now originate from outside the UK, compared to 37% five years ago.

Having developed a broad range of such niche capabilities in the marine and offshore markets, the Group can now integrate these into contract packages for our major customers. Demand for this type of service has been expanding particularly in the fast growing regions of Asia Pacific, Africa and South America. The Group intends to build this business going forward in a balanced way, taking into account the operational and country risks involved.

Organic development has driven over 70% of our growth in profits in the past eight years. Investing in our businesses to continue their development will remain our main focus going forward. We will also continue to evaluate for further bolt-on acquisition opportunities

which meet our niche criteria and where these will strengthen and broaden our range of services to our multinational customers.

The Group has a strong and stable divisional management team who have a wealth of expertise and experience in their fields. Their entrepreneurial drive combined with the commercial and financial support from the centre has produced this consistent growth.

Specialist Technical 2012 underlying profit: £22.4m (2011: £19.8m)

The Specialist Technical division had another strong year with profits up by 13%. Our ship to ship services achieved further organic growth and the underlying margins of our niche businesses were maintained. The year also saw the start-up of our five year contract with British Petroleum (BP) in Angola as well as a major short-term diving support contract there in the first half. Both businesses involved a high proportion of sub-contracted costs, (mainly ship charters) leading to a reduction in margin for the Division, particularly in the first half.

James Fisher Nuclear also had a strong year producing good profit growth. In the first half of the year it benefitted from the completion of a contract to install detection equipment at the London 2012 Olympics, the scope of which increased and again meant that the division proportionately showed stronger growth in the first half.

Operating and financial review

Angola contract

James Fisher is delivering a marine export terminal and support services contract for BP to provide operational management, including diving cover, underwater inspection, maintenance and provision of a static tow capability for export tanker operations in two oil exploration areas, Blocks 18 and 31 off the coast of West Africa.

Picture for illustration purposes only



Whilst this contract will not reoccur in 2013, our nuclear business continues to benefit from improved market conditions in the nuclear power industry and began the year with a stronger order book than in 2012.

On 31 December 2012 the disposal of The Railway Engineering Company (TRE) to Hitachi Rail was completed for £25.5m in cash. TRE was acquired by the Group in 2006 as part of the Straininstall acquisition and for the year ended 31 December 2012 had revenue of £7.0m and an underlying operating profit of £3.1m. The Group reported a gain on sale of TRE of £20.9m which is separately disclosed in the Consolidated Income Statement by virtue of its size. Whilst TRE was non-core to marine services, it had clear growth potential which has been realised in recent years. The Directors considered that the timing was now right for the business to move to a new strategic owner.

The prospects for further growth within the Specialist Technical division remain strong and we will continue to support this with investment in both people and equipment.

Offshore Oil

2012 underlying profit: £17.2m
(2011: £12.8m)

The Offshore Oil division had an excellent year with revenue increasing by 17% and profits by 34%. This strong performance reflected the improved market conditions in the North Sea, particularly in Norway, and the continued growth due to contract gains in Asia Pacific, Africa and South America. The improved margin reflects the improvement in our rental businesses in particular, with the underlying margins of our other activities remaining consistent.

The division is beginning to benefit from oil majors upgrading the standard of equipment used for reasons of improved safety performance. This has seen contract gains for Norwegian standard equipment on fields outside of Norway for the first time. It is also improving prospects for ScanTech Offshore in regions such as South America and Africa.

A further £12.9m of capital was invested in 2012 to support and drive further organic development within this Division. With the continued high oil price, prospects for further growth remain and the Group will continue to support this with further investment to ensure demands for our niche products is met.

Defence

2012 underlying profit: £2.4m
(2011: £5.5m)

Profit in the Defence division reduced in 2012 for two reasons. Firstly, as previously reported, profits from the Group's 25% interest in Foreland, the private finance initiative, reduced by £1.5m due to lower income from the two vessels which are chartered commercially. Secondly, delays to contract awards in the second half impacted profitability within the subsea projects team.

During the year, the Division successfully completed a twelve month project to refurbish the Swedish navy's submarine rescue vehicle (URF) which was commissioned in the second half. The submarine rescue contracts for the Singaporean and Australian navies continued to perform satisfactorily. A major rescue exercise for the Australian navy was completed in the first half and there are prospects for further growth in the Asia Pacific region.

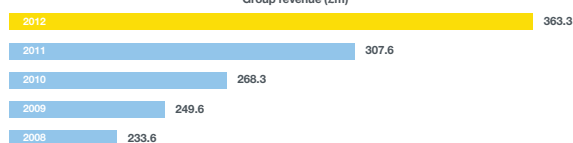
Marine Oil

2012 underlying profit: £2.4m
(2011: £1.1m)

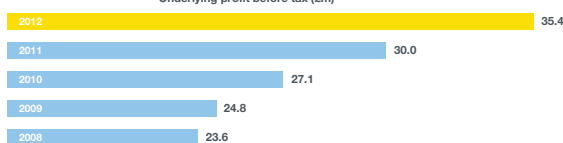
Marine Oil produced an improved result and remains both profitable and cash generative. This reflects the progress made in the past 2 years in reducing capacity to match the lower contract volumes around the UK and Irish coasts, rather than an improvement in the wider tanker global market which continues to have over capacity and weak spot rates.



Group revenue (£m)



Underlying profit before tax (£m)



In January 2013 a deal was completed to sell *mt. Steersman* on behalf of her owner and thereby bring forward the completion of her charter from March 2013. This reduces the number of vessels operated in the fleet to 17 and further mitigates the risk of surplus capacity.

The global market for the sale of surplus tonnage has not improved and shows no signs of doing so in the near future. Whilst the trading value of our specialist tankers in their niche operation remains sound, it is possible that if there is no recovery in the sale and purchase market, future vessel sales could be at below current book values. We have therefore concluded that it would be appropriate to make an impairment against this possibility and a separately disclosed impairment provision has been made, reducing the divisional assets to £32.8m which represents 12% of the Group total.

Separately disclosed items

To provide better information on the underlying trading performance, the Group has identified and separately disclosed certain items in reporting the results for the year. Total items separately disclosed amounted to a gain of £11.4m (2011: loss of £0.3m) comprising a profit of £20.9m referred to above for the sale of TRE less the vessel impairment of £9.2m and the amortisation of acquired intangibles of £0.3m (2011: £0.3m).

Interest

Net finance costs are as follows:

	2012 £m	2011 £m
Interest on bank borrowings	4.8	4.7
Unwind of discount on pension schemes	1.1	1.4
	5.9	6.1

Interest on bank borrowings was in line with previous year as slightly higher average borrowings were partly offset by a lower overall cost of borrowing. The unwind of the discount on defined benefit schemes relates to the Group's Shore Staff scheme which was closed to new entrants in 2001 and to the industry wide Merchant Navy Officers Pension Fund (MNOFF) where the Group has an obligation by virtue of its long history in the shipping industry. The charge to the Income Statement in 2012 decreased due to a lower discount rate applied to the scheme liabilities. Accounting for defined benefit schemes is changing in 2013 to align the return from

assets held in the scheme with the discount rate applied to liabilities. Whilst this has no cash flow impact for the Group, the potential adverse impact on the income statement is around £0.3m per annum.

Taxation

The effective tax rate on underlying profit before tax was 19.1% (2011: 19.0%). The rate is lower than the standard UK rate of 24.5% due to the Group having operations in certain overseas countries which have lower tax rates than the UK and due to its tanker fleet within Marine Oil which is taxed on a tonnage basis rather than on profitability.

Earnings per share

Underlying diluted earnings per share, which excludes separately disclosed items, increased by 15% in the year to 55.7p per share. This is lower than the increase in underlying profit before taxation due to an increase in non-controlling interests, which represent minority shareholdings, in mainly overseas businesses. Diluted earnings per share after separately disclosed items increased by 65% to 79.1p per share (2011: 48.0p).

Dividends

The Board are recommending a 10% increase to the final dividend for the year to 11.83p per share (2011: 10.74p), which makes a total for the year of 17.70p per share (2011: 16.08p). The final dividend will be paid on 10 May 2013 to shareholders on the register on 12 April 2013. Dividend cover based on underlying earnings was 3.1 times (2011: 3.0 times).

Cash flow and borrowings

Net borrowings decreased by £35.7m in the year due to a cash inflow from operating activities of £47.5m, a net inflow from investing activities of £2.5m and outflows for dividends and interest of £14.0m. The Group's cash conversion, the ratio of operating cash to operating profit was 132% (2011: 105%). At 31 December 2012, the ratio of net borrowings (including guarantees) to earnings before interest, tax, depreciation and amortisation (EBITDA) was 1.2 times (2011: 2.1 times). Net gearing, the ratio of net debt to equity, was reduced to 39% (2011: 75%) due to strong cash conversion and the proceeds on sale of TRE which were applied to reducing debt.

Operating and financial review

“The Board are recommending a 10% increase to the final dividend which makes a total of 17.70p per share for the year”

A small group of relationship banks provide bilateral facilities to the Group on an unsecured basis over a 3-5 year term. During the year the Group agreed a £20m, four year revolving credit facility with Handelsbanken, a four year, £30m facility with Lloyds Bank and renewed a £20m, five year facility with HSBC Bank plc. At 31 December 2012, the Group had £78.0m (2011: £38.6m) of undrawn facilities of which £65.6m (2011: £32.3m) were committed.

Pensions

The majority of the Group's pension arrangements are defined contribution arrangements where the Company's liability is limited to the contributions it agrees on behalf of each employee. The Group has a small defined benefit scheme in Norway and a UK Shore Staff Scheme which closed to further accrual on 31 December 2010. As a consequence of its history in shipping the Group is required to contribute to industry-wide Merchant Navy Pension Funds. The trustees of the Officers fund (MNOFP) are in the process of conducting a triennial valuation of the scheme's deficit. It is not yet possible to reliably estimate the amount of our obligation but it is expected to increase our commitment possibly by a quarter of the current liability.

Following a Court process in 2010 and 2011, the trustees of the Ratings fund (MNRPF) were given permission to extend the requirement for deficit contributions beyond current employers to both current and past employers. In November 2012, the trustees of the MNRPF wrote to the Group asking for comment on its proposed methodology for future deficit contributions.

The trustees expect that ratification from the Court of its proposal will not be before mid 2014 and the extent to

which James Fisher will be required to make additional contributions will not be known with certainty until then.

Total defined benefit pension deficits at 31 December 2012 were £27.1m (2011: £30.1m). The annual instalment on pension schemes in 2013 is expected to be £4.6m (2012: £4.8m) subject to the outcome of the triennial valuation referred to above.

Treasury policies and objectives

Treasury activities are governed by policies and procedures approved and monitored by the Board. The Group operates a central treasury function which manages and monitors external and internal funding requirements and the following treasury risks:

- Credit risk
- Liquidity risk
- Market risk

These risks and the Group's policies to manage them are set out in note 28 to the Financial Statements.

Key Performance Indicators

The Group's key performance indicators are a standard set of measures against which each business reports on a monthly basis.

Operating margin / operating profit

Operating profit is the profit before interest and taxation derived from the normal operations of the business. The Group focuses on underlying operating profit which is defined as profit from operations before separately disclosed items. Operating margin is the ratio of



RMS Pumptools Statfjord Latelife Project, Norway

In 2012 RMSpumptools developed and supplied an innovative fully automatic Y-Check completion system to enable Statoil to successfully commission electrical submersible pumps (ESP) for the Statfjord Latelife Project, Norway. This new system is set to standardise Dual ESP applications globally in high cost intervention hydrocarbon environments.

Picture for illustration purposes only



Black Carillon 2012

In May 2012, James Fisher Defence once again played a key role in the Royal Australian Navy's annual submarine rescue exercise, Black Carillon. The exercise included the mobilisation of two ships, remotely operated vehicle intervention training, a full transfer under pressure medical exercise using Type B decompression chambers, and a deep dive and mate at 400m by a rescue submersible.



underlying operating profit to revenue. The Group's underlying operating profit was £41.3m (2011: £36.1m) for the year ended 31 December 2012. The Group's operating margin was 11.4% compared to 11.7% in 2011 with the reduction due mainly to the increased content of third party vessel hire in the Specialist Technical division.

Return on operating capital employed

Return on operating capital employed is defined as underlying operating profit divided by average operating capital employed. Operating capital employed comprises tangible fixed assets, intangible fixed assets, operating debtors net of creditors, less provisions. The Group's post tax return on operating capital employed was 15.4% (2011: 13.0%) at 31 December 2012.

Cash conversion

Cash conversion is defined as the ratio of operating cash flow to underlying operating profit. Operating cash flow is defined as underlying operating profit, adding back depreciation and amortisation and adjusting for net movements in working capital, pension payments and for the cash profits of associates. The Group's cash conversion was 132% in 2012 (2011: 105%).

Debtor days

Debtor days are defined as average trade payables divided by revenue multiplied by the number of days to which the revenue relates. Group debtor days were 61 days as at 31 December 2012 (2011: 58 days).

Gearing

Gearing is defined as the ratio of net borrowings to net assets. The gearing for the Group at 31 December 2012 was 39% (2011: 75%).

Health and safety

The Group places significant emphasis on health and safety across its entire operations. Given the naturally hazardous environment in which they conduct their businesses, particular attention is paid to the Marine Oil and Offshore Oil divisions. In 2012 the number of injuries amongst seafarers in the Marine Oil 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 0.55 (2011: 0.00).

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 UK employees (excluding seafarers) who left employment with the Group of their own volition during 2012, expressed as a percentage of the average UK workforce (excluding seafarers) during such period comprised 16.0% (2011: 11.2%).

Principal risks and uncertainties

Risk management framework

The Board is ultimately responsible for the management of risk in the Group. The Board determines the Group's policies on risk, appetite for risk and levels of risk tolerance and specifically approves: risk management policies and plans; significant insurance and/or legal claims and/or settlements; major acquisitions, disposals and capital expenditures; and the Group Budget, Forecast and Three Year Plan. The Board has put in place a documented organisational structure with strictly defined limits of authority from the Board to operating units that have been communicated throughout the businesses and are well understood by the executive directors, the management team and business leaders who have delegated authority and specific responsibility for ensuring compliance with and implementing policies at corporate, divisional and business unit level. Each operating unit is required to operate within this control environment and in accordance with established policies and procedures which includes ethical, anti-corruption and bribery, treasury, employment, health and safety and environmental issues. The Board retains an oversight role and has a schedule of matters specifically resolved to it for decision thus ensuring that it maintains full and effective control over appropriate strategic, investment, financial, organisational and compliance issues. This schedule is subject to review by the Board on an annual basis.

A list of the principal risks to the business that were discussed by the Board during the year is shown below.



Operating and financial review



Risk and description Potential impact Mitigation

Contractual

Failure to manage large and complex contracts, often in overseas territories.

Contractual disagreement is a significant commercial and financial risk and the impact of potential litigation.

The Group utilises professional expertise to minimise risk in contract negotiation. Limits of authority ensure that contracts are reviewed and approved at appropriate levels prior to commitment. Project managers are employed to ensure delivery to contract specification.

Retention of key staff

The success of the Group is dependant, to a significant degree, upon the skills and motivation of its workforce, including its senior management team.

The failure to attract or retain personnel of the requisite calibre could have an adverse impact on the business.

Succession planning, regular appraisals and appropriate remuneration incentives including the extension of share schemes to key individuals and the implementation of skills development initiatives are designed to retain and motivate individuals.

Availability of finance

Continued economic uncertainty over euro zone countries and sovereign debt could limit the availability of funding.

The Group may not be able to renew borrowing facilities on similar terms in the future.

The Group maintains relationships with a small key group of banks, monitors events and macro economic developments and reviews its funding mix and requirements at each Board meeting.

Reputational risk from operational incidents

The Group's businesses are reliant on ensuring that a good reputation is maintained with their customers

An adverse operational incident would potentially damage the Group commercially.

The Group places a particular emphasis on the health, safety and security of its operations which are regularly monitored and reported to the Board.

Financial

The Group is exposed to interest rate and foreign exchange risk.

An increase in interest rates or change in exchange rates would have a financial impact.

The Group manages interest rate and foreign exchange rate risks through hedging arrangements where appropriate.

Pensions

Defined benefit pension schemes place the financial risk with the employer. Future contributions are assessed on a number of actuarial assumptions which can change over time and may result in increases or decreases in pension deficits.

Increased pension deficits would be detrimental to the Group's balance sheet and lead to increased future contributions. The Group is also required to contribute to industry wide schemes which carry the risk that if others default the liability increases for the remaining participants.

The Group liaises with the trustees of its own schemes and works proactively to de-risk liabilities and actively participates in employer group initiatives in industry wide schemes.

Energy prices

The Group has significant operations in the oil and gas sector.

A marked fall in the price of oil or gas leading to reduced investment in these markets could indirectly affect demand for the Group's products and services.

The growing scale and scope of our service offering provides a spread of income across all phases of the production cycle from development, through production and maintenance to decommissioning.

Nick Henry
Chief Executive Officer

Stuart Kilpatrick
Group Finance Director

5 March 2013



Corporate Social Responsibility Report

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Introduction

James Fisher takes its corporate social responsibilities seriously and recognises that its performance in the areas of safety, business ethics, the environment and supply chain are critical to the long term success of the Company. The Group has implemented and communicated to employees, policies on business ethics, anti-bribery and corruption and whistle-blowing which require our people to conduct themselves to the highest level of ethical conduct in all business activities. We do not permit bribery, illegal or corrupt business practices and we provide a procedure for employees to raise any malpractice concerns in an appropriate forum without fear of recourse.

Investors

The Company fully appreciates the support of its investors who are the ultimate owners of the business. In recognition of this the Company is committed to achieving a sustainable increase in the value of the business and recognises that this protects the long term interests of investors and other stakeholders. The Company will continue to seek to communicate with investors in an open and timely manner and to maintain sound systems of corporate governance to ensure that the Company is well directed and managed.

People

The Board recognises that as a service business, our talented and diverse workforce remains our most valuable asset. The long term success of the Group is dependant on the quality, skill, dedication and commitment of our people. Accordingly we are focussed on creating an environment where performance is rewarded, people are respected for their contribution, diversity is encouraged and where integrity is upheld in all aspects of our work. The Company remains committed to seeking out, retaining and developing the highest calibre employees to maximise

business growth and performance and is committed to equal opportunity for all employees and job applicants free of discrimination. We support our employees through training and ongoing investment and seek to ensure that employees are informed on matters affecting their employment and business developments in the Group through regular briefings and newsletters.

We have a workforce of 1,800 people spread across Europe, the Middle East and Asia Pacific. The Company supports employee share ownership and annually invites employees to participate in share schemes. At 31 December 2012 188 employees were participants of the James Fisher Savings Related Share Option Scheme.

Gender diversity is a current area of focus of governance within UK public companies. The Group is committed to equality of opportunity for each gender but does not consider that targets or quotas are appropriate. We aim to ensure that people from any background or gender have equal access to employment, training and career progression opportunities and aim to select individuals on merit.

Business Ethics and Anti-Corruption and Bribery Policies

The Group's business ethics policy helps employees to understand the standards of ethical business practices that are expected from them and to be aware of ethical and legal issues that they may encounter in the course of carrying out their duties and responsibilities.

The Company has published an anti-corruption and bribery statement and policy reflecting the requirements of the UK Bribery Act 2010 and has introduced an extensive group wide compliance programme which has

Cadet of the Year

The Maritime and Coastguard Agency's prestigious Cadet of the Year award recognised the achievements of Lizzie Dykes, Third Officer with the James Fisher fleet. Lizzie was presented with her award at HMS President, St Katherine's Docks, London, by Sir Alan Massey, the Agency's chief executive. We are immensely proud of Lizzie's individual achievements and being able to support the development of those wishing to pursue a career in the maritime industry through structured development and training.





top level commitment from the Board and from senior business management. The programme includes communication of the statement and policy, training, risk assessment, monitoring and review processes. Employees assessed to be at risk are required to complete the training and to self-certify that they understand and agree to be bound by its provisions.

Customers

The Company has a strategy of providing superior customer service through its integrated provision of services and value added solutions, combined with high quality products. High class customer service and product and service innovation are critical elements in helping customers to find solutions and to be successful. We have developed long lasting relationships with customers over many years and have followed a customer-led strategy to expand into the fast growing markets of the developing world. We are proud to be a trusted partner of major corporations, government agencies and customers around the world and understand that continued commitment to our existing and future customers is fundamental to our success. Accordingly, we strive to work hard to understand our customers, their business and their needs and to deliver client satisfaction.

Supplier and supply chain

The Group has a wide range of suppliers and whilst the Group does not operate centralised procurement, it continues to promote social responsibility, trade compliance and anti-corruption within its global supplier base. Key suppliers are vetted to ensure that they adhere to our codes of conduct and where appropriate operate recognised international quality and health and safety and management systems.

Communities

The Group recognises the importance of and participates in a wide range of activities within the local communities in which it operates. From its beginning as a family owned shipping company in 1847, the Company has played a vital role in the local economy. The Sir John Fisher Foundation, established in 1979 by Sir John and Lady Fisher, supports charitable causes in Barrow-in-Furness and the surrounding area. The Trustees of the Foundation retain a significant shareholding in the Company and support charitable causes, particularly in relation to maritime, medical and disability, education, music, arts and community projects. In 2011 the Foundation was able to make grants or commitments to charitable causes in excess of £1m.



Barrow Engineering Project

The Royal Academy of Engineering set up the Barrow Engineering Project (BEP) in 2008 to engage young people with engineering and wider Science, Technology, Engineering and Mathematics subjects, to encourage them to consider pursuing an engineering career.

The Trustees of the Sir John Fisher Foundation recognised the importance of this programme to Barrow. To help the BEP's benefit to continue after the core funding ceases in 2013, SJFF has given a grant of £17,000 for local schools; primary, secondary and sixth form to purchase re-usable kits and equipment, make visits and run events.

The idea is simple: enthuse local children with the challenges and possibilities engineering provides at a young age and they are more likely to obtain the appropriate qualifications and pursue either an engineering degree or an apprenticeship and remain in the area.



In 2012 the James Fisher community group was established with the aim of developing further links with the local community, local charities and fund raising events. The community group is focussed on volunteering, fundraising and promoting the Company as an employer of choice. It has forged relations with local partnerships and schools and raises money for local charities.

Health and safety

The Group is committed to providing the highest standards of safety to its employees in the workplace and to contractors and visitors to the Group's premises. In addition to strict compliance with all applicable laws and regulations, responsibility for health and safety lies with the Board and the review of health and safety performance is usually the first agenda item at each Board and business board meeting.

In addition, the Group health and safety committee (GHSC), chaired by the Chief Executive Officer and comprising senior executive management, meets on a quarterly basis to discuss all health and safety issues including incidents, mitigating actions and training requirements. The GHSC ensures that recordable safety incidents are reported to the Board and each Group operating company reports to the GHSC and is responsible for ensuring that the highest standard of health and safety is maintained in its business by its employees, contractors and visitors. Through the GHSC, the Group aims to share best practice in all areas of health and safety. The degree of autonomy afforded to local management allows them to set the agenda best suited to the requirements of individual businesses subject always to the proper implementation of the core health and safety principles which the Group has adopted. Following any health and safety incidents, including near misses, appropriate corrective action is taken to mitigate the risk of their recurrence.

The majority of the Group's principal operating companies maintain internationally recognised Occupational Health and Safety Management Systems accredited to OHSAS 18001 and management systems which are accredited to the international quality standard ISO9001. The Group's Marine Oil businesses provide quality assured marine and technical services that comply with and exceeds the requirements of ISO9001, the International Safety Management (ISM) Code and the Oil Companies International Marine Forum Ship to Ship Transfer Guide.

Safety performance

The Group follows the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) in the reporting of recordable incidents. To monitor performance and trends of serious injuries, Group companies also record lost time incidents (LTI's) as defined by the UK Health and Safety Executive representing days lost, not including the day of incident. The number of recordable incidents in 2012 in the Group was 5 (2011: 6). The majority of the incidents in 2012 and 2011 were due to manual handling.

Environment

The Group is committed to operating its businesses in an environmentally responsible manner, recognises that its operations have an impact on the environment and is committed to working within the appropriate regulatory framework to minimise the environmental impacts of its operations as far as reasonably practicable.

Our principal operating companies are ISO14001 compliant or are in the process of achieving accreditation. This internationally recognised environmental management system enables a systematic approach to handling environmental issues within an organisation.

In our Marine Oil division, the vessel fleet is subject to the International Maritime Organisation, mandatory requirements for ship owners and operators and as such from 1 January 2013 we have implemented a Ship Energy Efficiency Management Plan to regulate shipping energy efficiency and to control our marine greenhouse gas (GHG) emissions.

In accordance with the latest UK Government proposals, the Group will be providing data on emissions to air, water and energy consumed and waste disposal. The Company is aware that GHG emissions such as carbon dioxide, are linked to global warming and climate change and is committed to reducing, wherever it can, its GHG emissions.



Board of Directors

Chairman



Charles Rice

Chairman of the Board and nominations committee
(aged 59) ⁺

Joined the Board in April 2004 and was appointed as non-executive Chairman on 1 August 2012. Charles 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 The Peninsular and Oriental Steam Navigation Company (P&O) in 2001. He is currently Chairman of the Transport Research Foundation and director of G Finanz Limited.

Executive Directors



Nick Henry

Chief Executive Officer
(aged 51)

Joined James Fisher in February 2003 as Managing Director of James Fisher Tankships Limited and was appointed Chief Executive Officer in December 2004. He worked for 20 years for P&O Containers and P&O Ports, of which 10 years were in senior management positions based in Singapore, Hong Kong, Australia, Netherlands and the Indian Sub-Continent. His experience encompasses a wide range of commercial and operational roles, including fleet management and information technology. He is a member of the Board of the UK Chamber of Shipping.



Stuart Kilpatrick

Group Finance Director
(aged 50)

Joined James Fisher in July 2010 and was appointed to the Board as Group Finance Director in December 2010. Formerly Group Finance Director of Empresaria Group Plc, Stuart is a member of the Institute of Chartered Accountants of England and Wales and qualified with BDO Binder Hamlyn. He has previously held senior finance roles with Vodafone Group Plc, Charles Baynes plc and Elementis Group Plc.

Non-Executive Directors



Maurice Storey

Senior Non-Executive Director
Chairman of the remuneration committee
(aged 69) ^{**#}

Joined the Board in December 2003. Maurice 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) and a member of the RNLI Council and Technical Committee.



Malcolm Paul

Non-Executive Director
Chairman of the audit committee
(aged 61) ^{**#}

Joined the Board in February 2011. Malcolm is a fellow of the Institute of Chartered Accountants in England and Wales and was a founder and former Finance Director at WSP Group plc between 1987 and 2009. Prior to that, he was a principal at the corporate finance boutique Financial Decisions and an equity partner at Longcrofts, Chartered Accountants. He currently holds a non executive position at IRCA Holdings Pty Limited, a mining professional services business based in South Africa.



Michael Everard

Non-Executive Director
(aged 64) ^{**#}

Joined James Fisher in December 2006 following the acquisition of F.T.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, the Institute of Chartered Shipbrokers and the Institute of Marine Engineers, Science and Technology. He was a non-executive director of P&O.

* Audit Committee # Remuneration Committee + Nominations Committee

The directors present their annual report and the Group audited financial statements for the year ended 31 December 2012.

Principal activities and Business Review

The principal activities of the Group are the provision of marine and specialist engineering services. The Operating and Financial Review forms part of this report and includes a fair review of, and likely future trends and factors that might affect, the development and performance of the Group. A review of the Group's risk management framework as well as principal risks and uncertainties is set out on page 12, and policies on financial risk are set out in note 28. The Corporate Social Responsibility report on pages 13 to 15 summarises the Group's policy on business conduct and ethics and sets out its approach to health and safety, the environment, social responsibility and the community. Key performance indicators used by the Board to assess performance against the Group's strategic objectives are described on pages 10 and 11. The Chairman's Statement, the Operating and Financial Review, Board of Directors, Corporate Governance, Corporate Social Responsibility reports, the Report of the Audit Committee, the Report on Directors' Remuneration and Statement of Directors' Responsibilities all form part of the Directors' Report.

Results and dividends

The Group's profit for the financial year attributable to equity shareholders of the parent was £39.7m (2011: £24.1m).

The directors recommend a final dividend of 11.83p per share (2011: 10.74p) making a total of 17.70p per share (2011: 16.08p) for the year. The final dividend, if approved, will be paid on 10 May 2013 to ordinary shareholders who were on the register on 12 April 2013.

Directors

Tim Harris, Charles Rice, Nick Henry, Stuart Kilpatrick, Michael Everard, Malcolm Paul, Maurice Storey and Simon Harris all served as directors of the Company during the year. Simon Harris resigned from the Board on 13 February 2012 and Tim Harris retired on 31 July 2012. Charles Rice was appointed as non-executive Chairman on 1 August 2012 and on that date Maurice Storey replaced Charles Rice as the senior independent non-executive director and as chairman of the remuneration committee.

More information about the directors is provided on page 16.

Directors' Interests

The following are the beneficial interests of the directors in the share capital of the Company:

	Holdings of ordinary shares of 25p each	
	At 31 December 2012 or date of resignation or retirement Number	At 31 December 2011 Number
T.C. Harris	283,273	292,773
N.P. Henry	91,606	86,831
S.C. Kilpatrick	2,250	1,500
S.A. Harris	44,224	44,224
C.J. Rice	5,000	5,000
M. Storey	-	-
F.M. Everard	-	-
M.S.Paul	5,000	5,000

Between 31 December 2012 and 5 March 2013, there were no changes to the holdings of serving directors. No director has an interest in the preference shares of the Company, or in the shares of any subsidiary undertaking. At no time in the year did any director hold a material interest in any contract with the Company or any of its subsidiary undertakings other than the service contracts between each executive director and the Company.

Re-election of directors

Nick Henry, Stuart Kilpatrick and Malcolm Paul retire at the Annual General Meeting (AGM) by rotation and, being eligible, offer themselves for re-election. A statement about Board evaluation and the contribution of directors is set out in the Corporate Governance Report on page 22. The executive directors have one year rolling service contracts with the Company. The Chairman and the non-executive directors do not have service contracts with either the Company or any Group undertaking. No contract in relation to the Group's business in which the directors of the Company had an interest, existed at 31 December 2012 or at any time during 2012.

Share capital

The structure and details of the Company's share capital are set out in note 21 on page 69.

Ordinary shares

The Company's issued ordinary shares are fully paid and rank equally in all respects. Subject to rights attaching to existing shares, any share may be issued with such rights or restrictions as the Company may by advisory resolution determine, or if the Company has not so determined, as the directors may determine. In addition to those rights conferred by law the holders of ordinary shares of 25p each are entitled to receive dividends when declared, the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. These rights and obligations, are set out in the Company's Articles of Association (Articles),

Directors' report

copies of which can be obtained from Companies House in the UK or from the Company Secretary. Other than those specific provisions set out in the Articles, there are no restrictions on the transfer of ordinary shares in the Company or on the exercise of voting rights attached to them except that:

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

Preference shares

The 3.5% cumulative preference shares of £1 each carry a fixed cumulative dividend of 3.5% per annum, payable in priority to any dividend on the ordinary shares and payable half-yearly in arrears on 30 June and 31 December. The preference shares carry one vote for every £1 in nominal amount. On a winding up of the Company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, repayment of the capital paid up on such shares plus any accrued dividend.

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

The powers of the directors are determined by the Company's Articles, the Companies Act 2006 and any directions given by the Company in general meeting. The directors are authorised by the Articles to issue and allot ordinary shares and to make market purchases of shares. These powers are referred to shareholders at the AGM for renewal. Any shares purchased may be cancelled or held as treasury shares.

During the year the Company did not purchase any of its own shares, however, during the year 142,391 ordinary shares were issued in respect of options exercised under the Executive Share Option Scheme (ESOS) and Savings Related Share Option Scheme (SRSOS) referred to on pages 28 and 29.

The James Fisher Employee Share Ownership Trust, holds 186,329 ordinary shares (2011: 329,615) of the Company in trust for the purposes of the various share incentive plans referred to in this Report. The rights attaching to these shares are controlled by independent trustees, who may take into account any recommendation by the Company.

The Company also operates a Long Term Incentive Plan (LTIP), details of which are set out on page 28.

The 2011 LTIP was approved by shareholders at the 2011 AGM. The 2011 LTIP allows nil cost options over shares to be awarded to nominated employees. Awards have been made to the executive directors and other senior executives during the year under this plan; the awards vest three years from grant only if the growth in diluted earnings per share in the performance period is between RPI plus 9% and RPI plus 18%.

The SRSOS and ESOS were each approved by shareholders at the 2005 AGM; both schemes are HM Revenue and Customs approved. Under SRSOS eligible employees may be invited to apply for options after the 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.

Under ESOS the remuneration committee has the discretion to select employees and directors of the Company and its subsidiaries for participation in the scheme each time it is operated. The fair value of the options granted in any year of operation is limited to 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 relative to a comparator group over a three year period. Following approval by the shareholders at the 2007 AGM the comparator group was amended to comprise companies forming the FTSE Small Cap index as a whole, excluding investment trusts.

Additional information for shareholders

The Company's Articles 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 his last appointment must offer himself up for re-election at the AGM and at least one third of the Board is subject to re-election at each AGM.

Authority to allot shares and disapply statutory pre-emption rights

The directors will be seeking to renew their authorities to allot unissued shares and to disapply statutory pre-emption rights at the AGM.

Purchase of own shares

At the AGM held on 3 May 2012, the Company was given authority to purchase up to 2,496,271 of its ordinary shares until the date of its next AGM. No purchases were made during the year by the Company. The directors will be seeking a new authority for the Company to purchase its ordinary shares at the forthcoming AGM.

Further details regarding the authority to allot shares and disapply statutory pre-emption rights and the purchase of own shares are set out in the Notice of the AGM at page 96.

Substantial shareholders

As at 1 March 2013 the Company had been notified in accordance with Rule 5 of the Disclosure and Transparency Rules, of the following interests in its issued share capital:

Shareholder	Ordinary Shares		Preference Shares	
	No.	%	No.	%
Rowland Frederick Hart Jackson (non-beneficial)	8,895,763	17.77	-	-
Schroder Investment Management	7,474,948	14.93	-	-
Therapia Investments Limited	3,539,550	7.07	100,000	100.00
Montanaro Investment Managers	2,761,783	5.52	-	-
M&G Investment Management	1,944,916	3.88	-	-
	24,616,960	49.17	100,000	100.00
Total number of shares in issue	50,067,822	100.00	100,000	100.00

Auditor

A resolution for the re-appointment of KPMG Audit plc as auditor of the Company will be proposed at the AGM to be held on 2 May 2013.

Each director in office at the date of approval of this Directors' Report confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he 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.

Political and charitable donations

During the year the Group made charitable donations of £189 (2011: £597) and no political donations (2011: £nil).

Policy on payment of suppliers

It is the Company's and the Group's policy to agree to terms of payment at the start of business with each supplier and to adhere to these, subject to satisfactory performance by the supplier. Where payment terms are not negotiated the Company endeavours to adhere to suppliers' standard terms. At 31 December 2012 the Group and Company had an average number of 59 days and 57 days purchases outstanding in trade creditors respectively (2011: Group 43 days, Company 76 days).

Directors' and officers' liability insurance

The Company maintains directors and officers liability insurance for the directors and officers of the Company and its subsidiaries and, to the extent permitted by section 236 of the Companies Act 2006, the directors may be granted indemnity by the Company pursuant to the Company's Articles. Copies of the Company's Articles are available for inspection at the Company's registered office during normal business hours.

Directors' conflict of interest

Stuart Kilpatrick, Group Finance Director, was appointed a trustee of the Group's Shore Staff Pension Scheme in 2012. This role could give rise to a situation where there is a conflict of interest and the Board has reviewed this and has allowed him to act as a trustee. Were a conflict to arise, Stuart Kilpatrick is required to excuse himself from participating in the relevant trustee discussion and decision making process.

Employment policies

The Group Chief Executive Officer is the Board member responsible for employee matters and he is assisted by the Group Head of Human Resources. The Group values the diverse backgrounds of all its people and works to create an open atmosphere of trust, honesty and respect. Harassment or discrimination, including that involving race, colour, religion, gender, age, disability, sexual orientation or any other similarly protected status, is not acceptable. The Group is committed to providing equal employment opportunities for all of its people and all job applicants based on abilities of the employee and the needs of the business Group-wide. It is Group policy to comply with all applicable laws governing employment practices and not to discriminate on the basis of any unlawful criteria. Employment arrangements are intended to be fair, equitable and consistent with the skills and abilities of the employee and the needs of the business. 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. The Group also operates a number of option schemes and long term incentive plans to encourage employees to participate in the ownership of the Company, details of which are set out in note 25 on page 78.

Employment of people with disabilities

People with disabilities have equal opportunities when applying for vacancies. In addition to complying with legislative requirements, the Group strives to ensure that disabled employees are treated fairly and that their training and career development needs are met. For those employees who become disabled during the course of their employment, the Group will provide support, whether through re-training or re-deployment, so that they will continue to be employed, wherever practicable, in the same job, or if this is not practicable, every effort will be made to find suitable alternative employment.

Directors' report

Significant agreements – change of control

The Company is a guarantor of all of the Group's bilateral bank facilities which upon a change of control could be withdrawn. The following contracts may terminate upon a change of control of the Company or its relevant subsidiary or associated undertaking.

- The Shareholders' Agreement dated 22 June 2006 in relation to Foreland Shipping Limited, which is responsible for the provision of sealift capability to the Ministry of Defence;
- The Singapore Submarine Rescue Service Agreement dated 17 October 2008, between James Fisher Marine Services Limited and First Response Marine PTE Ltd; and
- The Export Tanker Support Services Contract dated 3 February 2012 made between BP Exploration (Angola) Ltd, and James Fisher Angola Limitada.

The rules of the LTIP, SRSOS and ESOS schemes set out the consequences of a change of control on the rights of participants under those schemes. Participants are generally able to exercise their options on a change of control, provided that the relevant performance conditions have been satisfied.

Except as provided above, the Company is not party to any agreements which take effect, alter or terminate in the event of a change of control of the Company. Furthermore 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 arise in the event of a change of control of the Company.

Going concern

The Group's business activities, together with the factors likely to affect its future performance, the financial position of the Group and a description of the principal risks and uncertainties are set out in the Operating and Financial Review on pages 7 to 12. The Group's primary sources of funding are a number of bilateral facilities with a core group of banks. These bilateral facilities, totalling £147.9m (2011: £127.5m) at 31 December 2012 fall due for renewal over the next 5 years with none falling due for renewal by 31 December 2013. Compliance with banking covenants is reported at least half yearly and involves tests for the ratio of net debt:EBITDA, interest cover and fixed charge cover. No breaches in covenants were reported during the year.

The Group uses cash flow forecasts derived from budgets, forecasts and medium term planning to identify headroom under the covenant tests and having evaluated the ongoing trading of the businesses, the directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future as a going concern. As a result, the directors continue to adopt the going concern basis in preparing these financial statements.

Annual General Meeting

The AGM of the Company will be held on 2 May 2013. The Notice of AGM is set out on pages 96 to 97.

By Order of the Board

Michael Hoggan
Company Secretary

5 March 2013

Our approach to corporate governance

The Board is committed to ensuring high standards of corporate governance and has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 (Code).

Statement of Compliance

The Board confirms that throughout the year ended 31 December 2012 through to the date of this report the Company complied with the Code. This report explains how the Company complied with the relevant provisions of the Code and how it discharges its corporate governance responsibilities.

Leadership

The directors are collectively responsible for the long-term success of the Company. The roles of the Chairman and Chief Executive Officer are separate and clearly distinct. Charles Rice, the Chairman, is responsible for the leadership of the Board and ensuring the Board is effective in all aspects of its role. Nick Henry, the Chief Executive Officer has direct responsibility for the Group on a day to day basis including leadership of the operational management of the Group's businesses. Strategy, sale and disposal of businesses and major capital investments are agreed between the Chairman, the Group Chief Executive Officer and Group Finance Director prior to review and approval by the Board. The Board considered and was satisfied that these roles operated effectively.

During the year, pursuant to the Code the Chairman met with the non-executive directors without the executive directors present on more than one occasion and the senior independent director met with the other non-executive directors, without the Chairman present, on more than one occasion.

Role of the Board

The Board is the principal decision making forum for the Company. The Board has responsibility for the overall management of the Group and is accountable to shareholders for financial and operational performance. The Board approves Group strategy and monitors performance. It has adopted a formal schedule of matters detailing key aspects of the Company's affairs reserved for it to approve, including strategy and management, long term objectives, oversight of operations, performance, any changes to the Group's capital structure, financial reporting, material contracts, internal control and risk management systems, material capital commitments, corporate governance, key policies and reporting to shareholders. The schedule is reviewed annually.

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. In 2012 the Board met four times, however from 2013 the Board will meet six times per year. To enable the Board to discharge its duties, the Chairman ensures that all directors receive accurate, timely and clear information on all relevant matters in advance of the Board meetings including comprehensive financial and business reports covering the Group's principal activities. The non-executive directors regularly visit major business centres of the Group in order to enhance their knowledge of the services and products offered, which in turn acts to strengthen their contribution to Board debate.

The Board has adopted established procedures to address the management of potential and actual conflicts of interest. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters and to ensure that Board procedures are followed and applicable rules and regulations are complied with. The Company Secretary also advises the directors on any important changes in legislation, regulation and best practice. In addition, all directors have access to independent professional advice if necessary.

Board Committees

Details of the work of the Board's formal committees can be found on pages 23, 25 and 26. Each committee has formal terms of reference. In addition to the formal committees the Board has appointed an executive committee consisting of the Chairman and the executive directors which reports to the Board and subject to the Company's Articles, is empowered to take such actions as are necessary relating to affairs of the Company in the normal course of business and of a routine nature and subject to such limits as the Board in its discretion determines from time to time. The executive committee reports into the Board via the Chairman. The Board also appoints from time to time sub-committees consisting of at least two directors in order to finalise and approve those matters that have been approved in principle by the Board. The executive directors and the Chairman also meet with the managing directors of the principal businesses on a quarterly basis to deal with operational issues and develop corporate strategies and synergies.

Size and Composition of the Board

The Board currently comprises a non-executive Chairman, a Chief Executive Officer, a Group Finance Director and three other non-executive directors. Biographies of the directors are set on page 16. 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 the calibre necessary to support and develop the long term success of the Group, that each director allocates sufficient time to perform his responsibilities effectively and that no individual or small group of individuals dominates the Board's decision making. However, the size and composition of the Board is subject to continuing review and the provisions of the Code including in respect of diversity and gender will be taken into account when considering future Board membership.

This year has seen a number of changes to the Board. Simon Harris resigned from the Board on 13 February 2012 and Tim Harris retired from the Board on 31 July 2012 after over 10 years as Executive Chairman. Charles Rice who was the senior independent director was appointed non-executive Chairman on 1 August 2012 and Maurice Storey succeeded him as the senior independent director on the same date. The number of meetings of the Board and individual attendance by members is shown in the table on page 24.

Corporate Governance Statement

Role of the non-executive directors

The Board considers the non-executive directors combine broad business and commercial experience to bring independent and objective judgment to bear and to challenge constructively the executive 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 Group's business activities.

The Code requires the Board to determine whether its non-executive members are independent. The Board considers that all the non-executive directors including Charles Rice, up to the date of his appointment as Chairman, are independent for the purposes of the Code. Each non-executive director is expected to commit sufficient time to allow for attendance at Board and committee meetings and for keeping in touch with the senior management team, shareholders and other stakeholders. The senior independent director also acts as a sounding board for the Chairman and an intermediary for non-executives where necessary. Maurice Storey will retire from the Board in 2013 and an external search has commenced for his replacement.

Re-election of directors

At each Annual General Meeting (AGM), in accordance with the Company's Articles, 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. At the AGM held on 3 May 2012, Charles Rice, Maurice Storey and Michael Everard were re-elected to the Board by rotation and none of the remaining Board members were put forward for re-election. Due to its size the Company is not subject to the requirements of the Code relating to the annual election of all directors by shareholders. The directors standing for re-election at the 2013 AGM are set out on page 96.

Effective development

Training and induction

On appointment, new directors are given a comprehensive induction to the Group's business, together with an ongoing programme of visits to the Group's major activities and meetings with senior management. Ongoing training and development for directors is available as appropriate and reviewed annually.

Performance evaluation

The Board undertakes a formal annual evaluation of its own performance and that of the audit committee, remuneration committee and nominations committee and each individual director. The formal evaluation is undertaken internally and for the year ending 31 December 2012 was conducted in January 2013.

The formal evaluation requires each director to complete in confidence a detailed questionnaire relating to all aspects of Board performance and performance of the three committees. The results of the evaluation are collated by the Company Secretary and reported to the Board via the Chairman with recommendations for further consideration and action as appropriate. The review is unlimited in scope and includes an analysis of the Board's and committees' performance in key areas including corporate governance, structure and procedures, strategy and its effectiveness, risk control and communications with stakeholders.

The performance of each director is also reviewed following the end of each year. The Chairman's performance is reviewed by the other non-executive directors led by the senior independent director and taking into account the views of the executive directors. The performance of the executive directors is also reviewed by the non-executive directors with the Chairman in attendance. The Chairman and the executive directors review the performance of each of the other non-executive directors. The performance evaluations are designed to assist the Board in identifying strengths and weaknesses and areas for further improving performance.

Accountability and going concern

The Board is responsible in its reporting for presenting a balanced and understandable assessment of the Group's financial position and prospects and has complied with this main principle of the Code. This includes an assessment of the Group's ability to continue as a going concern. The directors have given this matter due consideration and have concluded that it is appropriate to continue to prepare the Group financial statements on a going concern basis. The two main considerations were the strength of the Group's cash flow and continued support of the Group's banks. Further details are included in the Operating and Financial Review on pages 9 to 12.

Risk management and internal controls framework

The Board is also responsible for determining the nature and extent of the significant risks it is willing to take in achieving its objectives and for maintaining sound risk management and internal control structures. Accordingly, 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. The internal control systems are designed to provide the Board 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.

In 2012, the effectiveness and consistency of risk management at all levels of the organisation has been measured. The Board has reviewed the risk management process and confirms that ongoing processes and systems ensure that the Group continues to be compliant with the Turnbull guidance.

Further information on the Group's risk management and internal control processes are set out in the Report of the Audit Committee and details of the principal risks and the Group's approach to mitigating them are set out in the Operating and Financial Review.

Whistle-blowing policy

As part of its internal control the Group has a whistle-blowing policy which encourages employees to report in good faith any genuine suspicions of fraud, bribery or malpractice in order to identify any problems within the Group at an early stage. The policy is designed to ensure that any employee who raises a genuine concern is protected. Any concerns would be raised in the first instance with the Company Secretary in confidence.

Anti-Corruption and Bribery

In accordance with the UK Bribery Act 2010, the Board is committed to ensuring the highest standards in all of the Group's business dealings and condemns corruption in all its forms. The Group has a formal anti-corruption and bribery statement and policy and will not tolerate or condone corruption or bribery in any of the Group's business dealings. This policy has been implemented throughout the Group and is supported by a Group wide training and awareness programme and regular Group wide compliance reviews.

Relations with shareholders

The Company communicates with shareholders through the annual report, interim report, preliminary announcements, interim management statements, investor days and the Company web site. The Board takes the opportunity at the AGM 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 order that all directors are aware of the views of shareholders non attributable feed back on the institutional presentations which is given to the Company's stockbrokers, is circulated to the Board.

The Chairman has consulted with major shareholders in order to develop a balanced understanding of any issues and concerns. In addition the outcome of any meeting by the executives with investors on governance and strategy matters is relayed back to the Board.

Remuneration and Nominations Committee

The Company had a combined remuneration and nominations committee until 31 July 2012. Its principal terms of reference included the matters referred to below and it was chaired by Charles Rice. Following Charles Rice's appointment as Chairman separate remuneration and nominations committees have been constituted.

The combined committee's work in 2012 included making recommendation to the Board on the appointment of a new Chairman to succeed Tim Harris. The committee did not openly advertise the post of Chairman or engage external search consultants but consulted with the Board members as appropriate. The independent directors concluded that Charles Rice was a very strong candidate to lead the Company following the retirement of Tim Harris. The independent non-executive directors approached Charles Rice who confirmed that he would be prepared to accept a nomination to become non-executive Chairman. Having declared his interest, Charles Rice took no further part in the discussion at the committee or the Board meetings on this issue. After due consideration taking into account all relevant matters including but not limited to the structure, size and composition of the Board, the role and responsibility of the position of Chairman, the time commitment required for successfully undertaking this transitional role and Charles Rice's experience and availability, the committee unanimously agreed to nominate him as Chairman for approval by the Board. Following this recommendation, Charles Rice was appointed as Chairman by the Board on 1 August 2012.

The number of meetings of the committee and individual attendance by members is shown in the table at page 24.

Remuneration Committee

Members of the remuneration committee are appointed by the Board and the committee reports to the Board. All committee members are independent non-executive directors. The committee is chaired by Maurice Storey. The committee is formally constituted with written terms of reference. In summary, the committee's terms of reference include:

- To determine and agree with the Board the Board policy for remuneration of the executive directors and other senior executives;
- To review the appropriateness and relevance of the Group's remuneration policy; and
- To ensure that the provisions of the Code are fulfilled.

The Chairman attends the committees' meetings only on invitation by the chairman of the committee and is not present when his own terms and conditions are discussed.

The Report on Directors' Remuneration is on pages 27 to 32.

Nominations Committee

Members of the nominations committee are appointed by the Board and the committee reports to the Board. The committee members are the Chairman and the three independent non-executive directors. The committee is chaired by Charles Rice. The committee is formally constituted with written terms of reference. In summary, the committee's terms of reference include:

- To regularly review the structure, size and composition of the Board (including skills, knowledge and experience) and recommend changes;
- Succession planning for directors and senior executives; and
- Identifying and nominating for approval of the Board candidates to fill vacancies when they arise.

Corporate Governance Statement

Attendance at meetings

Director's attendance at the Board and committee meetings convened in the year was as follows:

	Board	Audit Committee	Remuneration and Nominations Committee
Number of meetings	4	3	5
Tim Harris	2/4	n/a	n/a
Nick Henry	4/4	n/a	n/a
Stuart Kilpatrick	4/4	n/a	n/a
Simon Harris	-	n/a	n/a
Charles Rice	4/4	2/3	5/5
Maurice Storey	4/4	3/3	5/5
Michael Everard	4/4	3/3	5/5
Malcolm Paul	4/4	3/3	5/5

Charles Rice ceased to be a member of the audit committee and the remuneration committee on 31 July 2012 and was only eligible to attend the two meetings of the audit committee held up to that date. Whilst not formally required, Tim Harris, Charles Rice, Nick Henry and Stuart Kilpatrick attended a number of audit committee, remuneration and nominations committee meetings by invitation as and when appropriate.

Approved by the Board of directors and signed on its behalf by

Michael Hoggan
Company Secretary

5 March 2013

Report of the Audit Committee

I am pleased to present the report on the activities of the audit committee for the year ended 31 December 2012 together with a summary of the work carried out by the committee.

The audit committee is appointed by the Board and reports to the Board. It consists exclusively of independent non-executive directors. The chairman of the committee is Malcolm Paul, who is a qualified Chartered Accountant and was formerly finance director of a FTSE 250 company and has significant recent and relevant financial experience. Its other members were Maurice Storey, Charles Rice and Michael Everard. Charles Rice ceased to be a member of the committee on 31 July 2012 immediately prior to his appointment as Chairman on 1 August 2012. The Chairman, Chief Executive Officer, Group Finance Director, representatives from the external auditor and internal audit and the Company Secretary normally attend the meetings by invitation. Attendance by members is shown in the table on page 24.

The audit committee is formally constituted with written terms of reference, which include all matters referred to in the Code. The committee assists the Board in fulfilling its oversight responsibilities in respect of the Company and the Group and its key responsibilities are:

- to review the reporting of financial and other information to the shareholders of the Company and monitor the integrity of the financial statements;
- to review the effectiveness and objectivity of the external audit process, assess the independence of the auditors and ensure appropriate policies and procedures are in place to protect such independence;
- to review and assess the adequacy of the systems of internal control and risk management (which includes monitoring the Company's internal audit function) and monitor the risk profile of the business.

The committee met three times during the year in March, August and November and conducted the following business:

March 2012

- Reviewed the Group's preliminary announcement, draft report and accounts for the financial year;
- Reviewed papers on key accounting judgements, the possible impairment of assets, capitalised development costs and the Group's liability exposure to defined benefit pension schemes;
- Considered reports from the external auditor on its audit and review of the accounts including accounting policies and areas of judgement and its comments on risk management and control matters;
- Reviewed the principal financial and non financial risks relevant to the Group including an update on the Bribery Act and the processes and policies implemented across the Group;
- Met with both the external and internal auditors without executive management being present.

August 2012

- Reviewed the Group's half year results and announcement and the external auditor's review;
- Considered changes to the Group's risk profile particularly in relation to overseas contracts;
- Reviewed the progress of the 2012 internal audit plan and resulting reports;
- Met with both the external and internal auditors without executive management being present.

November 2012

- Received reports from the external auditor on the audit planning for the year end audit process and reviewed the proposed audit fees;
- Considered the level of non audit services fees being provided by the Group's auditors in order to satisfy itself that the objectivity and independence of the auditors were safeguarded;
- Agreed the annual external audit evaluation process;
- Met with both the external and internal auditors without executive management being present.

External auditors

The audit committee provides a forum for reporting by the Group's external auditors and in addition the committee chairman meets with the external auditors from time to time during the year. The committee considered the 2011/2012 Audit Quality Inspections Annual Report and the 2011/2012 Public Report on KPMG Audit Plc (KPMG) issued by the Financial Reporting Council and noted the conclusions.

A policy has been established to safeguard the objectivity and independence of the external auditor. Whilst the committee accepts that certain work of a non-audit nature is best undertaken by the external auditors it is a requirement that where such a request is received, with an expectation that the fee will exceed the relevant threshold, approval must be received in advance from the audit committee. KPMG carried out various non-audit work during the year particularly in relation to taxation where a detailed understanding of the Group's activities is advantageous.

The committee evaluated and discussed the performance of KPMG during the year and in addition was satisfied that appropriate lines of communication had been established which were in line with requirements. As a result of this evaluation the committee have recommended the reappointment of KPMG as auditors of the Company and a resolution to this effect will be put forward at the forthcoming AGM.

Report of the Audit Committee

Risk management and internal controls

The Board has overall responsibility for risk management and the system of internal control and for reviewing their effectiveness. Certain of these responsibilities have been delegated to the audit committee, in particular the monitoring and review of internal control procedures.

Key risks, both financial and non-financial, are reviewed by the Board as well as by divisional management on an ongoing basis. The Chairman and the executive directors meet at least quarterly with the trading company managing directors and functional heads to review their business performance, strategy and risk management. All companies are required to have processes to identify risks and, so far as possible, take action to reduce those risks. This includes maintaining and regularly updating risk registers and formally submitting an annual risk management review for review by the executive directors, who report any material issues to the Board and are responsible for ensuring that necessary actions are identified and undertaken.

Executive management of the various business units submit to the Board reports, including details of the 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 reviewed and approved by the business board and reported to each Board meeting by the Chief Executive Officer. 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. In addition the Group's risk committee which is chaired by the Chief Executive Officer and includes the Group Finance Director, the Company Secretary and Group functional heads meet quarterly. The risk committee terms of reference include the identification and monitoring of risks and ensuring the risks are actively managed. The committee's findings are reported to the Board. The Board also undertakes a risk assessment before any decision on major projects is made and commercial, legal and financial due diligence is carried out on any potential acquisition.

Internal audit programmes and internal control questionnaires have been designed to monitor the effectiveness of the risk management and control systems and processes in operation throughout the Group. The internal audit is a peer group review process, whereby senior managers from within the business conduct audits of non-related areas of the Group's activities in accordance with an annual programme approved by the audit committee. Internal auditors identify, report and address key commercial and financial risk and control issues and their reports are presented to the audit committee for review. The effectiveness of the Group's internal control system is regularly reviewed by the Board and the audit committee.

Malcolm Paul

Chairman of the audit committee

5 March 2013

Report on Directors' Remuneration

The report on directors' remuneration has been prepared on behalf of and approved by the Board and signed on its behalf by Maurice Storey, the chairman of the remuneration committee. The report will be submitted to shareholders for approval at the Annual General Meeting (AGM) to be held on 2 May 2013.

The report explains the policy under which the executive directors and the non-executive directors are remunerated and gives details of the remuneration, fees and share interests of the directors.

Information not subject to audit Remuneration Committee

Four independent non-executive directors served on the remuneration committee (the 'committee') during the year. Charles Rice chaired the committee until his appointment as non-executive Chairman, whereupon Maurice Storey became chairman of the committee.

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.

The committee operates under clear written terms of reference and confirms that its constitution and operation comply with the provisions of section D of the Code in relation to directors' remuneration policy and practice and that it has applied the code throughout the year.

The committee met five times during the year and all members were in attendance at all meetings. During the year the committee has considered the level and make up of the executive directors' remuneration packages, the grant of share-based incentive awards, the vesting of share-based incentive awards subject to performance conditions being met and the basis of performance related bonuses. Tim Harris also attended committee meetings, when invited by the chairman of the committee and was consulted on matters relating to the executive directors who reported to him.

Advisers to the remuneration committee

The committee has access to advice from inside and outside the Group from the Chairman, KPMG and AON Hewitt Consultants. Aon Hewitt Consultants are the principal independent advisers to the committee. During the year AON Hewitt Consultants provided the Company with advice on executive remuneration at operating board and Group Board level.

Remuneration policy for executive directors

Main principles

James Fisher and Sons plc operates in a 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. 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. In line with this the remuneration package for the executive directors 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 target
- 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 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. Additionally in 2012 further awards were made under the Long Term Incentive Plan to certain senior executives.

Details of directors' interests in share schemes are set out on pages 31 and 32 of this report and directors' shareholdings are set out in the Directors' Report on page 17.

Service contracts

It is the committee's policy that executive directors are employed on contracts subject to no more than twelve months notice. In line with this policy, the 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.

Report on Directors' Remuneration

Details of service contracts that were in place at 1 January 2012 are as follows:

	Contract date	Unexpired term/ notice period
Tim Harris	1 December 2006	6 months
Nick Henry	1 December 2006	12 months
Stuart Kilpatrick	1 July 2010	12 months
Simon Harris	4 December 2006	12 months

Elements of remuneration package

The executive directors' total remuneration currently consists of a base salary, an annual bonus, an award under the ESOS, an award under the LTIP, pensions and other benefits. The performance related elements, when valued at target performance levels, comprise more than 50% of the package (excluding pension benefits).

Fixed elements

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, developments in the relevant employment market and having regard to the Group's performance as well as comparing each executive director's base salary to senior management salaries within the Group. Based on independent advice and taking into account their increased responsibilities following the retirement of Tim Harris as Executive Chairman, the base salaries of Nick Henry, Group Chief Executive Officer, and Stuart Kilpatrick, Group Finance Director, were increased with effect from 1 August 2012.

Other benefits comprise the provision of a company car or cash alternative, life assurance and membership of the Group's healthcare insurance scheme. These benefits do not form part of pensionable earnings. Executive directors are eligible to join the Group's defined contribution scheme or receive an equivalent company contribution into a personal pension scheme.

Variable elements

A performance related bonus is recommended by the committee on the basis of annual financial and operational targets established at the beginning of each financial year. 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 2012 was 70% of base salary. Bonuses for the year to 31 December 2012 are shown in the table on page 30. In the case of the executive directors the targets forming part of the bonus structure have been achieved, and therefore that element of the bonus has been paid in full. Annual bonuses are non pensionable.

Executive Chairman's remuneration package

Tim Harris had an annual salary of £402,500 in 2012. He was entitled to participate in the annual bonus scheme and awarded conditional shares under the LTIP together with options under the ESOS. He was not in the Company's pension scheme but he was a member of the Company's health scheme and he received a cash sum in lieu of a company car.

Non-executive Chairman's fee

From the date of his appointment, Charles Rice, based on independent advice, was paid a fee of £200,000 per annum. It was agreed that fifty per cent of the Chairman's fee, net of deductions would be used to buy ordinary shares in the Company and those shares would be held throughout the Chairman's period in office.

Share option and share incentive schemes

The Group currently operates three share-based incentive schemes:

Long Term Incentive Plan (LTIP)

Longer-term business performance improvement is rewarded under the LTIP, which was approved by shareholders at the AGM held on 12 May 2011. The LTIP allows the committee to award nil cost options over 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 2012 the committee set award levels for main board directors under the LTIP at 75% of annual salary. Under the performance target, which utilises a sliding scale, one third of the award vests 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.

Executive Share Option Scheme (ESOS)

The ESOS was approved by shareholders in May 2005. It provides participants the option to acquire shares at a price equal to market value at the date the options are granted. Options over shares with a market value not exceeding 100% of a participant's base salary may be granted under the ESOS annually.

Report on Directors' Remuneration

Options under the ESOS may be exercised subject to a performance target based on the total shareholder return (TSR) performance of the Company relative to a comparator group. The committee believes that the use of relative TSR as a performance measure is an 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, options granted before 31 December 2012 will vest at 40%; for options granted thereafter the remuneration committee has decided that at median level 25% of options will vest. No options will vest for performance below the median except at the discretion of the committee. 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 lapse.

The ESOS was preceded by the 1995 Executive Share Options Scheme (the 1995 Scheme). Under the 1995 ESOS options to acquire ordinary shares at an exercise price no lower than the market value (as determined in accordance with the 1995 Scheme rules) of a share at the date of grant are 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 ESOS are set out on page 31. 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 as measured by RPI and is at least 9%.

Savings Related Share Option Scheme (SRSOS)

All eligible employees including executive directors have the opportunity to participate in the James Fisher and Sons plc SRSOS which is an H.M. Revenue and Customs approved all-employee share plan. H.M. Revenue and Customs does not permit performance conditions to be attached to the exercise of options. Under the Scheme, participants are granted options over the Company's 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 on maturity.

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 in the Company's Articles. 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. Non-executive directors receive no other pay or benefits (with the exception of reimbursement of expenses properly 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.

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

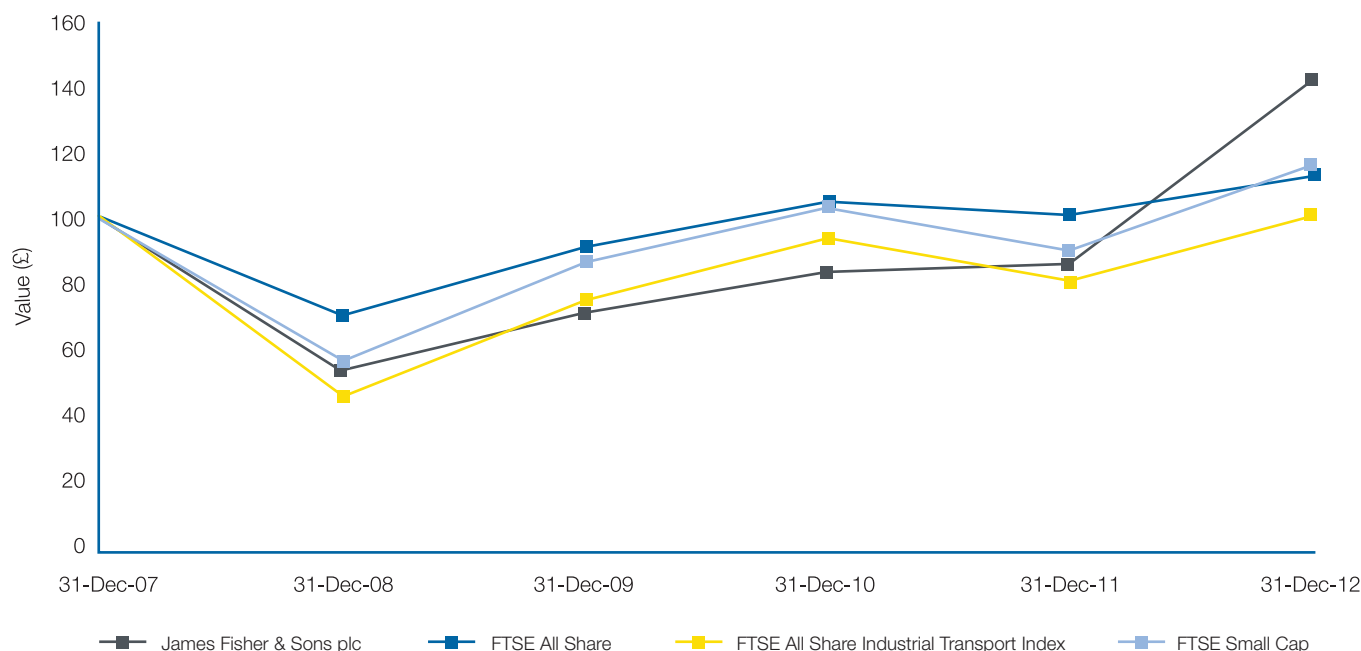
Details of the letters are set out below:

	Date of appointment	Letter of appointment	Expiry date
Maurice Storey	1 December 2003	1 January 2013	31 December 2013
Charles Rice	1 April 2004	1 January 2013	31 December 2013
Michael Everard	28 December 2006	1 January 2013	31 December 2013
Malcolm Paul	1 February 2011	1 January 2013	31 December 2013

Report on Directors' Remuneration

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.



This graph shows the value, by 31 December 2012 of £100 invested in James Fisher & Sons PLC on 31 December 2007 compared with the value of £100 invested in the FTSE All Share, FTSE All Share Industrial Transport and FTSE Small Cap indices. The other points plotted are the values at intervening financial year-ends.

Information subject to audit

Details of directors' remuneration

	Salary and fees £000	Annual performance cash bonuses £000	Benefits in kind £000	2012 Aggregate emoluments excluding pension contributions £000	2011 Aggregate emoluments excluding pension contributions £000
Executive					
T.C. Harris ⁽¹⁾	235	282	9	526	667
N.P. Henry ⁽²⁾	300	210	15	525	449
S.C. Kilpatrick ⁽²⁾	201	141	11	353	301
S.A. Harris ⁽³⁾	175	-	1	176	260
Non-executive					
A.R.C.B. Cooke	-	-	-	-	52
C.J. Rice	114	-	-	114	45
M. Storey	48	-	-	48	45
F.M. Everard	46	-	-	46	45
M.S. Paul	51	-	-	51	41
Aggregate emoluments	1,170	633	36	1,839	1,905

(1) Tim Harris retired on 31 July 2012. The remuneration committee agreed that Tim Harris would be awarded his 2012 bonus in full following the financial performance criteria being met and in recognition of his contribution to the success of the Company under his leadership. The committee also agreed that Tim Harris would remain eligible to receive his outstanding LTIP and ESOS options for 2010 and 2011, subject to satisfaction of the relevant performance conditions and that his 2012 LTIP and ESOS options would be cancelled.

(2) On 1 August 2012, following the retirement of Tim Harris, Nick Henry's base salary was adjusted to £325,000 and Stuart Kilpatrick's base salary was adjusted to £220,000 per annum.

(3) Simon Harris resigned from the Board on 13 February 2012 and received a salary and fees of £18,925 up to that date and a further £157,391 during his notice period. Following his resignation Simon Harris' interest in 2010 and 2011 LTIP and ESOS awards was cancelled.

Benefits in kind principally comprise car allowances and health insurance. Details of the directors' pension entitlements are set out on page 32.

Report on Directors' Remuneration

External directorships of executive directors

The executive directors are permitted to serve as non-executive directors of other companies, provided the appointment is first approved by the remunerations and nominations committees. Directors are allowed to retain their fees from such appointments. During the period in which he served as Executive Chairman during 2012, Tim Harris earned £49,920 (2011: £110,098) for services to other companies.

Executive directors' share options and salary related share option schemes

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. The outstanding options held under the 1995 ESOS Scheme, ESOS, 1995 SRSOS and 2005 SRSOS are as follows:

	Number of share options				31 December 2012 or date of resignation / retirement Number	Exercise price	Date from which exercisable	Expiry date
	1 January 2012 Number	Granted during period Number	Exercised during period Number	Cancelled during period Number				
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
	26,823	-	-	-	26,823	596p**	02.04.10	02.04.17
	2,803	-	-	-	2,803	584p+	01.03.12	01.09.12
	103,107	-	-	(61,684)	41,423	354p*	20.03.12	20.03.19
	88,953	-	-	-	88,953	410p**	19.03.13	19.03.20
	73,466	-	-	-	73,466	522p**	30.03.14	30.03.21
	-	70,988	-	(70,988)	-	567p**	09.03.15	09.03.22
	542,071	70,988	-	(132,672)	480,387			
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
	17,647	-	-	-	17,647	596p**	02.04.10	02.04.17
	2,803	-	(2,803)	-	-	584p+	01.03.12	01.09.12
	65,784	-	-	(39,470)	26,314	354p**	20.03.12	20.03.19
	56,753	-	-	-	56,753	410p**	19.03.13	19.03.20
	49,105	-	-	-	49,105	522p**	30.03.14	30.03.21
	-	49,696	-	-	49,696	567p**	09.03.15	09.03.22
	-	1,750	-	-	1,750	602p+	01.06.17	01.12.17
	262,074	51,446	(2,803)	(39,470)	271,247			
S.C.Kilpatrick	32,808	-	-	-	32,808	522p**	30.03.14	30.03.21
	-	33,204	-	-	33,204	567p**	09.03.15	09.03.22
	32,808	33,204	-	-	66,012			
S.A. Harris	14,526	-	-	-	14,526	327p**	22.06.08	22.06.15
	21,368	-	-	-	21,368	468p**	23.03.09	23.03.16
	11,092	-	-	-	11,092	596p**	02.04.10	02.04.17
	39,470	-	-	(23,682)	15,788	354p**	20.03.12	20.03.19
	34,052	-	-	(34,052)	-	410p**	19.03.13	19.03.20
	28,124	-	-	(28,124)	-	522p**	30.03.14	30.03.21
	148,632	-	-	(85,858)	62,774			
Total	985,585	155,638	(2,803)	(258,000)	880,420			

* 1995 ESOS

** 2005 ESOS

+ 2005 SRSOS

There were gains for executive directors of £3,812 (2011: £nil) on exercise of options under these schemes. The interest of directors other than those noted above, to subscribe for, or acquire, ordinary shares under the ESOS and SRSOS have not changed since the year end.

Report on Directors' Remuneration

Details of the number of share options held by the executive directors under conditional share awards relating to the LTIP are as follows:

	1 January 2012 Number	Granted during year Number	Vested during year Number	Cancelled during year Number	31 December 2011 or date of resignation Number	End of performance period
T.C. Harris	71,747	-	(71,747)	-	-	6 April 2012
	65,988	-	-	-	65,988	6 April 2013
	52,979	-	-	-	52,979	6 April 2014
	-	51,909	-	(51,909)	-	6 April 2015
	190,714	51,909	(71,747)	(51,909)	118,967	
N.P. Henry	45,775	-	(45,775)	-	-	6 April 2012
	42,101	-	-	-	42,101	6 April 2013
	35,411	-	-	-	35,411	6 April 2014
	-	36,340	-	-	36,340	6 April 2015
	123,287	36,340	(45,775)	-	113,852	
S.C. Kilpatrick	23,659	-	-	-	23,659	6 April 2014
	-	24,280	-	-	24,280	6 April 2015
	23,659	24,280	-	-	47,939	
S.A. Harris	27,465	-	(27,465)	-	-	6 April 2012
	25,261	-	-	(25,261)	-	6 April 2013
	20,281	-	-	(20,281)	-	6 April 2014
	73,007	-	(27,465)	(45,542)	-	
Total	410,667	112,529	(144,987)	(97,451)	280,758	

The scheme is unapproved for HM Revenue and Customs purposes. At the date of publication of this report, the interest of directors to subscribe for, or acquire, ordinary shares under the LTIP have not changed since the year end.

Pension schemes

Nick Henry and Simon Harris were members of the Group's defined contribution scheme. The Company's contribution is 13% of base salary which amounted to £39,903 for Nick Henry (2011: £38,222) and £21,028 for Simon Harris (2011: £19,072). Stuart Kilpatrick received a Company contribution of 13% which is paid into a SIPP, and amounted to £26,193 (2011: £22,249).

Interest in shares

The director's interests in the issued shares of the Company are shown in the Directors' Report on page 17.

Sourcing of shares and dilution

The remuneration committee has regard to ABI limits on dilution and reviews the number of shares committed under share incentive schemes in any rolling 10 year period and the headroom available for granting share based incentives in accordance with ABI guidelines on dilution limits.

On vesting the awards of shares under the LTIP are satisfied by the shares held by the James Fisher and Sons plc Employee Benefit Trust (the Trust). During the year the Trust purchased 154,591 ordinary shares on the open market (2011: 256,685). At 31 December 2012 the Trust held 186,329 (2011: 329,615) ordinary shares to satisfy the Group's obligations under share option schemes. During the year 142,391 shares were issued by the Company to satisfy obligations under the ESOS and SRSOS schemes. The ESOS and SRSOS options are normally satisfied by the issue of shares.

Share price during the financial year

The middle market price of one ordinary share in the Company during the financial year ranged from 495.5p to 817.0p and at 31 December 2012 was 810.0p.

Maurice Storey

Chairman of the remuneration committee

5 March 2013

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.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. 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 judgments 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 adequate accounting records that are sufficient to show and explain the parent Company's transactions and 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 2006. 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, Report on Directors' Remuneration and Corporate Governance Statement that complies 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 of the Company and the undertakings included in the consolidation taken as a whole; and
- the Directors' Report, Chairman's Statement and Operating and Financial Review 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 they face.

Nick Henry
Chief Executive Officer

Stuart Kilpatrick
Group Finance Director

On behalf of the Board of directors

5 March 2013

Independent Auditors' Report

To the members of James Fisher and Sons plc

We have audited the financial statements of James Fisher and Sons Plc for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statement of Movements in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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

As explained more fully in the Directors' Responsibilities Statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- information given in the Corporate Governance Statement set out on page 12 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 22, in relation to going concern;
- the part of the Corporate Governance Statement on pages 17 to 21 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Jonathan Hurst (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor,
Chartered Accountants

St James Square, Manchester, M2 6DS

5 March 2013

Consolidated Income Statement

for the year ended 31 December 2012

	Notes	Year ended 31 December 2012			Year ended 31 December 2011		
		Before separately disclosed items £000	Separately disclosed items (note 4) £000	Total £000	Before separately disclosed items £000	Separately disclosed items (note 4) £000	Total £000
Group revenue	3	363,338	-	363,338	307,624	-	307,624
Cost of sales		(316,674)	(9,508)	(326,182)	(268,797)	(254)	(269,051)
Gross profit		46,664	(9,508)	37,156	38,827	(254)	38,573
Administrative expenses		(8,494)	-	(8,494)	(8,379)	-	(8,379)
Share of post tax results of joint ventures	15	3,082	-	3,082	5,685	-	5,685
Operating profit	5	41,252	(9,508)	31,744	36,133	(254)	35,879
Profit on sale of subsidiaries	17	-	20,896	20,896	-	-	-
Finance income	7	262	-	262	322	-	322
Finance costs	7	(6,157)	-	(6,157)	(6,450)	-	(6,450)
Profit before taxation		35,357	11,388	46,745	30,005	(254)	29,751
Tonnage tax		(15)	-	(15)	(23)	-	(23)
Income tax	8	(6,748)	361	(6,387)	(5,683)	72	(5,611)
		(6,763)	361	(6,402)	(5,706)	72	(5,634)
Profit for the year		28,594	11,749	40,343	24,299	(182)	24,117
Profit attributable to :							
Owners of the company		27,995	11,749	39,744	24,273	(182)	24,091
Non - controlling interests		599	-	599	26	-	26
		28,594	11,749	40,343	24,299	(182)	24,117
Earnings per share				pence			pence
Basic	10			79.7			48.4
Diluted	10			79.1			48.0

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2012

	Notes	Year ended 31 December 2012 £000	Year ended 31 December 2011 £000
Profit for the year		40,343	24,117
Other comprehensive income			
Exchange differences on translation of foreign operations		(219)	(809)
Net (gain)/loss on hedge of net investment in foreign operations		(436)	331
Effective portion of changes in fair value of cash flow hedges	28	1,193	(541)
Effective portion of changes in fair value of cash flow hedges in joint ventures	15	(343)	(399)
Net changes in fair value of cash flow hedges transferred to profit or loss		(710)	128
Defined benefit plan actuarial losses	24	(437)	(4,127)
Income tax on other comprehensive income	8	(189)	2,445
Other comprehensive income for the year, net of income tax		(1,141)	(2,972)
Total comprehensive income for the year		39,202	21,145
Attributable to:			
Owners of the Company		38,608	21,119
Non-controlling interests		594	26
		39,202	21,145

Balance Sheets

At 31 December 2012

		Group	Company		
	Notes	31 December 2012 £000	31 December 2011 £000	31 December 2012 £000	31 December 2011 £000
Assets					
Non current assets					
Goodwill and other intangible assets	12,13	92,633	93,188	-	-
Property, plant and equipment	14	103,484	103,898	6,054	6,347
Investment in joint ventures	15	12,391	12,534	-	-
Investments in subsidiaries	16	-	-	238,783	212,829
Available for sale financial assets	16	1,370	1,370	1,368	1,368
Deferred tax assets	9	2,759	2,664	5,246	5,153
		212,637	213,654	251,451	225,697
Current assets					
Inventories	18	36,062	33,691	-	-
Trade and other receivables	19	91,405	80,526	6,076	1,609
Derivative financial instruments	28	790	218	790	218
Corporate tax receivable		-	-	-	2,679
Cash and short term deposits	20	18,339	13,575	48	10
		146,596	128,010	6,914	4,516
Total assets		359,233	341,664	258,365	230,213
Equity and liabilities					
Capital and reserves					
Called up share capital	21	12,517	12,481	12,517	12,481
Share premium		25,144	24,924	25,144	24,924
Treasury shares		(1,061)	(1,681)	(1,061)	(1,681)
Other reserves		3,432	4,742	(1,847)	(1,338)
Retained earnings		123,437	91,304	66,971	46,044
Equity attributable to owners of the Company		163,469	131,770	101,724	80,430
Non-controlling interests		447	(91)	-	-
Total equity		163,916	131,679	101,724	80,430
Non current liabilities					
Other payables	23	743	607	-	-
Retirement benefit obligations	24	27,061	30,133	18,639	20,706
Cumulative preference shares	21	100	100	100	100
Loans and borrowings	26	81,059	103,383	80,965	94,725
Deferred tax liabilities	9	933	1,141	-	-
		109,896	135,364	99,704	115,531
Current liabilities					
Trade and other payables	23	76,769	59,124	21,478	17,328
Current tax		6,664	4,732	117	-
Derivative financial instruments	28	1,686	1,880	1,427	1,643
Loans and borrowings	26	302	8,885	33,915	15,281
		85,421	74,621	56,937	34,252
Total liabilities		195,317	209,985	156,641	149,783
Total equity and liabilities		359,233	341,664	258,365	230,213

These accounts were approved by the Board of directors on 5 March 2013 and signed on its behalf by:

Nick Henry
Chief Executive Officer

Company number 211475

Consolidated cash flow statement

for the year ended 31 December 2012

	Notes	31 December 2012 £000	31 December 2011 £000
Profit before tax		46,745	29,751
Adjustments to reconcile Group profit before tax to net cash flows			
Depreciation and amortisation		16,450	13,806
Amortisation of acquired intangibles		276	254
(Profit)/loss on sale of property, plant and equipment		(670)	335
Impairment of non-current assets		9,232	-
Profit on disposal of subsidiary		(20,896)	-
Finance income		(262)	(322)
Finance costs		6,157	6,450
Exchange gain on loans		(639)	218
Share of post tax results of joint ventures		(3,082)	(5,685)
Share based compensation		1,192	1,503
Increase in trade and other receivables		(13,217)	(19,491)
Increase in inventories		(3,074)	(2,081)
Increase in trade and other payables		17,795	12,282
Defined benefit pension cash contributions less service costs		(4,821)	(5,012)
Cash generated from operations		51,186	32,008
Income tax payments		(3,719)	(4,865)
Cash flow from operating activities		47,467	27,143
Investing activities			
Dividends from joint venture undertakings		4,584	5,913
Proceeds from the sale of property, plant and equipment		2,184	3,989
Finance income		262	322
Acquisition of subsidiaries, net of cash acquired		-	(154)
Proceeds from the sale of business	17	25,105	459
Acquisition of property, plant and equipment		(25,979)	(17,624)
Acquisition of investment in joint ventures		(1,125)	(1,220)
Development expenditure		(2,500)	(2,779)
Cash flows used in investing activities		2,531	(11,094)
Financing activities			
Proceeds from the issue of share capital		256	239
Preference dividend paid		(3)	(4)
Finance costs		(4,836)	(4,750)
Purchase less sales of own shares by ESOP		(771)	(1,449)
Capital element of finance lease repayments		(394)	(423)
Proceeds from other non-current borrowings		37,789	25,448
Repayment of borrowings		(68,531)	(30,162)
Dividends paid		(8,267)	(7,479)
Cash flows from financing activities		(44,757)	(18,580)
Net increase/(decrease) in cash and cash equivalents	27	5,241	(2,531)
Cash and cash equivalents at 1 January		13,575	16,590
Net foreign exchange differences		(477)	(484)
Cash and cash equivalents at 31 December	20	18,339	13,575

Company cash flow statement

for the year ended 31 December 2012

	Notes	31 December 2012 £000	31 December 2011 £000
Profit before tax		27,049	14,836
Adjustments to reconcile company profit before tax to net cash flows			
Depreciation		694	646
Finance income		(5,307)	(1,001)
Finance costs		5,250	4,286
Dividends received from subsidiaries		(32,813)	(25,096)
Reduction in provision against investments		(45)	(46)
Exchange gain on loans		(657)	209
Share based compensation		661	1,020
(Decrease)/increase in trade and other receivables		(4,368)	4,000
Decrease in trade and other payables		5,465	577
Additional defined benefit pension scheme contributions		(3,174)	(2,930)
Cash generated from operations		(7,245)	(3,499)
Income tax receipts		4,431	7,562
Cash flow used in/from operating activities		(2,814)	4,063
Investing activities			
Dividends from subsidiaries		32,813	25,096
Finance income		5,307	1,001
Acquisition of property, plant and equipment		(401)	(300)
Cash flows from investing activities		37,719	25,797
Financing activities			
Proceeds from the issue of share capital		256	239
Preference dividend paid		(3)	(4)
Finance costs		(5,450)	(4,009)
Net loans advanced to subsidiaries		(25,378)	(14,003)
Proceeds from other non-current borrowings		37,078	(26,222)
Purchase less sales of own shares by ESOP		(771)	(1,449)
Repayment of borrowings		(32,332)	23,043
Dividends paid		(8,267)	(7,479)
Cash flows from financing activities		(34,867)	(29,884)
Net increase/(decrease) in cash and cash equivalents	27	38	(24)
Cash and cash equivalents at 1 January		10	34
Cash and cash equivalents at 31 December	20	48	10

Consolidated statement of movements in equity

for the year ended 31 December 2012

For the year ended 31 December 2012

	Capital		Attributable to equity holders of parent						
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	shareholders equity £000	Non-controlling interests £000	Total equity £000	
At 1 January 2012	12,481	24,924	91,304	4,742	(1,681)	131,770	(91)	131,679	
Profit for the period	-	-	39,744	-	-	39,744	599	40,343	
Reclassification of tax on other comprehensive income relating to earlier years	-	-	831	(831)	-	-	-	-	
Exchange differences on translation of foreign operations	-	-	-	(214)	-	(214)	(5)	(219)	
Net gain on hedge of net investment in foreign operations	-	-	-	(358)	-	(358)	-	(358)	
Effective portion of changes in cash flow hedges	-	-	-	1,146	-	1,146	-	1,146	
Effective portion of changes in fair value of cash flow hedges in joint ventures	-	-	-	(343)	-	(343)	-	(343)	
Net changes in fair value of cash flow hedges transferred to profit or loss	-	-	-	(710)	-	(710)	-	(710)	
Defined benefit plan actuarial losses	-	-	(657)	-	-	(657)	-	(657)	
Contributions by and distributions to owners									
Ordinary dividends paid	-	-	(8,267)	-	-	(8,267)	-	(8,267)	
Dividends paid to minority interests	-	-	-	-	-	-	(56)	(56)	
Share-based compensation	-	-	1,192	-	-	1,192	-	1,192	
Tax effect of share based compensation	-	-	681	-	-	681	-	681	
Arising on the issue of shares	36	220	-	-	-	256	-	256	
Purchase of shares	-	-	-	-	(935)	(935)	-	(935)	
Sale of shares	-	-	-	-	164	164	-	164	
Transactions with shareholders	36	220	(6,394)	-	(771)	(6,909)	(56)	(6,965)	
Transfer on disposal of shares	-	-	(1,391)	-	1,391	-	-	-	
At 31 December 2012	12,517	25,144	123,437	3,432	(1,061)	163,469	447	163,916	

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Consolidated statement of movements in equity

for the year ended 31 December 2012

For the year ended 31 December 2011

	Capital		Attributable to equity holders of parent					
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Total shareholders equity £000	Non-controlling interests £000	Total equity £000
At 1 January 2011	12,466	24,700	75,146	6,032	(579)	117,765	-	117,765
Profit for the period	-	-	24,091	-	-	24,091	26	24,117
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	-	(809)	-	(809)	-	(809)
Net (gain)/loss on hedge of net investment in foreign operations	-	-	-	331	-	331	-	331
Effective portion of changes in cash flow hedges	-	-	-	(541)	-	(541)	-	(541)
Effective portion of changes in fair value of cash flow hedges in joint ventures	-	-	-	(399)	-	(399)	-	(399)
Net changes in fair value of cash flow hedges transferred to profit or loss	-	-	-	128	-	128	-	128
Defined benefit plan actuarial losses	-	-	(1,682)	-	-	(1,682)	-	(1,682)
Contributions by and distributions to owners								
Ordinary dividends paid	-	-	(7,479)	-	-	(7,479)	-	(7,479)
Gain on disposal of interest in joint ventures	-	-	72	-	-	72	-	72
Share-based compensation	-	-	1,503	-	-	1,503	-	1,503
Arising on the issue of shares	15	224	-	-	-	239	-	239
Acquired with subsidiaries	-	-	-	-	-	-	(117)	(117)
Purchase of shares	-	-	-	-	(1,449)	(1,449)	-	(1,449)
Transactions with shareholders	15	224	(5,904)	-	(1,449)	(7,114)	(117)	(7,231)
Transfer on disposal of shares	-	-	(347)	-	347	-	-	-
At 31 December 2011	12,481	24,924	91,304	4,742	(1,681)	131,770	(91)	131,679

Other reserve movements

Other reserves	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2011	7,685	(1,653)	6,032
Other comprehensive income for the period	(478)	(812)	(1,290)
At 31 December 2011	7,207	(2,465)	4,742
Other comprehensive income for the period	(1,740)	430	(1,310)
At 31 December 2012	5,467	(2,035)	3,432

Company statement of movements in equity

for the year ended 31 December 2012

	Capital		Retained earnings £000	Hedging reserves £000	Treasury shares £000	Total equity £000
	Share capital £000	Share premium £000				
At 1 January 2012	12,481	24,924	46,044	(1,338)	(1,681)	80,430
Profit for the period	-	-	28,315	-	-	28,315
Reclassification of tax on other comprehensive income relating to earlier years	-	-	862	(862)	-	-
Effective portion of changes in cash flow hedges	-	-	-	1,170	-	1,170
Net changes in fair value of cash flow hedges transferred to profit or loss	-	-	-	(817)	-	(817)
Defined benefit plan actuarial losses	-	-	(465)	-	-	(465)
Contributions by and distributions to owners						
Ordinary dividends paid	-	-	(8,267)	-	-	(8,267)
Share-based compensation	-	-	1,192	-	-	1,192
Tax effect of share based compensation	-	-	681	-	-	681
Arising on the issue of shares	36	220	-	-	-	256
Purchase of shares	-	-	-	-	(935)	(935)
Sale of shares	-	-	-	-	164	164
Transactions with shareholders	36	220	(6,394)	-	(771)	(6,909)
Transfer on disposal of shares	-	-	(1,391)	-	1,391	-
At 31 December 2012	12,517	25,144	66,971	(1,847)	(1,061)	101,724

For the year ended 31 December 2011

	Capital		Retained earnings £000	Hedging reserves £000	Treasury shares £000	Total equity £000
	Share capital £000	Share premium £000				
At 1 January 2011	12,466	24,700	38,050	(1,024)	(579)	73,613
Profit for the period	-	-	16,704	-	-	16,704
Effective portion of changes in cash flow hedges	-	-	-	(442)	-	(442)
Net changes in fair value of cash flow hedges transferred to profit or loss	-	-	-	128	-	128
Defined benefit plan actuarial losses	-	-	(2,387)	-	-	(2,387)
Contributions by and distributions to owners						
Ordinary dividends paid	-	-	(7,479)	-	-	(7,479)
Share-based compensation	-	-	1,503	-	-	1,503
Arising on the issue of shares	15	224	-	-	-	239
Purchase of shares	-	-	-	-	(1,449)	(1,449)
Transactions with shareholders	15	224	(5,976)	-	(1,449)	(7,186)
Transfer on disposal of shares	-	-	(347)	-	347	-
At 31 December 2011	12,481	24,924	46,044	(1,338)	(1,681)	80,430

Notes to the financial statements

General information

The consolidated financial statements comprise the financial statements of James Fisher and Sons Plc (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 2012.

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.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chairman's Statement and Operating and Financial Review on pages 4 to 12. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the primary statements and in note 26. In addition, note 28 of the financial statements includes the Company's objectives; policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risks.

As highlighted in note 28 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 £65.6m of undrawn committed facilities none of which expire within twelve months. 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 banking facilities.

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 5 March 2013.

As permitted by section 408 of the Companies Act 2006, 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 £28,315,000 (2011: £16,704,000).

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.

The format of the Consolidated Income Statement presented in the current period has been amended to show more clearly the results of the group arising from underlying activities, and those related to one-off events or in respect to amortisation of acquired intangibles, for both the current and preceding financial year. Management consider the presentation to represent a more easily understandable format given the significant separately disclosed items arising in the current period.

Statement of compliance

The consolidated financial statements and those of the Company have been prepared in accordance with IFRS adopted by the EU as at 31 December 2012 and are applied in accordance with the provisions of the Companies Act 2006.

1 Significant accounting policies

A summary of the principal accounting policies, which have been applied consistently throughout the year and the preceding year, is set out below.

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

Amendments to existing standards:

Amendments to IFRS 7

Financial Instruments: Disclosures

Improvements to IFRS 2011

The adoption of these standards and interpretations had no impact on the Group.

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.

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 24.

In addition the Group has an obligation in respect of the Merchant Navy Officers Pension Fund. This scheme is funded by the current and former employers to the shipping industry and there is a risk that corporate failure of some of the participants will increase the Group's share of the liability.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy on page 45. An analysis of the Group's goodwill and the assumptions used to test for impairment together with the sensitivity of the impairment review to changes in the key assumptions is set out in note 12.

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).

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. Details of the assets identified in the acquisitions made during the year are set out in note 17.

Income taxes

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

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.

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.

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.

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. Where possible these investments have been structured so that, in the opinion of the directors, the Group has the power to govern the financial and operating policies of the entity 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. Where this is not possible the Group recognises as a minority interest the share of the right to receive future income distributions attributable to the local investor.

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 and liabilities, 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 other comprehensive income are also recognised by the Group in other comprehensive income.

Non-controlling 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. On acquisition of non-controlling interests the difference between the consideration paid and the fair value of the share of net assets acquired is recognised as goodwill.

Notes to the financial statements continued

1 Significant accounting policies continued

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.

(ii) Company

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

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

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 when its right to receive the dividend is established.

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. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method if the time value of money may have a significant impact on their value less any impairment losses. 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 other comprehensive income 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.

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 other comprehensive income 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 unless designated as a hedging instrument.

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 any impairment losses.

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.

The principal rates used are:

Development costs	20% or over the expected period of product sales
Intellectual property	5% to 33%
Patents and Licences	20% or over the period of the licence
Other Intangibles	20%

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

Goodwill

Following the adoption of IFRS 3 (2008) business combinations, goodwill arising on the acquisition of subsidiary undertakings and business units from 1 January 2010 represents the excess of the fair value of the consideration payable to the vendor plus the recognised amount of any non-controlling interest in the acquiree, over the fair value of the identifiable assets, liabilities and contingent liabilities acquired. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Goodwill on acquisitions between 1 January 2004 and 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as they arise.

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. 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.

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.

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.

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.

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 2012 (31 December 2011: £nil).

Notes to the financial statements continued

1 Significant accounting policies continued

Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Refit costs relating to vessels are capitalised 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.

The principal rates used are:

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

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 is recognised in the income statement as incurred.

Expenditure on development costs which represents 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 is determined on a project by project basis.

Capitalised development expenditure is amortised over its expected useful life on a straight line basis. Capitalised development costs are measured at cost less accumulated amortisation and impairment losses. Other development costs are recognised in the income statement as incurred.

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;
- Long term service contracts.

(i) General

Where the outcome of a long term 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 long term contract it is recognised as an expense immediately in the income statement.

When the outcome of a long term 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 contract costs and amortised over the life of the initial period of the contract to which they relate.

Taxation

Tonnage tax payable by those Group entities who have entered the tonnage tax regime 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 a business combination or items recognised directly in equity, or in other comprehensive income.

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 expected to be 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 other comprehensive income. Where the cash contributions made to the schemes exceed the service costs recognised in the income statement the current tax arising is recorded in other comprehensive income;
- No deferred tax is recognised on vessels which are subject to the tonnage tax regime.

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, Euro and Norwegian Kroner. The Group is also exposed to interest rate risk arising from long term borrowings. The Group uses derivative financial instruments to manage or hedge risk, in the form of foreign currency contracts, to manage foreign exchange risk and interest rate swaps to reduce exposure to interest rate movements.

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

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

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

Cash flow hedges

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

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

Notes to the financial statements continued

1 Significant accounting policies continued

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 other comprehensive income. Gains or losses arising on any portion deemed to be ineffective are recognised immediately in the income statement.

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 other comprehensive income is retained in equity until either the related forecast transaction occurs, in which case it is recognised in accordance with the policy stated above, or if the hedged transaction is not expected to take place, it is recognised immediately in the income statement.

Fair value hedges

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

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

Derivatives that do not qualify for hedge accounting

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

Calculation of fair values

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

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

Interest-bearing loans and other borrowings

All interest-bearing loans and other borrowings are initially recorded at fair value, which represents the fair value of the consideration received net of any issue costs associated with other borrowings. Finance charges, including any premiums payable on settlement or redemption of debt instruments including preference shares and the direct costs of issue, are accounted for on an amortised cost basis in 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.

Accounting for leases

(i) Operating leases

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

(ii) Finance leases

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

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

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

Pension plans

(i) Defined contribution scheme

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

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

(ii) Defined benefit scheme

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

The schemes are funded by payments determined by periodic actuarial calculations agreed between the Group and the trustees of 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 and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on the long-term market returns on scheme assets assessed at the start of the period adjusted for the effect of contributions received and benefits paid during the year. The expected return on plan assets and the interest cost are recognised in the income statement in finance income and finance costs respectively.

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.

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. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply 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. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

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 Comprehensive Income.

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 vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In addition to failure by the employee to exercise an option in accordance with the exercise period allowed by the scheme, an award made to an employee under a share option scheme is deemed to lapse when either the scheme is cancelled by the Company, or when an employee, who continues to qualify for membership of a scheme, ceases to pay contributions to that scheme. In these circumstances the full remaining unexpired cost of the award will be expensed in the period in which the option lapses.

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. No reversal of previously recognised expense is made when options lapse.

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.

Notes to the financial statements continued

1 Significant accounting policies continued

Treasury shares

Shares issued by the Company which are held by the Company or its subsidiary entities (including the Employee Share Ownership Trust (ESOT)), 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.

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.

Details of the revenue recognition on long term contracts are included on page 54.

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.

Non-current assets held for sale

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

Cash and cash equivalents

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

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 2012 with an effective date of implementation after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)		Effective Date (for Group)
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
Amendment to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IAS 19	Defined Benefit Plans	1 January 2013
IFRS 10 (revised)	Consolidated Financial Statements	1 January 2014
IFRS 11 (revised)	Joint Arrangements	1 January 2014
IFRS 12 (revised)	Disclosure of Interests in Other Entities	1 January 2014
IAS 27 (revised)	Separate Financial Statements (2011)	1 January 2014
IAS 28 (revised)	Investments in Associates and Joint Ventures (2011)	1 January 2014
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014

Except as set out below 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.

IAS 19 (revised) Employee Benefits revises the way in which the long term employee benefit costs in the period are measured. Currently the returns on the assets of a pension scheme and the interest costs on the liabilities are calculated separately using appropriate rates of return.

Under the revised approach these returns will be calculated by applying the same discount rate to the net pension liability. As the discount rate is generally lower than the expected return on assets the effect of this change will be to increase the net interest expense reported in the income statement. Application of the standard will not change the valuation of the net pension scheme liability itself. Therefore it will result in an increased difference between the expected return on assets and the historical outcome. This difference will continue to be recorded as an actuarial adjustment in reserves. As a result the restatement of the financial statements on application of this standard will affect only the income statement and will have no effect on the cash flow or the shareholders equity of the Group.

2 Segmental information

Operating segments

Management has determined the operating segments based on the reports reviewed by the Board that are utilised to make strategic decisions. The Board considers the business primarily from the products and services perspective and has four reportable operating segments:

- Specialist Technical - includes the hire and sale of large scale pneumatic fenders and ship to ship transfer services, the design and supply of systems for monitoring strains and stress in structures and equipment and non-destructive testing, decommissioning and remote operations and monitoring services predominantly to the Nuclear industry.
- Offshore Oil - manufacture and rental of equipment for the offshore oil and gas industry and the design and manufacture of specialist downhole tools and equipment for extracting oil.
- Defence - provision of marine services to the Ministry of Defence (MoD) and other navies including the UK submarine rescue services, maintenance, asset management and consultancy services, a joint venture which provides military strategic sealift capability via its operation of six roll on-roll off vessels for the MoD, and a joint venture which provides submarine rescue services to the Government of Singapore.
- Marine Oil - engaged in the sea transportation of clean petroleum products in North West Europe.

The Board assess the performance of the segments based on operating profit before central common costs, acquisition costs and amortisation of intangible assets but after the Group's share of the post tax results of associates and joint ventures. This is defined as underlying operating profit in the following tables. The Board believes that such information is the most relevant in evaluating the results of certain segments relative to other entities which operate within these industries.

Inter segmental sales are made using prices determined on an arms length basis.

The Group's largest customer accounted for 12% of Group revenue. In 2011 no individual customer accounted for more than 10% of external revenue.

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 2012 and 2011.

Notes to the financial statements continued

2 Segmental information continued
Year ended 31 December 2012

	Specialist Technical £000	Offshore Oil £000	Defence £000	Marine Oil £000	Corporate* £000	Total £000
Segmental revenue	200,190	83,694	23,678	61,824	-	369,386
Inter segment sales	(5,363)	(335)	(350)	-	-	(6,048)
Group revenue	194,827	83,359	23,328	61,824	-	363,338
Operating profit before separately disclosed items	22,423	17,131	2,391	2,405	(3,098)	41,252
Amortisation of acquired intangibles	(138)	(138)	-	-	-	(276)
Profit on sale of subsidiary	20,896	-	-	-	-	20,896
Impairment of vessels	(1,659)	-	-	(7,573)	-	(9,232)
Profit from operations including results of associates and joint ventures	41,522	16,993	2,391	(5,168)	(3,098)	52,640
Finance income						262
Finance costs						(6,157)
Profit before tonnage and income tax						46,745
Tonnage and income tax						(6,402)
Profit attributable to equity holders						40,343
Share of post tax results of associates and joint ventures	798	-	2,284	-	-	3,082
Assets & liabilities						
Segment assets	121,406	127,732	21,333	49,313	27,058	346,842
Investment in joint ventures	7,710	-	4,681	-	-	12,391
Total assets	129,116	127,732	26,014	49,313	27,058	359,233
Segment liabilities	(39,329)	(14,553)	(6,640)	(16,534)	(118,261)	(195,317)
	89,787	113,179	19,374	32,779	(91,203)	163,916
Capital expenditure:						
Property, plant and equipment	9,992	12,912	574	2,558	64	26,100
Depreciation	3,278	7,226	372	4,681	167	15,724
Amortisation of intangible assets	704	298	-	-	-	1,002

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

* corporate liabilities comprise net borrowings, pension schemes and corporate and deferred tax liabilities

Business segments

Year ended 31 December 2011

	Specialist Technical £000	Offshore Oil £000	Defence £000	Marine Oil £000	Corporate* £000	Total £000
Revenue						
Segmental revenue	146,521	71,580	29,271	66,805	-	314,177
Inter segment sales	(5,077)	(369)	(1,107)	-	-	(6,553)
Group revenue	141,444	71,211	28,164	66,805	-	307,624
Operating profit before separately disclosed items	19,792	12,783	5,490	1,145	(3,077)	36,133
Amortisation of acquired intangibles	(113)	(141)	-	-	-	(254)
Profit from operations including results of associates and joint ventures	19,679	12,642	5,490	1,145	(3,077)	35,879
Finance income						322
Finance costs						(6,450)
Profit before tonnage and income tax						29,751
Tonnage and income tax						(5,634)
Profit attributable to equity holders						24,117
Share of post tax results of associates and joint ventures	2,086	-	3,599	-	-	5,685
Assets & liabilities						
Segment assets	105,888	114,562	28,510	59,975	20,195	329,130
Investment in joint ventures	7,336	-	5,198	-	-	12,534
Total assets	113,224	114,562	33,708	59,975	20,195	341,664
Segment liabilities	(25,600)	(10,688)	(10,440)	(17,903)	(145,354)	(209,985)
	87,624	103,874	23,268	42,072	(125,159)	131,659
Capital expenditure:						
Property, plant and equipment	4,146	11,110	192	1,506	181	17,135
Depreciation	2,323	6,201	324	4,412	168	13,428
Amortisation of intangible assets	411	221	-	-	-	632

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

* corporate liabilities comprise net borrowings, pension schemes and corporate and deferred tax liabilities

Notes to the financial statements continued

2 Segmental information continued

Geographic information

The following table represents revenue, expenditure and certain asset information regarding the Group's geographic presence for the years ended 2012 and 2011.

Geographical revenue is determined by the location in which the product or service is provided. Where customers receive the product or service in one geographical location for use or shipment to another it is not practicable for the Group to identify this and the revenue is attributed to the location of the initial shipment. The geographical allocation of segmental assets and liabilities is determined by the location of the attributable business unit.

	United Kingdom		Rest of Europe		Middle East, Africa & Americas		Asia Pacific		Total	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Revenue										
Segmental revenue	152,169	135,388	70,527	80,143	89,804	42,178	56,886	56,468	369,386	314,177
Inter segment sales	(5,649)	(6,431)	(23)	(122)	(376)	-	-	-	(6,048)	(6,553)
Group revenue	146,520	128,957	70,504	80,021	89,428	42,178	56,886	56,468	363,338	307,624
Segment assets	97,431	81,586	8,308	28,783	22,283	5,044	18,571	12,597	146,593	128,010
Investment in joint ventures	3,187	3,412	193	222	4,987	6,127	4,024	2,773	12,391	12,534
Financial assets	1,370	1,370	-	-	-	-	-	-	1,370	1,370
Other non-current assets	126,421	147,107	55,777	39,671	5,233	2,743	11,448	10,229	198,879	199,750
									359,233	341,664

3 Revenue

Revenue disclosed in the income statement is analysed as follows

	2012 £000	2011 £000
Sale of goods and services	319,595	267,567
Rental income	40,270	32,707
Contract revenue recognised in the period	3,473	7,350
Total revenue	363,338	307,624

Construction contracts

	2012 £000	2011 £000
Amounts included in the income statement		
Contract revenue recognised in the period	3,473	7,350
Costs relating to contract revenue recognised in the period	(3,427)	(5,910)
Recognised as profits in the period and to date	46	1,440
Amounts included in the balance sheet:		
Amount due from customers included in receivables	1,958	7,350
Included in accruals and deferred revenue	528	(542)
Amounts included in trade creditors	(2,731)	(4,039)
Net investment in contract work in progress	(245)	2,769

4 Separately disclosed items

	2012 £000	2011 £000
Profit on sale of subsidiary	20,896	-
Impairment of vessels	(9,232)	-
Amortisation of acquired intangibles	(276)	(254)
	11,388	(254)

On 31 December 2012 the Group disposed of the entire issued share capital of The Railway Engineering Company Limited (TRE) for a gross consideration of £25,500,000. The gain of £20,896,000 is included in the Specialist Technical division. Further details of the disposal are included in note 17.

The directors have carried out an impairment review of the Group's fleet of vessels. The global market for its tankships has not improved and whilst their trading value in their niche operation remains sound, there has been no recovery in the sale and purchase market and vessel realisable values are potentially below current book values. The Group's strategy is to make further adjustments to its fleet both in total and between tonnage types to meet contracted demand. As a result of the review, the expected realisable values and the projected future contributions of the vessel fleet has resulted in an impairment provision in the Marine Oil division of £7,573,000 and a further £1,659,000 within Specialist Technical. These provisions have been recognised in the income statement.

Amortisation of acquired intangibles relates to the amortisation of the value attributed to customer relationships arising on the acquisition of certain subsidiaries.

The tax credit arising on separately disclosed items is £361,000 (2011: £72,000).

5 Operating profit

This is stated after charging/(crediting):

	2012 £000	2011 £000
(Profit)/loss on sale of property, plant and equipment	(670)	335
Depreciation of property, plant and equipment:		
ships	4,964	4,693
other	10,760	8,735
Total depreciation charge	15,724	13,428
Amortisation of intangible assets	1,002	632
Research and development costs	1,667	1,648
Net foreign currency (gains)/losses	(376)	517
Cost of inventories recognised as an expense	130,555	106,637
Operating lease rentals:		
property	3,758	3,452
ships	9,537	10,699
other	687	594
	13,802	14,745
hire of vessels	5,074	-
	19,056	14,745
Auditor's remuneration comprises the following:	2012 £000	2011 £000
Audit of the financial statements of the parent	140	165
Fees payable to the company's auditor and its associates for other services:		
Local statutory audits of subsidiaries	276	235
	416	400
Taxation services	305	112
Corporate finance services	-	-
Other services	42	13
	763	525

Audit fees relate entirely to the Group's current auditor, KPMG Audit plc.

Notes to the financial statements continued

6 Staff costs and directors' emoluments

	Group	
	2012 £000	2011 £000
(a) Staff costs including executive directors		
Wages and salaries	69,975	61,703
Social security costs	6,958	5,748
Pension costs	3,234	1,938
Share based compensation	1,192	1,503
	81,359	70,892

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

	Group	
	2012 Number	2011 Number
Technical and administrative	1,577	1,387
Seafarers	246	259
	1,823	1,646

(b) Directors' emoluments

	2012 £000	2011 £000
Directors' emoluments	1,839	1,905
Aggregate gains made by directors on the exercise of options	4	-
Pension contributions	87	82
Number of directors accruing benefits under:		
Defined contribution schemes	2	3

Full details of the emoluments of directors are set out in the Directors' Remuneration Report on page*

7 Finance income and finance costs

	2012 £000	2011 £000
Bank interest receivable	262	322
Interest payable in respect of:		
Bank loans and overdrafts	(4,260)	(4,398)
Amortisation of loan arrangement fees	(660)	(551)
Preference dividend	(3)	(4)
Finance charges payable under finance leases	(40)	(66)
Interest on pension obligations	(1,135)	(1,421)
Other interest	(59)	(10)
	(6,157)	(6,450)

8 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 as follows:

	2012 £000	2011 £000
Current tax:		
UK corporation tax	(3,661)	(2,700)
Tax overprovided in previous years	23	935
Foreign tax	(3,724)	(2,381)
Total current tax	(7,362)	(4,146)
Deferred tax:		
Origination and reversal of temporary differences	975	(1,465)
Total taxation on continuing operations	(6,387)	(5,611)
The total tax charge in the income statement is allocated as follows:		
Income tax expense reported in Group income statement	6,387	5,611
Share of joint ventures' current tax	174	152
Total income tax expense	6,561	5,763

	Group	
	2012 £000	2011 £000
Income tax on comprehensive income		
Current tax:		
Current tax on foreign exchange losses/(profits) on internal loans	78	177
Current tax on contributions to defined benefit pension schemes	1,034	881
Current tax on contributions to defined benefit pension schemes - relating to prior year	-	1,770
Deferred tax:		
Deferred tax relating to the actuarial gains and losses on defined benefit pension schemes	(1,254)	(547)
Deferred tax relating to fair value of derivatives	(47)	164
	(189)	2,445

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:

	2012 £000	2011 £000
Profit before tax from continuing operations	46,745	29,751
Tax arising in interests in joint ventures (note 15)	174	152
	46,919	29,903
At UK statutory tax rate of 24.5% (2011: 26.5%)	11,495	7,924
Difference due to application of tonnage tax to vessel activities	1,369	(248)
Expenses not deductible for tax purposes	274	202
Profit on disposal of subsidiary	(5,120)	-
(Over)/under provision in previous years		
Current tax	(23)	(935)
Deferred tax	(393)	1,016
Share based payments	(33)	(82)
Lower taxes on overseas income	(429)	(1,360)
Research and development relief	(147)	(151)
Utilisation of losses brought forward	(216)	(6)
Non taxable income	-	(411)
Impact of change of rate	(262)	(270)
Other	46	84
	6,561	5,763

The effective income tax rate on the underlying profit before tax is 19.1% (2011: 19.0%). The effective rate on profit before income and tonnage tax from continuing operations is 18.5% (2011: 19.1%).

Unrecognised tax losses

At 31 December 2012 the Group had unrecognised tax losses of £77,000 (2011: £2,397,000). A deferred tax asset has not been recognised in respect of these losses due to the uncertainty relating to their future recovery.

The Group has elected to enter tonnage tax with effect from 2000. This election was renewed in 2009. 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 into tonnage tax in 2000 has expired in accordance with this seven year provision. However, there is a contingent liability relating to the FT Everard & Sons Limited fleet which entered tonnage tax in 2006.

The contingent liability at 31 December 2012 was £69,000 (2011: £194,000). This assumes that any such ships unsold at 31 December are sold at the lower of net book value at 31 December 2012 and market value on entry into tonnage tax and that after 2012 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.

There is no provision for deferred tax on accelerated capital allowances for activities which fall within tonnage tax.

Notes to the financial statements continued

8 Taxation (continued)

UK corporation tax rates are reducing from 28% to 21% over a period of four years from 2011. The rate reduced to 24% on 1 April 2012 and a further reduction to 23% effective from 1 April 2014 has also been enacted. This will reduce the Group's future current tax charge accordingly. The deferred tax balance at 31 December 2012 has been calculated based on application of the reduced 23% UK Corporation tax rate from the relevant date and the impact of the remeasurement has been included in the income statement and other comprehensive income as appropriate. As the reduction to 21% is not substantively enacted at the balance sheet date it has not been accounted for. It has not been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax assets.

9 Deferred tax

Group

Deferred tax at 31 December relates to the following:

	Balance sheet		Income statement	
	2012 £000	2011 £000	2012 £000	2011 £000
Deferred tax assets				
Retirement benefits	4,826	5,886	(234)	(175)
Share based payments	1,062	692	29	(210)
Derivative financial instruments	453	500	-	-
Losses carried forward	205	-	(205)	-
	6,546	7,078		
Deferred tax liabilities				
Property plant and equipment	(3,291)	(4,095)	(804)	586
Intangible assets	(2,097)	(2,003)	327	1,163
Other items	668	543	(88)	101
	(4,720)	(5,555)		
Deferred income tax charge			(975)	1,465
Net deferred income tax asset	1,826	1,523		

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

	2012 £000	2011 £000
Balance at 1 January	1,523	3,358
Charged to comprehensive income	(902)	(383)
Credited/(charged) to income statement	975	(1,465)
Exchange adjustments	(3)	13
Disposal of subsidiaries	233	-
Balance at 31 December	1,826	1,523

At 31 December 2012 the Group has no recognised deferred income tax liability (2011: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. At 31 December 2012 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £45,327,000 (2011: £19,332,000). No deferred income tax liability has been recognised in respect of this temporary timing difference due to the foreign profits exemption, 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.

Company

	Balance sheet	
	2012 £000	2011 £000
Deferred tax at 31 December relates to the following:		
Deferred tax assets		
Retirement benefits	3,126	3,770
Temporary differences	571	368
Share based payments	1,062	692
Accelerated capital allowances for tax purposes	53	33
Derivative financial instruments	243	290
Losses carried forward	205	-
	5,260	5,153
Deferred tax liabilities		
Other	(14)	-
Net deferred income tax asset	5,246	5,153
The gross movement on the deferred income tax account is as follows:		
	2012 £000	2011 £000
Balance at 1 January	5,153	4,693
Charged to equity in statement of comprehensive income	(431)	(68)
Credited to income statement	524	528
Balance at 31 December	5,246	5,153

At 31 December 2012 the Company has no recognised deferred income tax liability (2011: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. At 31 December 2012 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £45,327,000 (2011: £19,332,000). No deferred income tax liability has been recognised in respect of this temporary timing difference due to the foreign profits exemption, the availability of double taxation relief and the ability to control the remittance of earnings.

Notes to the financial statements continued

10 Earnings per share

Basic earnings per share is 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 held 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 Company by the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

At 31 December 2012 10,315 options (2011: 389,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

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

Weighted average number of shares

	2012 Number of shares	2011 Number of shares
For basic earnings per ordinary share*	49,871,906	49,777,165
Potential exercise of share options and LTIPs	395,964	425,687
For diluted earnings per ordinary share	50,267,870	50,202,852

* Excludes 186,329 (2011: 329,615) shares owned by the James Fisher and Sons plc Employee Share Ownership Trust.

Adjusted earnings per share

To provide a better understanding of the underlying performance of the Group, an adjusted earnings per share on continuing activities is provided. Adjusted earnings are before separately disclosed items.

	2012 £000	2011 £000
Profit attributable to owners of the Company	39,744	24,091
Adjustments:		
Separately disclosed items	(11,388)	254
Tax on separately disclosed items	(361)	(72)
Adjusted profit attributable to owners of the Company	27,995	24,273
	pence	pence
Basic earnings per share on profit from operations	79.7	48.4
Diluted earnings per share on profit from operations	79.1	48.0
Adjusted basic earnings per share on profit from operations	56.1	48.8
Adjusted diluted earnings per share on profit from operations	55.7	48.4

11 Dividends paid and proposed

	2012 £000	2011 £000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2011: 10.74p per share (2010: 9.68p)	5,362	4,830
Interim dividend for 2012: 5.87p per share (2011: 5.34p)	2,939	2,666
Less dividends on own shares held by ESOP	(34)	(17)
	8,267	7,479
Proposed for approval at Annual General Meeting (not recognised as a liability at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2012: 11.83p per share (2011: 10.74p)	5,901	5,327

12 Goodwill

Group

	2012 £000	2011 £000
Cost and net book value:		
At 1 January	87,351	87,518
Exchange differences	206	(232)
Disposal of subsidiary	(1,167)	-
Acquisition of subsidiaries	-	65
At 31 December	86,390	87,351

Impairment of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to cash generating units (CGU) described in note 2.

The carrying amount of goodwill allocated to each CGU by segment is:

	2012 £000	2011 £000
Specialist Technical	28,531	29,777
Offshore Oil	42,230	41,945
Defence	5,370	5,370
Marine Oil	10,259	10,259
	86,390	87,351

Notes to the financial statements continued

12 Goodwill continued

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 management's long term expectations for the relevant market.

The key assumptions used in the value in use calculations include gross margin, discount rate, inflation of overheads and payroll and growth rates.

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 4% and 38%. These growth rates are considered to be conservative and vary dependant on the market conditions in which the CGU operates. 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 2%.

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 2.5% in mature business to up to 6% for specific posts in businesses located in areas where skilled staff are in short supply.

Discount rates reflect management's estimate of the return required from the business to reflect the cost of funds plus an appropriate risk premium. This has been determined with reference to the CGU's weighted average cost of capital (WACC), and adjusting it for risks specific to each CGU's cash flows. The range of pre-tax discount rate used is 10.2% to 11.2% (2011: range of 9.5% to 11.0%). An effective tax rate of 19.0% has been assumed.

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

The key assumptions applied to each CGU are as follows:

Specialist Technical: maximum short term gross profit growth of between 4 and 40% with long term growth of between 2 and 7%, maximum growth in direct costs of 30% with between 2 and 7% increase in the long term.

Offshore Oil: maximum short term gross profit growth of between 10 and 20% with long term growth of 2%, maximum growth in direct costs of 20% with 2% increase in the long term.

Defence: maximum short term gross profit growth of 64% with long term growth of 2%, maximum growth in direct costs of 34% with 2% increase in the long term.

Marine Oil: maximum short term gross profit growth of 4% with long term growth of between 1 and 2%, maximum growth in direct costs of 5% with between 1 and 2% increase in the long term.

Long term growth has been assumed at a steady market rate of 2% in line with the requirements of IAS 36.

Sensitivity to impairment

Sensitivity analysis has been performed to determine the impact of a reasonable change in a key assumption (e.g. increase in discount rate by 2%, removal of long term growth) and no impairment issues were identified.

13 Other intangible assets

Group	Development costs £000	Intellectual property £000	Customer relationships £000	Total £000
Cost				
At 1 January 2011	1,125	397	1,200	2,722
Additions	3,603	149	230	3,982
Exchange differences	-	(3)	(7)	(10)
At 31 December 2011	4,728	543	1,423	6,694
Additions	2,459	41	-	2,500
Disposal of subsidiary undertaking	(1,496)	-	-	(1,496)
Exchange differences	-	6	(6)	-
At 31 December 2012	5,691	590	1,417	7,698
Amortisation				
At 1 January 2011	-	73	156	229
Charge for the period	243	135	254	632
Exchange differences	-	(1)	(3)	(4)
At 31 December 2011	243	207	407	857
Charge for the period	562	164	276	1,002
Disposal of subsidiary undertaking	(408)	-	-	(408)
Exchange differences	-	3	1	4
At 31 December 2012	397	374	684	1,455
Net book value at 31 December 2012	5,294	216	733	6,243
Net book value at 1 January 2012	4,485	336	1,016	5,837
Net book value at 1 January 2011	1,125	324	1,044	2,493

The Company has not recognised any intangible assets.

Intangible assets include intellectual property rights and patents and licences acquired by subsidiary companies relating to technology used in the subsidiary's principal operating activities, the fair value of customer relationships acquired and development costs relating to new products or processes.

Intangible assets are amortised evenly over their remaining useful life of between three and twenty years. The amortisation charge is included in cost of sales in the income statement.

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

Notes to the financial statements continued

14 Property, plant and equipment

	Analysis of ships		Total ships	Assets under construction	Freehold & leasehold property	Plant & equipment	Total
	ships £000	refit £000	ships £000	£000	£000	£000	£000
Group							
Cost:							
At 1 January 2011	68,409	9,789	78,198	423	20,387	62,931	161,939
Additions	474	965	1,439	1,403	947	13,257	17,046
Reclassifications	-	-	-	(578)	(35)	250	(363)
Acquisition of subsidiary undertaking	-	-	-	-	-	89	89
Disposals	(4,400)	(706)	(5,106)	-	(111)	(1,328)	(6,545)
Exchange differences	(9)	(2)	(11)	-	(3)	(463)	(477)
At 31 December 2011	64,474	10,046	74,520	1,248	21,185	74,736	171,689
Additions	502	2,073	2,575	(306)	1,522	22,308	26,099
Reclassifications	-	-	-	962	67	(1,062)	(33)
Disposals	(599)	(111)	(710)	(26)	(136)	(2,959)	(3,831)
Disposal of subsidiary undertaking	-	-	-	-	-	(388)	(388)
Exchange differences	29	7	36	15	(101)	476	426
At 31 December 2012	64,406	12,015	76,421	1,893	22,537	93,111	193,962
Group							
Depreciation and impairment:							
At 1 January 2011	25,345	6,305	31,650	-	2,131	23,475	57,256
Provided during the year	2,938	1,755	4,693	-	533	8,202	13,428
Reclassifications	-	-	-	-	-	(16)	(16)
Disposals	(1,288)	(698)	(1,986)	-	(24)	(560)	(2,570)
Exchange differences	(2)	(1)	(3)	-	(20)	(284)	(307)
At 31 December 2011	26,993	7,361	34,354	-	2,620	30,817	67,791
Provided during the year	2,868	2,096	4,964	-	815	9,945	15,724
Reclassifications	-	-	-	-	51	(84)	(33)
Disposal of subsidiary undertaking	-	-	-	-	-	(256)	(256)
Impairments	9,232	-	9,232	-	-	-	9,232
Disposals	(599)	(111)	(710)	-	(48)	(1,560)	(2,318)
Exchange differences	8	5	13	-	6	319	338
At 31 December 2012	38,502	9,351	47,853	-	3,444	39,181	90,478
Net book value at 31 December 2012	25,904	2,664	28,568	1,893	19,093	53,930	103,484
Net book value at 1 January 2012	37,481	2,685	40,166	1,248	18,565	43,919	103,898
Net book value at 1 January 2011	43,064	3,484	46,548	423	18,256	39,456	104,683

Reclassifications

Reclassifications relate assets transferred to inventory prior to disposal.

Impairment provisions

As referred to in note 4, the Group has recognised an impairment provision in respect of its fleet of vessels. The total amount of the impairment recognised which is included in cost of sales in the income statement is £9,232,000. The impairment relates to the class of assets referred to as ships in the table above. The segmental allocation of the provision between the Marine Oil and Specialist Technical segments is shown in note 2.

The impairment has been calculated based on the estimated value in use of the assets compared to their current carrying value. Income has been estimated over a period of 5 years being the estimated time required to dispose of the vessels with allowance made for the estimated disposal value of the vessels, less the costs directly attributable to the disposal of the asset. Income has been determined by calculating the most likely performance achievable by the vessels given current expectations of the value of contracts available, availability of vessels and the expected market conditions over the period. The related expenses of operating the vessels reflect the expected changes in costs including labour, insurance and fuel over the period. These values have then been discounted at a post tax rate of 8.8%. The rate has been determined based on the after tax weighted average cost of capital of the Group, adjusted for the relative risk profile of the business segment.

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 2012 was £1,561,000 (2011: £1,374,000). Included in ships are assets with a cost of £5,275,000 (2011: £5,711,000) and accumulated depreciation of £3,714,000 (2011: £3,687,000) which relate to assets held under operating leases. Included in property, plant and equipment is aggregate interest capitalised of £2,383,000 (2011: £2,383,000).

	Ships £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
Company				
Cost:				
At 1 January 2011	9,103	1,901	935	11,939
Additions	115	-	183	298
Disposals	-	-	(17)	(17)
Inter group transfers	-	-	93	93
At 31 December 2011	9,218	1,901	1,194	12,313
Additions	337	8	56	401
Disposals	(111)	-	(15)	(126)
At 31 December 2012	9,444	1,909	1,235	12,588
Company				
Depreciation:				
At 1 January 2011	3,852	629	765	5,246
Provided during the year	478	73	96	647
Disposals	-	-	(17)	(17)
Inter group transfers	-	-	90	90
At 31 December 2011	4,330	702	934	5,966
Provided during the year	528	71	95	694
Disposals	(111)	-	(15)	(126)
At 31 December 2012	4,747	773	1,014	6,534
Net book value at 31 December 2012	4,697	1,136	221	6,054
Net book value at 1 January 2012	4,888	1,199	260	6,347
Net book value at 1 January 2011	5,251	1,272	170	6,693

Included in property, plant and equipment is aggregate interest capitalised of £187,000 (2011: £187,000).

15 Investment in joint ventures

The Group has a 25% equity interest in the ordinary shares of Foreland Holdings Limited, a ship owning and operating company.

On 1 September 2012 the Group acquired an additional 10% interest in Fender Care Malaysia SDN BHD for a consideration of £957,000 which increased the Group's equity interest in the business to 40%. Goodwill of £720,000 arose on the acquisition of this interest and is included in the investment in joint ventures. During the year the Group paid £168,000 into its Dubai based joint venture, Fendercare Omega LLC, in respect of its 50% equity interest in the company. On 1 January 2011 the Group acquired an additional 5% equity interest in its Nigerian based joint venture Fender Care Nigeria Limited. Following the acquisition the Group has a 45% equity interest in the ordinary shares of Fender Care Nigeria Limited, Silvertide Inc, Asteria Navigation Inc and FCN Limited. The Group has a 50% equity interest in the ordinary shares of Fender Care Benelux BV and Fender Care Omega Limited. 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 and in Northern Europe and Asia.

The Group has a 50% equity interest in the ordinary shares of First Response Marine Pte Ltd (FRM). FRM provides submarine rescue services to the Singapore government under a 20 year service contract which commenced in March 2009.

Details of the principal joint ventures and associated undertakings are set out on page 95.

Notes to the financial statements continued

15 Investment in joint ventures continued

The Group's share of the assets, liabilities and trading results of these joint venture entities at 31 December 2012 which are accounted for under the equity accounting method, are as follows:

	2012 £000	2011 £000
Current assets	23,877	17,048
Non-current assets	54,890	63,128
Current liabilities	(11,212)	(9,330)
Non-current liabilities	(56,989)	(60,110)
Loans to associate	1,825	1,798
	12,391	12,534
Revenue	22,301	25,370
Cost of sales	(14,139)	(14,772)
Administrative expenses	(2,602)	(2,008)
Profit from operations	5,560	8,590
Finance costs		
Finance income	10	9
Finance costs	(2,314)	(2,742)
Profit before tonnage and income tax	3,256	5,857
Taxation	(174)	(152)
Profit after tax	3,082	5,705
Non-controlling interests	(70)	(20)
Net profit attributable to equity holders	3,012	5,685
Movement on investment in joint ventures		
At 1 January	12,534	11,693
Acquisitions	1,125	1,226
Provision against investments	-	(6)
Disposals	-	72
Profit for the period	3,012	5,685
Dividends received	(4,584)	(5,913)
Gain arising on the amendment to the concession agreement	865	-
Share of fair value gains on cash flow hedges	(343)	(399)
Non-controlling interests	14	20
Exchange adjustments	(232)	156
At 31 December	12,391	12,534

The Group has recognised a gain following a deed of amendment to the concession agreement held by Foreland Holdings Limited in which the Group's share is 25%. Due to the uncertainty relating to its recovery, full provision has been made for this amount. There are no capital commitments or contingent liabilities in respect of the Group's interests in joint ventures.

16 Financial assets

Available for sale

Group	2012 £000	2011 £000
At 1 January and 31 December 2012	1,370	1,370
Company		
At 1 January and 31 December 2012	1,368	1,368

Available for sale financial assets represents a 17.2% (2011: 17.2%) equity interest in ordinary shares in SEML De Co-operation Transmanche, an unlisted company incorporated in France, whose main activity is a port and ferry operator, and a 16.7% (2011: 16.7%) equity interest in ordinary shares 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 five other parties representing other decommissioning businesses offering services complementary to those offered by companies within the Group.

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 and are subject to an annual impairment review. No impairment was required at 31 December 2012 (2011: £Nil).

Investments

Company

	Subsidiary undertakings		Total £000
	Shares £000	Loans £000	
Cost			
At 1 January 2011	81,045	118,176	199,221
Exchange adjustments	-	(331)	(331)
Additions	537	42,206	42,743
Transfer to subsidiaries	2,258	(2,258)	-
Repayments	-	(27,926)	(27,926)
At 31 December 2011	83,840	129,867	213,707
Exchange adjustments	-	436	436
Additions	531	78,331	78,862
Repayments	-	(53,389)	(53,389)
At 31 December 2012	84,371	155,245	239,616
Amount provided			
At 1 January 2011	445	479	924
Released	-	(46)	(46)
At 31 December 2011	445	433	878
Released	-	(45)	(45)
At 31 December 2012	445	388	833
Net book value at 31 December 2012	83,926	154,857	238,783
Net book value at 31 December 2011	83,395	129,434	212,829

A list of principal subsidiary undertakings is included on page 95.

17 Business combinations

Details of transactions in the period relating to joint ventures are set out in note 15.

Year ended 31 December 2011

On 1 January 2011 the Group acquired an additional 5% interest in its Nigerian based joint venture Fender Care Nigeria Limited (FCN) for a consideration of £1,201,000. Following the acquisition the Group has a 45% interest in this joint venture. FCN provides ship to ship transfer services in the East and West Africa region. Goodwill of £721,000 arose on the acquisition of this interest.

On 8 November 2011 the Company acquired a 49% of the issued share capital of James Fisher Angola Limitada for a consideration of £54,000. James Fisher Angola meets the criteria for recognition as a subsidiary on the basis of a shareholder agreement which enables the Group to exercise control over the economic benefits arising from the activities of the company. James Fisher Angola is engaged in the provision of specialist services to the oil production industry in Angola.

The Group has identified intangible assets in respect of customer relationships in the various businesses. These relate to the major customers of acquired businesses in their main markets. Cash flow forecasts have been calculated over five years being the expected period over which the Group will benefit from the relationships which have been inherited with the acquisitions. The calculations are based on local management forecasts and have been discounted at rates of between 20% and 30% reflecting the risk factors associated with these cash flows. None of the goodwill is expected to be deductible for income tax purposes.

Adjustments to provisional fair values

No adjustments have been made to the balance sheet for the year ended 31 December 2012 to incorporate changes to the provisional fair values reported at that date.

Adjustments to provisional values made in 2011 comprise £30,000 in respect of the valuation of certain assets denominated in foreign currencies in Rigcool Australia; the provisional values of Maritime Engineers have been adjusted by £11,000 relating to provision for doubtful debts; and £21,000 has been paid in respect of contingent consideration on the acquisition of a specialist diving business acquired in 2010. Deferred consideration of £79,000 was paid in 2011 in respect of the acquisition of GMC.

Notes to the financial statements continued

17 Business combinations continued

Disposals

Year ended 31 December 2012

On 31 December 2012 the Group disposed of its interest in The Railway Engineering Company Limited (TRE) for a gross cash consideration of £25,500,000. TRE develops and manufactures electronic signalling and control equipment for the railway industry.

Details of the disposal are set out in the table below:

	£000
Gross consideration	25,500
Net assets disposed of	
Intangible assets	(2,255)
Property, plant and equipment	(132)
Inventory	(703)
Trade and other receivables	(2,450)
Cash	(1)
Trade and other payables	1,654
Deferred tax	233
	(3,654)
Disposal costs	(950)
Profit on disposal	20,896

During the year ended 31 December 2012 TRE contributed revenue of £7,041,000 and after tax profit of £1,764,000 to the Group's results.

Year ended 31 December 2011

On 31 March 2011 the FCN joint venture disposed of 20% of its wholly owned subsidiary, Fender Care East Africa Limited for a consideration of £203,000. The Group's share of the profit on disposal of this interest is included in equity.

18 Inventories

	Group	
	2012 £000	2011 £000
Work in progress	4,637	7,111
Raw materials and consumables	12,568	10,830
Finished goods	18,857	15,750
	36,062	33,691

	Group	
	2012 £000	2011 £000
Inventories stated at net realisable value	-	22
Amount charged to the income statement in the period in respect of inventory write-downs	223	265
Reversal of inventory write-downs	-	(36)

19 Trade and other receivables

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade receivables	61,750	51,388	130	3
Amounts owed by group undertakings	-	-	3,470	721
Amounts owed by joint venture undertakings	1,265	841	35	32
Other non-trade receivables	9,743	4,471	2,213	703
Prepayments and accrued income	18,647	23,826	228	150
	91,405	80,526	6,076	1,609

Of the above other non trade receivables of £28,000 (2011: £5,000) are expected to be recovered in more than one year.

20 Cash and cash equivalents

Cash at bank earns interest at floating rates based on daily bank deposit rates. All cash balances are held in cash or on overnight deposit. The fair value of cash and cash equivalents is equal to the book value. Further analysis of movements on cash equivalents is given in note 28.

21 Share capital

Authorised

Group and Company

Allotted, called up and fully paid

In thousands of shares

	25p Ordinary shares		£1 Cumulative preference shares	
	2012	2011	2012	2011
In issue at 1 January	49,925	49,863	100	100
Exercise of share options	143	62	-	-
In issue on 31 December	50,068	49,925	100	100

	2012 £000	2011 £000	2012 £000	2011 £000
Issued share capital	12,517	12,481	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; and
- 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. Preference shares are treated as a liability in the balance sheet.

The Company has established an employee share ownership trust, the James Fisher and Sons plc Employee Share Ownership Trust, in connection with share option and long term incentive schemes for 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 2012 was £1,509,265 (2011: £1,677,740). The trust has not waived its right to receive dividends.

Treasury shares

	2012 £000	2011 £000
186,329 (2011: 329,615) ordinary shares of 25p	1,061	1,681

During the year 142,391 (2011: 62,136) ordinary shares with an aggregate nominal value of £35,598 (2011: £15,534) were issued under the Company's Executive Share Option Scheme and Savings Related Share Option Scheme at option prices of between 142p and 584p per share, (2011: between 327p and 468p), giving rise to a total consideration of £255,717 (2011: £238,950).

Notes to the financial statements continued

22 Other reserve movements

Other reserves comprise the following:

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of operations whose financial statements are denominated in foreign currencies as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

23 Trade and other payables

Non-current liabilities

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Accruals and deferred income	743	607	-	-
	743	607	-	-

Current liabilities

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade payables	32,353	24,631	2,493	1,471
Amounts owed to group undertakings	-	-	13,021	12,561
Amounts owed to joint venture undertakings	3,011	2,073	-	-
Taxation and social security	2,705	2,090	148	76
Other payables	6,250	1,627	2,062	441
Accruals and deferred income	32,450	28,703	3,754	2,779
	76,769	59,124	21,478	17,328

24 Retirement benefit assets and obligations

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

The Group has two defined benefit schemes located in Norway. These are included in the table below at their fair value based on an actuarial valuation as at 31 December 2012.

The valuations of the schemes have been updated to 31 December 2012 by qualified actuaries using agreed assumptions as detailed in the table of assumptions included below.

The Group's obligations in respect of its pension schemes at 31 December 2012 were as follows:

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Shore staff pension scheme	(9,695)	(10,840)	(9,695)	(10,840)
MNOF pension scheme	(17,428)	(19,219)	(8,944)	(9,866)
GMC pension scheme	62	(74)	-	-
	(27,061)	(30,133)	(18,639)	(20,706)

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

James Fisher & Sons plc Pension Fund for Shore Staff

The assets of this scheme are held in a separate trustee administered account. The 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. These financial statements incorporate the latest full actuarial valuation of the Shore Staff Scheme carried out as at 1 August 2010, rolled forward to 31 December 2012.

The scheme closed to future accrual on 31 December 2010. No contributions from employees were made in 2011 or 2012. During 2012 a Group subsidiary, James Fisher Nuclear Limited secured a contract which required the provision of defined benefits to three transferring employees. These benefits are provided through the Shore Staff Scheme. There has been no transfer of past service rights into the scheme.

Contributions to the scheme from the Company amounted to £1,615,000 (2011: £1,196,000).

In 2005 the Company decided to close the Shore staff scheme to existing members from 31 December 2010. At this time members contributing to the scheme can transfer to a stakeholder scheme option. During the remaining period the scheme remained open to existing members the rate of growth of pensionable salary reduced to 1.5%. In 2011 the Shore staff scheme offered pensioners the option of foregoing future increases in pension payments in exchange for a fixed pension entitlement set at a higher level than the previous variable entitlement. Taking into account those pensioners who chose this option and an estimate of the expected take up rate by members eligible in future periods, the actuaries have calculated that this variation has reduced the Company's pension obligation in respect of the Shore staff scheme by £785,000. This amount is included in the administrative expenses in the income statement in the year ended 31 December 2011.

Merchant Navy Officers Pension Fund

In 2005 the High Court established that former as well as existing employers are 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.

As stated in note 29 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. The MNOPF is valued every three years and further deficits have typically been funded over a ten year period. The trustees of the scheme are in the process of conducting a triennial valuation of the scheme as at 31 March 2012. It is not possible to reliably estimate any further obligation until this valuation is completed.

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 3.3% (2011: 3.3%) and Company 1.7% (2011: 1.7%). Disclosures relating to this scheme are based on these allocations. The liability recognised represents the discounted value of committed cash flows.

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 4.45% (2011: 5.05%). The disclosures below relate to the Group's share of the assets and liabilities within the MNOPF. As no current contributing members within the MNOPF are employed by the Group or any of its subsidiaries, the Group is not liable for future accrual but is liable for contributions to correct any deficit.

Notes to the financial statements continued

24 Retirement benefit assets and obligations continued

Actuarial assumptions

The last actuarial valuations performed have been updated to 31 December 2012 by the Company's actuary. 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:

	2012	2011
Inflation (long term rate after adjustment for short term fluctuations) (%)	2.9	3.0
Rate of general long term increase in salaries - shore staff (%)	N/A	N/A
Rate of increase of pensions in payment - shore staff (%)	2.5 - 2.9	2.6 - 3.0
Discount rate for scheme liabilities (%)	4.45	5.05
Expected rates of return on assets (%)		
Equities	7.2	8.4
Property	6.2	7.4
Fixed interest bonds	3.0	4.2
Gilts/Corporate bonds	3.0/5.1	4.2/5.8
Other assets	3.0	4.2
Post retirement mortality: (years)		
shore staff scheme		
Current pensioner at 65 male	20.1	20.3
Current pensioner at 65 female	22.7	23.4
Future pensioner at 65 male	21.9	22.1
Future pensioner at 65 female	24.5	25.2
GMC Produkt		
Current pensioner at 65 male	20.1	20.3
Current pensioner at 65 female	22.7	23.4
Future pensioner at 65 male	21.9	22.1
Future pensioner at 65 female	24.5	25.4

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 a member who is currently 45.

Investments

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

The expected rate of return on individual categories of scheme assets are determined by reference to gilt yields. The expectation is that the return from equities and corporate bonds will exceed the return from gilts by 3.2% (2011: 4.2%) and 2.1% (2011: 1.6%) per annum respectively.

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

As at 31 December 2012

	Group				Company		
	Shore staff £000	MNOPF £000	GMC £000	Total £000	Shore staff £000	MNOPF £000	Total £000
Equities	18,481	10,279	-	28,760	18,481	5,268	23,749
Gilts/corporate bonds	28,819	7,790	329	36,938	28,819	3,993	32,812
Property	-	1,807	-	1,807	-	926	926
Other investments	-	51,686	-	51,686	-	26,491	26,491
Cash/net current assets	67	2,383	-	2,450	67	1,221	1,288
Fair value of scheme assets	47,367	73,944	329	121,640	47,367	37,899	85,266
Present value of scheme liabilities	(57,062)	(91,372)	(267)	(148,701)	(57,062)	(46,843)	(103,905)
Net pension liabilities recognised in the balance sheet	(9,695)	(17,428)	62	(27,061)	(9,695)	(8,944)	(18,639)

As at 31 December 2011

	Group				Company		
	Shore staff £000	MNOPF £000	GMC £000	Total £000	Shore staff £000	MNOPF £000	Total £000
Equities	17,562	13,214	-	30,776	17,562	6,773	24,335
Gilts/corporate bonds	25,868	13,419	432	39,719	25,868	6,878	32,746
Property	-	3,206	-	3,206	-	1,643	1,643
Other investments	-	27,095	-	27,095	-	13,887	13,887
Cash/net current assets	596	7,901	-	8,497	596	4,050	4,646
Fair value of scheme assets	44,026	64,835	432	109,293	44,026	33,231	77,257
Present value of scheme liabilities	(54,866)	(84,054)	(506)	(139,426)	(54,866)	(43,097)	(97,963)
Net pension liabilities recognised in the balance sheet	(10,840)	(19,219)	(74)	(30,133)	(10,840)	(9,866)	(20,706)

Notes to the financial statements continued

24 Retirement benefit assets and obligations continued

Expense recognised in the income statement (included in administrative expenses)

Year ended 31 December 2012

	Group				Company		
	Shore staff £000	MNOPF £000	GMC £000	Total £000	Shore staff £000	MNOPF £000	Total £000
Current service cost	30	-	50	80	30	-	30
Interest cost on benefit obligation	2,705	4,165	13	6,883	2,705	2,135	4,840
Expected return on plan assets	(2,458)	(3,274)	(16)	(5,748)	(2,458)	(1,678)	(4,136)
	277	891	47	1,215	277	457	734
Actual return on plan assets	4,359	N/A	-		4,359	N/A	

Year ended 31 December 2011

	Group				Company		
	Shore staff £000	MNOPF £000	GMC £000	Total £000	Shore staff £000	MNOPF £000	Total £000
Current service cost	-	-	38	38	-	-	-
Curtailment benefits and variations	(785)	-	-	(785)	(785)	-	(785)
Interest cost on benefit obligation	2,969	4,622	20	7,611	2,969	2,370	5,339
Expected return on plan assets	(2,644)	(3,524)	(18)	(6,186)	(2,644)	(1,806)	(4,450)
	(460)	1,098	40	678	(460)	564	104
Actual return on plan assets	2,154	N/A	-		2,154	N/A	

Movements in the benefit liability during the year

Year ended 31 December 2012

	Group				Company		
	Shore staff £000	MNOPF £000	GMC £000	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2012	10,840	19,219	74	30,133	10,840	9,866	20,706
Expense recognised in the income statement	277	891	47	1,215	277	457	734
Contributions paid to scheme	(1,641)	(3,031)	(50)	(4,722)	(1,641)	(1,559)	(3,200)
Actuarial loss	219	349	(131)	437	219	180	399
Foreign exchange	-	-	(2)	(2)	-	-	-
	9,695	17,428	(62)	27,061	9,695	8,944	18,639

Year ended 31 December 2011

	Group				Company		
	Shore staff £000	MNOPF £000	GMC £000	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2011	9,137	20,662	(13)	29,786	9,137	10,610	19,747
Expense recognised in the income statement	(460)	1,098	40	678	(460)	564	104
Contributions paid to scheme	(1,371)	(3,031)	(60)	(4,462)	(1,371)	(1,559)	(2,930)
Actuarial loss	3,534	490	103	4,127	3,534	251	3,785
Foreign exchange	-	-	4	4	-	-	-
	10,840	19,219	74	30,133	10,840	9,866	20,706

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

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

Year ended 31 December 2012

	Group				Company		
	Shore staff £000	MNOPF £000	GMC £000	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2012	54,866	84,054	506	139,426	54,866	43,097	97,963
Current service cost	30	-	50	80	30	-	30
Interest cost	2,705	4,165	13	6,883	2,705	2,135	4,840
Contributions by scheme participants	5	-	-	5	5	-	5
Actuarial losses/(gains) on scheme liabilities	2,120	6,184	(306)	7,998	2,120	3,170	5,290
Net benefits paid out	(2,664)	(3,031)	(2)	(5,697)	(2,664)	(1,559)	(4,223)
Foreign exchange	-	-	6	6	-	-	-
	57,062	91,372	267	148,701	57,062	46,843	103,905

Year ended 31 December 2011

	Group				Company		
	Shore staff £000	MNOPF £000	GMC	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2011	52,692	81,973	373	135,038	52,692	42,035	94,727
Current service cost	-	-	38	38	-	-	-
Interest cost	2,969	4,622	20	7,611	2,969	2,370	5,339
Contributions by scheme participants	(785)	-	-	(785)	(785)	-	(785)
Actuarial losses/(gains) on scheme liabilities	3,044	490	82	3,616	3,044	251	3,295
Net benefits paid out	(3,054)	(3,031)	(2)	(6,087)	(3,054)	(1,559)	(4,613)
Foreign exchange	-	-	(5)	(5)	-	-	-
	54,866	84,054	506	139,426	54,866	43,097	97,963

Notes to the financial statements continued

24 Retirement benefit assets and obligations continued

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

Year ended 31 December 2012

	Group				Company		
	Shore staff £000	MNOFF £000	GMC £000	Total £000	Shore staff £000	MNOFF £000	Total £000
As at 1 January 2012	44,026	64,835	432	109,293	44,026	33,231	77,257
Expected return on scheme assets	2,458	3,274	16	5,748	2,458	1,678	4,136
Actuarial gains on scheme assets	1,901	5,835	(175)	7,561	1,901	2,990	4,891
Contributions by employer	1,641	3,031	51	4,723	1,641	1,559	3,200
Contributions by scheme participants	5	-	-	5	5	-	5
Net benefits paid out	(2,664)	(3,031)	(2)	(5,697)	(2,664)	(1,559)	(4,223)
Foreign exchange	-	-	7	7	-	-	-
	47,367	73,944	329	121,640	47,367	37,899	85,266

Year ended 31 December 2011

	Group				Company		
	Shore staff £000	MNOFF £000	GMC £000	Total £000	Shore staff £000	MNOFF £000	Total £000
As at 1 January 2011	43,555	61,311	386	105,252	43,555	31,425	74,980
Expected return on scheme assets	2,644	3,524	18	6,186	2,644	1,806	4,450
Actuarial losses on scheme assets	(490)	-	(21)	(511)	(490)	-	(490)
Contributions by employer	1,371	3,031	60	4,462	1,371	1,559	2,930
Net benefits paid out	(3,054)	(3,031)	(2)	(6,087)	(3,054)	(1,559)	(4,613)
Foreign exchange	-	-	(9)	(9)	-	-	-
	44,026	64,835	432	109,293	44,026	33,231	77,257

History of experience gains and Losses

Shore staff

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of scheme assets	47,367	44,026	43,555	41,054	38,648
Defined benefit obligation	(57,062)	(54,866)	(52,692)	(55,263)	(47,963)
Deficit in scheme	(9,695)	(10,840)	(9,137)	(14,209)	(9,315)
Experience gains/(losses) on scheme assets	1,901	(490)	1,484	783	(12,911)
Experience gains/(losses) on scheme liabilities	-	26	1,752	(437)	(10,486)

GMC

	2012 £000	2011 £000	2010 £000
Fair value of scheme assets	329	432	386
Defined benefit obligation	(267)	(506)	(373)
Surplus/(deficit) in scheme	62	(74)	13

MNOPF

Group	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of scheme assets	73,944	64,835	61,311	57,868	54,234
Defined benefit obligation	(91,372)	(84,054)	(81,973)	(66,020)	(63,567)
Deficit in scheme	(17,428)	(19,219)	(20,662)	(8,152)	(9,333)

MNOPF

Company	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
Fair value of scheme assets	37,899	33,231	31,425	29,660	27,797
Defined benefit obligation	(46,843)	(43,097)	(42,035)	(33,861)	(32,607)
Deficit in scheme	(8,944)	(9,866)	(10,610)	(4,201)	(4,810)

The cumulative amount of actuarial gains and losses relating to all schemes recognised since 1 January 2004 in the Group and Company statement of comprehensive income is a loss of £35.1m (2011: £34.7m). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £12.8m 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 comprehensive income before January 2004.

Defined contribution schemes

The Group operates a defined contribution scheme on behalf of the Company and its UK based subsidiaries. The pension charge for the year for these arrangements is equal to the contributions paid and was £2,013,000 (2011: £1,840,000).

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 £1,149,000 (2011: £819,000).

Notes to the financial statements continued

25 Share based payments

The Company operates an Executive Share Option Scheme (ESOS) and a Long Term Incentive Plan (LTIP) in respect of directors and certain employees. The Company also operates a Savings Related Save as You Earn (SRSOS) scheme for eligible employees which is HM Revenue and Customs approved.

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.

Executive share option scheme 2005 (2005 ESOS)

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

Following the passing of a resolution at the 2007 Annual General Meeting, the comparator group for awards made under the ESOS in 2005 and 2006 was extended from the original selected comparator Group to comprise the constituents of the FTSE Small Cap index excluding investment trusts. In accordance with the requirements of IFRS 2, 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. Awards were made under this scheme on 9 March 2012.

All-employee savings related share option scheme (SRSOS)

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 this scheme on 4 May 2012.

Long term incentive plan (LTIP)

Share options up to a maximum of 100% of base salary may be awarded to main board directors and senior executives. The exercise price of the option is £nil. In respect of awards granted up to 31 December 2008, 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.

For options granted since 31 December 2008 the options vest in full if the increase in diluted earnings per Ordinary share over the performance period is at least equal to the rate of inflation plus 18%. If the increase is between 9% and 18% above the rate of inflation the amount of shares vesting reduces on a pro rata basis until at growth of 9% one third of the options granted will vest. Failure to reach the 9% plus the rate of inflation threshold results in all options lapsing. There are no cash settlement alternatives. Awards were made under this scheme on 21 March 2012.

The expense recognised for share based payments relating to equity settled share based payments transactions is £1,192,000 (2011: £1,503,000).

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 583,426 (2011: 735,204) 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

	2012		2011		"Nil" Options	
	No	WAEP	No	WAEP	2012 No	2011 No
Outstanding at 1 January	1,281,493	£4.16	1,263,388	£4.18	735,204	628,557
Granted during the year	205,701	£5.76	249,120	£5.24	216,428	232,175
Forfeited during the year	(350,165)	£4.60	(169,079)	£5.99	(97,451)	(29,515)
Exercised	(172,730)	£2.22	(61,936)	£3.85	(270,755)	(96,013)
Expired during the year	-	-	-	-	-	-
Outstanding at 31 December	964,299	£4.69	1,281,493	£4.16	583,426	735,204
Exercisable at 31 December	358,332	£4.20	429,473	£3.52	-	-

The weighted average share price at the date of exercise for the options exercised was £6.46 (2011: £5.47). For the share options outstanding at 31 December 2012, the weighted average remaining contractual life is 4 years and 2 months (2011: 4 years and 5 months). The weighted average fair value of options granted during the year was £3.44 (2011: £3.25). The range of exercise prices for options outstanding at the end of the year was £3.27 - £6.73 (2011: £1.42 - £6.73).

Company

	2012		2011		"Nil" Options	
	No	WAEP	No	WAEP	2012 No	2011 No
Outstanding at 1 January	988,439	£3.94	975,373	£3.96	414,421	333,684
Granted during the year	158,588	£5.68	189,584	£5.22	119,300	132,330
Forfeited during the year	(287,163)	£4.38	(118,971)	£6.15	(97,451)	-
Exercised	(160,571)	£1.92	(57,547)	£3.87	(139,185)	(51,593)
Expired during the year	-	-	-	-	-	-
Outstanding at 31 December	699,293	£4.62	988,439	£3.94	297,085	414,421
Exercisable at 31 December	266,289	£3.61	440,504	£3.53	-	-

The weighted average share price at the date of exercise for the options exercised was £6.59 (2011: £5.47). For the share options outstanding at 31 December 2012, the weighted average remaining contractual life is 5 years and 2 months (2011: 5 years and 11 months). The weighted average fair value of options granted during the year was £3.04 (2011: £3.02). The range of exercise prices for options outstanding at the end of the year was £3.27 - £6.73 (2011: £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 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

25 Share based payments continued

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

	2012	2011
LTIP		
Dividend yield (%)	2.75%	3.00%
Expected life of option (years)	3	3
Share price at date of grant	£6.05	£5.48
2005 ESOS		
Dividend yield (%)	2.75%	3.00%
Expected life of option (years)	6.5	6.5
Share price at date of grant	£5.72	£5.48
Expected share price volatility (%)	35%	40%
SAYE		
Dividend yield (%)	2.75%	3.00%
Expected life of option (years)	3.26-7.26	3.26-7.26
Share price at date of grant	£5.95	£5.50
Expected share price volatility (%)	35%	40%
Risk free interest rate (%)	0.61%-1.62%	1.76%-3.16%

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.

26 Loans and borrowings

Non current liabilities

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank loans	80,965	102,984	80,965	94,725
Finance leases	94	399	-	-
	81,059	103,383	80,965	94,725

Current liabilities

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Overdrafts	-	-	33,915	7,640
Bank loans	-	8,489	-	7,641
Finance leases	302	396	-	-
	302	8,885	33,915	15,281

Bank loans

Loans analysed by currency are repayable as follows:

Year ended 31 December 2012

Currency	Group				Company			
	GBP	USD	NOK	Total	GBP	USD	NOK	Total
Due within one year	-	-	-	-	-	-	-	-
Due between one and two years	2,586	11,996	-	14,582	2,586	11,996	-	14,582
Due between two and five years	47,637	-	8,843	56,480	47,637	-	8,843	56,480
Due after more than five years	4,310	5,593	-	9,903	4,310	5,593	-	9,903
	54,533	17,589	8,843	80,965	54,533	17,589	8,843	80,965

Year ended 31 December 2011

Currency	Group				Company			
	GBP	USD	NOK	Total	GBP	USD	NOK	Total
Due within one year	7,641	-	848	8,489	7,641	-	-	7,641
Due between one and two years	27,475	2,252	3,501	33,228	27,475	2,252	-	29,727
Due between two and five years	56,633	8,365	3,178	68,176	56,633	8,365	-	64,998
Due after more than five years	-	-	1,580	1,580	-	-	-	-
	91,749	10,617	9,107	111,473	91,749	10,617	-	102,366

The interest rates charged during the year ranged from 1.5% to 3.4% (2011: 1.5% to 3.5%). There were no loans secured against the assets of the Group or Company in the current or prior period.

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	
	2012 £000	2011 £000
Future minimum payments due:		
Within one year	317	434
Within two to five years	98	419
	415	853
Less: finance charges allocated to future periods	(19)	(58)
	396	795
Present value of minimum lease payments is analysed as follows		
Within one year	94	396
Within two to five years	302	399
	396	795

The Company does not have any outstanding finance lease commitments.

Notes to the financial statements continued

27 Reconciliation of net debt

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

Group	1 January 2011 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2011 £000
Cash and cash equivalents	16,590	(2,531)	-	(484)	13,575
Debt due after 1 year	(110,876)	-	7,830	(37)	(103,083)
Debt due within 1 year	(4,823)	4,714	(8,380)	(1)	(8,490)
	(115,699)	4,714	(550)	(38)	(111,573)
Finance leases	(1,220)	423	-	2	(795)
Net debt	(100,329)	2,606	(550)	(520)	(98,793)

	1 January 2012 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2012 £000
Cash and cash equivalents	13,575	5,241	-	(477)	18,339
Debt due after 1 year	(103,083)	-	21,634	384	(81,065)
Debt due within 1 year	(8,490)	30,742	(22,290)	38	-
	(111,573)	30,742	(656)	422	(81,065)
Finance leases	(795)	394	-	5	(396)
Net debt	(98,793)	36,377	(656)	(50)	(63,122)

Company	1 January 2011 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2011 £000
Cash and cash equivalents	34	(24)	-	-	10
Debt due after 1 year	(101,595)	-	6,807	(37)	(94,825)
Debt due within 1 year	(11,102)	3,179	(7,357)	(1)	(15,281)
	(112,697)	3,179	(550)	(38)	(110,106)
Net debt	(112,663)	3,155	(550)	(38)	(110,096)

	1 January 2012 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2012 £000
Cash and cash equivalents	10	38	-	-	48
Debt due after 1 year	(94,825)	-	13,376	384	(81,065)
Debt due within 1 year	(15,281)	(4,746)	(13,926)	38	(33,915)
	(110,106)	(4,746)	(550)	422	(114,980)
Net debt	(110,096)	(4,708)	(550)	422	(114,932)

28 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 meets its day to day working capital requirements through operating cash flows, with borrowings in place to fund acquisitions and capital expenditure. At 31 December 2012 the Group had £65,600,000 (2011: £32,350,000) of undrawn committed facilities none of which expire within twelve months. 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.

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 2012. The directors have prepared forecasts of the cash flows for the subsequent eighteen month period which indicate that taking into account the factors noted above the Group will meet its covenant requirements for this period.

The Group has a borrowing covenant which restricts the total amount that it is able to borrow under revolving credit facilities to a maximum of £150,000,000 (2011: £150,000,000).

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. Return on capital employed (ROCE) is also monitored.

The Group's dividend policy is based on the expected growth in sustainable income streams after making provision for the retention of capital to invest in growth and acquisitions. In evaluating growth investment opportunities the Group has a target of 15% pre tax return on the capital invested.

	2012 £000	2011 £000
Interest bearing loans and borrowings	81,361	112,268
Less cash and cash equivalents	(18,339)	(13,575)
Net debt	63,022	98,693
Equity attributable to the equity holders of the parent	163,469	131,770
Gearing ratio	38.6%	74.9%

The reasons for the change in gearing over the previous year are discussed in the Operating and Financial Review on pages 7 to 12.

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 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.

Notes to the financial statements continued

28 Financial instruments continued

The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Available for sale financial assets	1,370	1,370	1,368	1,368
Receivables	79,970	58,756	4,635	1,624
Cash and cash equivalents	18,339	13,575	48	10
Interest rate swaps used for hedging:				
Assets	-	-	-	-
Forward exchange contracts used for hedging:				
Assets	790	218	790	218
	100,469	73,919	6,841	3,220

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 35% of Group revenue (2011: 21%). One customer, a multinational company in the Oil and Gas sector, accounted for 12% of this revenue. In 2011 no single customer accounted for more than 6% of revenue.

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			
	2012		2011		2012		2011	
	Gross £000	allowance £000	Gross £000	allowance £000	Gross £000	allowance £000	Gross £000	allowance £000
Not past due	45,221	-	39,863	-	130	-	3	-
Past due	17,428	899	12,957	1,432	-	-	-	-
	62,649	899	52,820	1,432	130	-	3	-

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

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Balance at 1 January 2012	1,432	1,096	-	-
Exchange differences	(8)	(1)	-	-
Acquired with subsidiaries	-	-	-	-
Additional provisions	378	401	-	-
Recoveries	(123)	(45)	-	-
Utilised	(780)	(19)	-	-
	899	1,432	-	-

The Group believes the trade receivables that have not been provided against that are past due by more than 30 days are still collectible based on historic payment behaviour and extensive analysis of underlying customers' credit ratings. Based on historic default rates, the Group believes that apart from the amounts included in the table above, no impairment allowance is necessary in respect of trade receivables not past due or past due by up to 30 days. 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.

The Group manages the maturity profile of its borrowings by maintaining a regular dialogue with its lenders and ensuring that it commences the renegotiation of facilities sufficiently early to allow a comprehensive review of its requirements before completion.

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 to the possibility of a significant reduction in available facilities in a single period. At 31 December 2012, the Group has available £65,600,000 of undrawn committed bank facilities (2011: £32,350,000). The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2012 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						
Unsecured bank loans	80,965	(88,957)	(3,029)	(17,198)	(58,800)	(9,930)
Finance lease liabilities	396	(396)	(317)	(69)	(10)	-
Trade and other payables	72,711	(72,711)	(72,711)	-	-	-
Derivative financial liabilities						
- interest rate swaps used for hedging	(1,686)	(2,719)	(1,071)	(576)	(870)	(202)
- forward exchange contracts used for hedging*						
- inflow	(790)	28,500	28,500	-	-	-
	151,596	(136,283)	(48,628)	(17,843)	(59,680)	(10,132)

* These derivative financial instruments are accounted for at fair value and it is not deemed appropriate to allocate the cash flows across the maturity categories.

31 December 2011 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						
Unsecured bank loans	111,473	(121,108)	(12,562)	(15,616)	(91,282)	(1,648)
Finance lease liabilities	795	(854)	(435)	(320)	(99)	-
Trade and other payables	57,985	(57,985)	(57,985)	-	-	-
Derivative financial liabilities						
- interest rate swaps used for hedging	(1,541)	(1,953)	(522)	(504)	(577)	(350)
- forward exchange contracts used for hedging						
- outflow	339	20,001	20,001	-	-	-
- inflow	(218)	4,998	4,998	-	-	-
	168,833	(156,901)	(46,505)	(16,440)	(91,958)	(1,998)

31 December 2012 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						
Unsecured bank loans	114,880	(122,872)	(36,944)	(17,198)	(58,800)	(9,930)
Trade and other payables	21,486	(21,486)	(21,486)	-	-	-
Derivative financial liabilities						
- interest rate swaps used for hedging	(1,427)	(1,943)	(554)	(318)	(870)	(201)
- forward exchange contracts used for hedging*						
- inflow	(790)	28,500	28,500	-	-	-
	134,149	(117,801)	(30,484)	(17,516)	(59,670)	(10,131)

* These derivative financial instruments are accounted for at fair value and it is not deemed appropriate to allocate the cash flows across the maturity categories.

Notes to the financial statements continued

28 Financial instruments continued

31 December 2011

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						
Unsecured bank loans	110,006	(118,428)	(18,934)	(11,826)	(87,667)	-
Trade and other payables	17,506	(17,506)	(17,506)	-	-	-
Derivative financial liabilities						
- interest rate swaps used for hedging	(1,305)	(1,680)	(412)	(395)	(523)	(350)
- forward exchange contracts used for hedging						
- outflow	338	20,001	20,001	-	-	-
- inflow	(218)	4,998	4,998	-	-	-
	126,327	(112,615)	(11,853)	(12,221)	(88,190)	(350)

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 is to the Norwegian Kroner. The Group's objectives in managing its structural currency exposures are to maintain a low cost of borrowings and to minimise the risk of adverse currency movements to its cash flow.

Gains and losses arising from the Group's net investments overseas are recognised in the Statement of Comprehensive Income.

The Group's exposure to foreign currency risk in its principal currencies was as follows based on notional amounts:

	31 December 2012						31 December 2011					
	USD 000	euro 000	nok 000	SGD 000	AUD 000	SEK 000	USD 000	euro 000	nok 000	SGD 000	AUD 000	SEK 000
Trade receivables	36,735	3,104	63,924	3,472	3,843	2,198	24,454	1,762	52,942	3,634	2,897	501
Cash at bank and in hand	23,972	474	27,640	3,063	1,498	-	5,507	2,211	45,741	1,815	1,396	-
Unsecured bank loans	(28,600)	-	(80,000)	-	-	-	(16,500)	-	(84,473)	-	-	-
Trade payables	(14,446)	(2,004)	(16,585)	(1,192)	(366)	(93)	(5,534)	(1,953)	(16,615)	(1,272)	(463)	(341)
Gross balance sheet exposure	17,661	1,574	(5,021)	5,343	4,975	2,105	7,927	2,020	(2,405)	4,177	3,830	160
Forecast sales	10,831	2,118	49,481	-	-	-	28,267	-	36,000	-	-	109,000
Forecast purchases	(840)	(1,430)	(22,202)	(22)	-	(39,000)	(2,137)	(4,882)	(5,675)	(158)	-	(39,000)
Gross exposure	27,652	2,262	22,258	5,321	4,975	(36,895)	34,057	(2,862)	27,920	4,019	3,830	70,160
Forward exchange contracts	(45,260)	-	-	-	-	-	(32,111)	501	-	-	-	(52,209)
Net exposure	(17,608)	2,262	22,258	5,321	4,975	(36,895)	1,946	(2,361)	27,920	4,019	3,830	17,951

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 currency revenues and costs and its net investment in entities which do not use sterling as their base currency and include the impact of forward exchange contracts.

	2012		2011	
	Equity £000	Profit or loss £000	Equity £000	Profit or loss £000
US Dollar	(110)	(1,668)	(290)	(1,272)
Norwegian Kroner	(690)	(273)	(589)	(220)
Euro	2,765	(2,323)	724	(585)
UAE Dirham	(100)	(395)	(64)	(395)
Singapore Dollar	(425)	(1,039)	(185)	(1,181)
Australian Dollar	113	(559)	145	(500)
Malaysian Ringgit	(111)	(8)	(79)	(23)
	1,442	(6,265)	(338)	(4,176)

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	
	2012 £000	2011 £000	2012 £000	2011 £000
Fixed rate instruments				
Financial liabilities	(100)	(100)	(100)	(100)
Variable rate instruments				
Financial assets	18,339	13,575	48	10
Financial liabilities	(80,965)	(111,473)	(114,880)	(110,006)
	(62,626)	(97,898)	(114,832)	(109,996)

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 uses interest rate swaps to convert interest rates on certain borrowings from floating rates to fixed rates. In 2012 the Group entered into additional interest rate swaps following the expiry of the short term swaps entered into in 2009. Details of the interest rate swaps are shown in the table below. 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 2012 a general increase of one percentage point would have had the following impact:

	2012		2011	
	Equity £000	Profit or loss £000	Equity £000	Profit or loss £000
Variable rate instruments	-	(626)	-	(979)
Interest rate swap	-	453	-	263
Cash flow sensitivity	-	(173)	-	(716)

Notes to the financial statements continued

28 Financial instruments continued

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		2012		2011	
		Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
	Note				
Assets carried at fair value					
Forward exchange contracts - cash flow hedges		790	790	218	218
		790	790	218	218
Assets carried at amortised cost					
Receivables	19	79,970	79,970	58,756	58,756
Cash and cash equivalents	20	18,339	18,339	13,575	13,575
Other investments	16	1,370	1,370	1,370	1,370
		99,679	99,679	73,701	73,701
Liabilities carried at fair value					
Forward exchange contracts - cash flow hedges		-	-	(339)	(339)
Interest rate swaps - cash flow hedges		(1,686)	(1,686)	(1,541)	(1,541)
		(1,686)	(1,686)	(1,880)	(1,880)
Liabilities carried at amortised cost					
Unsecured bank loans	26	(80,965)	(81,053)	(111,473)	(107,789)
Trade and other payables	23	(72,711)	(72,711)	(57,985)	(57,985)
Finance leases	26	(396)	(397)	(795)	(808)
Preference shares	21	(100)	(100)	(100)	(100)
		(154,172)	(154,261)	(170,353)	(166,682)
Company					
Assets carried at fair value					
Forward exchange contracts - cash flow hedges		790	790	218	218
		790	790	218	218
Assets carried at amortised cost					
Receivables	19	4,635	4,635	1,624	1,624
Cash and cash equivalents	20	48	48	10	10
Other investments	16	1,368	1,368	1,368	1,368
		6,051	6,051	3,002	3,002
Liabilities carried at fair value					
Forward exchange contracts - cash flow hedges		-	-	(339)	(339)
Interest rate swaps - cash flow hedges		(1,427)	(1,427)	(1,305)	(1,305)
		(1,427)	(1,427)	(1,644)	(1,644)
Liabilities carried at amortised cost					
Overdrafts	26	(33,915)	(33,915)	(7,640)	(7,640)
Unsecured bank loans	26	(80,965)	(81,053)	(102,366)	(99,652)
Trade and other payables	23	(21,486)	(21,486)	(17,506)	(17,506)
Preference shares	21	(100)	(100)	(100)	(100)
		(136,466)	(136,554)	(127,612)	(124,898)

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.

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of inputs used in making measurements of fair value. The fair value hierarchy has the following levels:

(a) Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows an analysis of financial instruments carried at fair value by the level of fair value hierarchy:

Group	Level 1		Level 2		Level 3		Total	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Derivative financial assets								
Forward exchange contracts								
- cash flow hedges	-	-	790	218	-	-	790	218
	-	-	790	218	-	-	790	218
Derivative financial liabilities								
Forward exchange contracts								
- cash flow hedges	-	-	-	(339)	-	-	-	(339)
Interest rate swaps - cash flow hedges	-	-	(1,686)	(1,541)	-	-	(1,686)	(1,541)
	-	-	(1,686)	(1,880)	-	-	(1,686)	(1,880)
	-	-	(896)	(1,662)	-	-	(896)	(1,662)
Company								
	Level 1		Level 2		Level 3		Total	
	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000	2012 £000	2011 £000
Derivative financial assets								
Forward exchange contracts								
- cash flow hedges	-	-	790	218	-	-	790	218
	-	-	790	218	-	-	790	218
Derivative financial liabilities								
Forward exchange contracts - cash flow hedges	-	-	-	(339)	-	-	-	(339)
Interest rate swaps - cash flow hedges	-	-	(1,427)	(1,305)	-	-	(1,427)	(1,305)
	-	-	(1,427)	(1,644)	-	-	(1,427)	(1,644)
	-	-	(637)	(1,426)	-	-	(637)	(1,426)

There have been no transfers between categories during the period.

The fair value of interest rate swap contracts and forward exchange contracts are calculated by management based on external valuations received from the Group's bankers and is based on forward exchange rates and anticipated future interest yields respectively.

Notes to the financial statements continued

28 Financial instruments continued

Hedges - Group and Company

Fair value hedges

At 31 December 2012 and 31 December 2011 the Group did not have any outstanding fair value hedges.

Cash flow hedges

At 31 December 2012 the Group and Company held forward currency contracts designated to hedge future commitments in US Dollars. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £'000
Sell			
US\$ 45,260,000	January 2013 - February 2014	1.5881	790

At 31 December 2011 the Group and Company held forward currency contracts designated to hedge future commitments in Euro and US Dollars. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £'000
Sell			
US\$ 31,380,000	January 2012 - March 2013	1.5693	(232)
US\$ 1,462,556	February - April 2012	1.6469	(29)
SEK 50,000,000	April - June 2012	10.4609	140

The foreign exchange contracts have been negotiated to match the expected profile of receipts. At 31 December 2012 these hedges were assessed to be highly effective and an unrealised loss of £2,325,000 (2011: £2,465,000) relating to the hedging instruments is included in equity.

Interest rate swaps

The Group and Company entered into interest rate swap contracts in respect of sterling denominated debt to swap a variable rate liability for a fixed rate liability. A subsidiary company, James Fisher Norway AS, has entered into an interest rate swap in respect of the loan secured against the new build property included in its balance sheet. On disposal of this business the instrument was reassigned to the external borrowings of James Fisher Norway AS. These instruments have been allocated against the Group and Company debt in the tables shown above. Details of the contracts and their fair values at 31 December are set out below:

	Amount		Maturity	Fixed rate %	Fair value	
	2012 £'000	2011 £'000			2012 £'000	2011 £'000
Sterling interest rate swaps	36,000	30,000	30 January 2012 to 30 January 2019	1.03% - 3.71%	(1,427)	(1,305)
	NOK'000	NOK'000				
NOK interest rate swaps	80,000	80,000	30 June 2014	3.86%	(259)	(236)

Net investment in foreign operations

The Company funded the acquisition of the goodwill arising on acquisition 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 (2011: NOK 160,000,000). The net investment arising on these acquisitions is treated as being an asset of the Company and is denominated in sterling. This acts as a hedge against movements in the net investment in these businesses.

Derivative financial instruments not qualifying as hedges

At 31 December 2012 the Group did not hold any derivative financial instruments which did not qualify for hedge accounting. At 31 December the Group held the following derivative financial instruments which did not qualify for hedge accounting:

	Maturity	Exchange rate	Fair value £'000
Sell			
SEK 2,209,404	15 June 2012	10.1206	3
EUR 1,750,000	17 July 2012	1.1481	10
EUR 501,043	30 April -21 July 2012	1.1423	(13)
			-

29 Commitments and contingencies

Operating leases

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

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Within one year	16,374	13,409	67	81
After one year but not more than five years	28,271	37,199	122	116
After five years	9,944	12,520	49	71
	54,589	63,128	238	268

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	
	2012 £000	2011 £000	2012 £000	2011 £000
	2,914	890	-	-

There are no significant individual items in 2011 or 2012.

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 27 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 bank guarantee and indemnity to Lloyds TSB Bank plc in respect of the loan facility of Foreland Shipping Limited, the total guarantee at 31 December 2012 was £1,890,000 (2011: £1,966,000).
- (d) A guarantee has been issued by the Group to HSBC Bank plc in respect of the obligations of a subsidiary, James Fisher Everard Limited, in relation to bareboat charters relating to the mt Steersman. The total guarantee at 31 December 2012 was £323,000 (2011: £740,000).
- (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 seven 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 £3,017,000 (2011: £1,807,000).
- (g) As referred to in note 24, the Trustees of the Merchant Navy Officers Pension Fund (MNOF) 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 MNOF, 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. The Group remains jointly and severally liable for any future shortfall in recovery of the deficit.
- (h) The Group has give 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.
- (i) In the normal course of business, the Company and certain subsidiaries have given parental and subsidiary guarantees in support of loan and banking arrangements.
- (j) In 2011 the High Court established that past employers as well as current employers of the Merchant Navy Ratings Pension Fund (MNRPF) would be required to fund any deficit on the MNRPF. The trustees of the scheme are currently consulting with past and present employers regarding the method to be used to calculate the liability and based on this the extent of any liability individual employers may have. Further legal adjudication will be required before the nature and extent of the liabilities in respect of individual employers can be established. The trustees have confirmed that they believe that the Group has a liability in respect of this scheme. Due to the uncertainty associated with the timing and calculation of this liability the directors have concluded that it would not be appropriate to make a provision at this time.

Notes to the financial statements continued

30 Related party transactions

Compensation of key management of the Group

	2012 £000	2011 £000
Short-term employee benefits	1,839	1,905
Termination payments	157	-
Share based payments	549	884
	2,545	2,789

Key management personnel comprise the Board of directors of the Company. 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 31 to 32.

Transactions with related parties

Company

The Company has entered into transactions with its subsidiary undertakings primarily in respect of the provision of accounting services, finance and the provision of share options to employees of subsidiaries.

The amount outstanding from subsidiary undertakings to the Company at 31 December 2012 was £158,715,000 (2011: £130,588,000). Amounts owed to subsidiary undertakings by the company at 31 December 2012 totalled £13,021,000 (2011: £12,561,000).

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2011: £nil).

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. A fee is charged for the provision of this service which is included in Group revenue.

FCM businesses

As set out in Note 15 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.

First Response Marine

The Group holds through its James Fisher Marine Services subsidiary (JFMS) a 50% interest in First Response Marine Pte Ltd (FRM). FRM provides submarine rescue services to the Singapore government under a 20 year service contract which commenced in March 2009. Included in the contract is the provision of a submarine rescue vessel acquired by FRM from JFMS. FRM subcontracts part of the provision of the submarine rescue service to JFMS and its subsidiary James Fisher Singapore Pte Ltd. JFMS has also provided a loan to FRM of £1,825,000 to support its day to day operations. The loan which is included in the Group balance sheet as part of the investment in joint ventures is interest bearing and is repayable at the end of the project. Interest charged in the period amounted to £118,000 (2011: £104,000). Dividends received or receivable during the period included in the results of the Group are £532,000 (2011: £746,000).

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	2012	485	-	-	35	-
	2011	490	-	-	32	-
FCM businesses	2012	-	1,979	1,086	568	3,005
	2011	-	2,559	684	146	2,067
Everard Insurance Brokers	2012	-	-	-	-	-
	2011	34	-	-	-	-
First Response Marine	2012	2,375	-	29	662	6
	2011	2,328	-	15	663	6

No provision for bad debts has been made in respect of these balances (2011: £nil). No bad debts arose during the period relating to these transactions (2011: £nil).

All transactions with related parties are priced on an arms length basis on terms equivalent to those provided to wholly external parties.

The Company is responsible for the provision of services to Foreland Shipping Limited but does not engage in any other transactions with parties who are not wholly owned subsidiaries.

31 Post balance sheet events

On 5 March 2013 the Group agreed to purchase Divex Limited and its subsidiaries (Divex), for an initial cash consideration of £20,000,000 with a further contingent consideration of up to a maximum of £13,000,000 linked to future profitability targets.

In the year ended 30 November 2012 Divex, whose principal activities are the design, supply and assembly of diving and subsea equipment, reported turnover of £34,200,000 and profits after tax of £3,300,000.

Further disclosures relating to the acquisition as required by IFRS 3 - Business Combinations, have not been included in this report as there has been insufficient time to obtain and review the relevant financial information from the company and calculate the accounting treatment and disclosures for this business combination.

Notes to the financial statements continued

Group Financial Record

For the five years ended 31 December

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Revenue					
Marine Support services*	301,514	240,819	196,492	178,471	152,819
Marine Oil	61,824	66,805	71,857	71,123	80,759
	363,338	307,624	268,349	249,594	233,578
Underlying operating profit					
Marine Support services*	41,945	38,065	34,764	33,155	27,159
Marine Oil	2,405	1,145	725	(1,815)	5,075
Common costs	(3,098)	(3,077)	(3,006)	(2,444)	(2,697)
	41,252	36,133	32,483	28,896	29,537
Adjusting items#	11,388	(254)	(1,187)	(33)	-
Net finance costs	(5,895)	(6,128)	(5,355)	(4,121)	(5,970)
Underlying profit before taxation	35,357	30,005	27,128	24,775	23,567
Adjusting items#	11,388	(254)	(1,187)	(33)	-
Profit before taxation	46,745	29,751	25,941	24,742	23,567
Taxation (including tonnage tax)	(6,402)	(5,634)	(6,109)	(6,318)	(5,277)
Profit after taxation	40,343	24,117	19,832	18,424	18,290
Intangible assets	92,633	93,188	89,274	73,438	70,069
Property, plant and equipment	103,484	103,898	104,683	111,086	102,018
Investment in associates and joint ventures	13,761	13,904	13,063	10,348	5,917
Working capital	49,059	52,824	46,265	38,567	33,069
Pension obligations	(27,061)	(30,133)	(29,786)	(22,361)	(18,648)
Taxation	(4,838)	(3,209)	(5,405)	(5,853)	(5,870)
Assets classified as held for sale	-	-	-	1,375	-
Total capital employed	227,038	230,472	218,094	206,600	186,555
Net borrowings	63,122	98,793	100,329	99,522	91,505
Equity	163,916	131,679	117,765	107,078	95,050
	227,038	230,472	218,094	206,600	186,555
	pence	pence	pence	pence	pence
Earnings per share					
Basic	79.7	48.4	39.9	37.1	36.9
Diluted	79.1	48.0	39.7	37.0	36.7
Underlying basic	56.1	48.8	42.2	37.1	35.5
Underlying diluted	55.7	48.4	41.9	37.0	35.4
Other Key performance indicators					
Operating margin (%)	11.4%	11.7%	12.1%	11.6%	12.4%
Return on capital employed (post tax) (%)	15.4%	13.0%	11.8%	11.5%	13.5%
Net gearing (%)	38.6%	74.9%	85.1%	92.9%	96.2%
Dividend cover before adjusting items# (times)	3.1	3.0	2.7	2.7	2.8

*Marine Support services comprises the Offshore Oil, Specialist Technical and Defence divisions, including joint ventures and associates.

Adjusting items prior to 2012 comprise acquisition expenses and amortisation of acquired intangibles.

Subsidiary, joint venture and associated undertakings

Details of the principal companies, joint ventures and associated undertakings 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.

Subsidiary undertakings

Name of company (Incorporated in Great Britain unless otherwise stated)	Principal activities	Place of business
Buchan Technical Services Limited	Marine Services	UK
Cattedown Wharves Limited	Wharfage & Warehousing*	UK
FenderCare Australia Pty Ltd (Incorporated in Australia)	Marine Services*	Australia
Fender Care Limited	Marine Services*	UK
Fender Care (Changshu) Ltd (Incorporated in China)	Marine Services*	China
Fender Care do Brasil LTDA (90%) (Incorporated in Brazil)	Marine Services*	Brazil
Fender Care Marine Limited	Marine Services*	UK
Fender Care Marine (Asia Pacific) Pte Ltd (Incorporated in Singapore)	Marine Services*	Singapore
Fender Care Marine Products (Asia Pacific) Pte Ltd (Incorporated in Singapore)	Marine Services*	Singapore
Fender Care Marine Services Group Limited	Marine Services*	UK
Fender Care Marine Solutions Limited	Marine Services*	UK
FT Everard and Sons Limited	Management Services	UK
FT Everard Shipping Limited	Ship Owning*	UK
James Fisher Australia Pty Ltd (Incorporated in Australia)	Engineering*	Australia
James Fisher (Crewing Services) Limited	Crewing Agents	UK
James Fisher Everard Limited	Ship Operators*	UK
James Fisher Marine Services Limited	Marine Services	UK
James Fisher Nuclear Limited	Engineering*	UK
James Fisher Offshore Limited	Marine Services	UK
James Fisher Scan Tech AS (Incorporated in Norway)	Marine Services*	Norway
James Fisher (Shipping Services) Limited	Ship Operators	UK
James Fisher Singapore Pte Ltd (Incorporated in Singapore)	Provision of subsea services and support*	Singapore
Maritime Engineers Pty Ltd (Incorporated in Australia)	Engineering*	Australia
Prolec Limited	Engineering*	UK
Scantech Offshore UK Limited	Marine Services*	UK
RMSpumptools Limited	Engineering*	UK
Scantech Offshore Limited	Marine Services	UK
Scantech Produkt AS (Incorporated in Norway)	Marine Services*	Norway
Scotload Ltd	Marine Services*	UK
Straininstall Malaysia SDN BHD (Incorporated in Malaysia)	Engineering*	Malaysia
Straininstall Group Limited	Engineering	UK
Straininstall Singapore Pte Ltd (Incorporated in Singapore)	Engineering*	Singapore

Joint ventures and associated undertakings

Name of company (Incorporated in Great Britain unless otherwise stated)	Principal activities	Place of business
FCN Limited (45%)	Marine Services*	West Africa
Fender Care Nigeria Limited (45%)	Marine Services*	West Africa
Fender Care Benelux BV (50%)	Marine Services*	Europe
Fender Care East Africa Ltd (36%)	Marine Services*	East Africa
Fender Care (Malaysia) SDN BHD (40%)	Marine Services*	Malaysia
Fender Care Marine Omega Limited (50%)	Marine Services*	India
Fender Care Middle East LLC (49%)	Marine Services**	Dubai
Fender Care Omega (Middle East) FZC (50%)	Marine Services*	UAE
First Response Marine Pte. Ltd (50%)	Marine Services*	Singapore
Foreland Holdings Limited (25%)	Ship owning*	London
James Fisher Angola (49%)	Marine Services**	Angola
Straininstall Middle East LLC (49%)	Engineering*	Dubai & Abu Dhabi

*held by a subsidiary undertaking

**consolidated as subsidiary undertakings

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of James Fisher and Sons plc will be held at the Abbey House Hotel, Abbey Road, Barrow-in-Furness, LA13 0PA on Thursday 2 May 2013 at 12 noon to consider and, if thought fit, to pass Resolutions 1 to 8 inclusive as ordinary resolutions and Resolutions 9 to 11 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 2012.

Resolution 2

To receive and approve the report on directors' remuneration (as set out on pages 27 to 32 of the Annual Report and Accounts) for the year ended 31 December 2012.

Resolution 3

To declare a final dividend for the year ended 31 December 2012 of 11.83p per ordinary share.

Resolution 4

To re-elect Mr N P Henry as a director of the Company, who retires by rotation.

Resolution 5

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

Resolution 6

To re-elect Mr M S Paul 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 AGM of the Company and authorise the directors to determine their remuneration.

Special Business

Resolution 8

That the directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, and convert any security into, shares in the Company (Rights) up to an aggregate nominal amount of £4,172,319 provided that this authority shall expire on the date of the next AGM of the Company or, if earlier, on 2 August 2014, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired; and, that all authorities previously granted to the directors to allot shares and grant Rights that remain unexercised at the commencement of this meeting be and are hereby revoked.

Resolution 9

Special Resolution

That subject to the passing of Resolution 8, the directors be hereby empowered to allot equity securities (as defined in section 560 of the Act) of the Company for cash either pursuant to the authority conferred by Resolution 8 and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Act, in either case as if section 561(1) of the Act did not apply to such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an offer of securities 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 £625,848;

and shall expire upon the expiry of the general authority conferred by Resolution 8 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 10**Special Resolution**

The Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange of up to a maximum aggregate of 2,503,391 ordinary shares of 25p each in the capital of the Company at a price per share (exclusive of expenses) of not less than 25p and not more than 105% 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 AGM of the Company, or, if earlier, on 2 August 2014 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 11**Special Resolution**

That any general meeting (other than an AGM) may be called by not less than 14 days' clear notice.

By order of the Board

Michael Hoggan
Company Secretary

5 March 2013

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 2012 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, Freepost RLYX-GZTU-KRRG, SAS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 9ZA.
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 (if you wish the proxy to speak on your behalf) 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 notari ally), should be returned to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Alternatively you may submit your proxy form online by accessing the Shareholder portal at www.capitashareportal.com, logging in and selecting the "proxy voting" link. If you have not previously registered for electronic communications, you will first be asked to register as a new user, for which you will require your investor code (which can be found on your proxy card, share certificate or dividend tax voucher), family name and post code (if resident in the UK). In each case your proxy instruction must be received no later than 12 noon on 30 April 2013. If you are a CREST member, see note 4 below. 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 cannot 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 (available via www.euroclear.com/CREST). 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. Voting by corporate representatives. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact our Registrar if you need any further guidance on this.
6. 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 AGM from 11.30 a.m. on the date of the meeting until the close of the meeting.
7. Audit statements. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting, that the members propose to raise at the meeting. The Company cannot

require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.

8. Members' questions. The Company must cause to be answered at the meeting any question relating to the business being dealt with at the meeting which is put by a member attending the meeting, except where: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
9. A copy of this notice, and other information required by section 311A of the Act, can be found at www.james-fisher.co.uk. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communication with the Company for any purpose in relation to the meeting other than as expressly stated in it.
10. Only persons entered on the register of members of the Company at 6.00pm on 30 April 2013 (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.
11. As at 5 March 2013 (being the latest practical date before the publication of this Notice), the Company's issued share capital consists of 50,067,822 ordinary shares, carrying one vote each, and 100,000 preference shares carrying one vote each. Therefore the total voting rights in the Company are 50,167,822. There are no shares in treasury.
12. As soon as practicable following the AGM, the results of the voting at the meeting and the number of votes cast for and against and the number of votes withheld in respect of each resolution will be announced via a Regulatory Information Service and also placed on the Company's website at www.james-fisher.co.uk.

Ordinary Business Explanatory Notes

Resolution 3. 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 11.83p per ordinary share in respect of the financial year ended 31 December 2012. If the meeting approves Resolution 3, the final dividend will be paid on 10 May 2013 to ordinary shareholders who are on the register at the close of business on 12 April 2013. It is proposed to pay the dividend.

Resolutions 4, 5 and 6. In accordance with the Company's Articles of Association, Nick Henry, Stuart Kilpatrick and Malcolm Paul will retire by rotation at this year's AGM. Following performance reviews the Chairman and the Board believe that each of Nick Henry, Stuart Kilpatrick and Malcolm Paul continues to perform effectively and with commitment to his role. Further information about each of Nick Henry, Stuart Kilpatrick and Malcolm Paul is given on page 16 of the 2012 Annual Report and Accounts.

Resolution 7. This resolution proposes the reappointment of KPMG Audit Plc as the Company's auditors and authorises the directors to agree their remuneration.

Special Business Explanatory Notes

Resolution 8 gives authority to the directors to allot shares in the Company and to grant rights to subscribe for, and convert any security into shares in the Company up to a total nominal amount of £4,172,318 (16,689,274 ordinary shares) representing approximately 33% of the nominal value of the Company's total issued ordinary share capital as at 5 March 2013 being the latest practical date before publication of this Notice. The authority will expire at the conclusion of the AGM to be held in 2014, or, if earlier, on 2 August 2014 and replaces an authority granted on 3 May 2012 which expires at the conclusion of the forthcoming AGM.

The directors have no present intention to exercise this authority.

At 5 March 2013 the Company does not hold any treasury shares.

Resolution 9, which will be proposed as a special resolution, seeks to renew the authority conferred on the directors at last year's AGM to issue equity securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. Other than in connection with a rights or other similar issue or scrip dividend (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) the authority contained in this resolution will be limited to an aggregate nominal value of £625,848 (representing 2,503,392 ordinary shares) which represents approximately 5% of the Company's

Notice of Annual General Meeting continued

issued equity share capital as at 5 March 2012, being the latest practicable date prior to the publication of this notice. The renewed authority will remain in force until the date of the next AGM or on 2 August 2014, whichever is the earlier and replaces the authority granted on 3 May 2012 which expires at the conclusion of the forthcoming AGM. It is a standard resolution for most UK listed companies each year.

In line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last three years and the directors confirm their intention to follow the best practice set out in the Pre-Emption Group's Statement of Principles which provides 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.

The directors have no present intention to exercise this authority.

Resolution 10, a special resolution, gives the Company authority to purchase in the market up to a nominal amount of £2,503,391 of its ordinary shares of 25p each (representing approximately 5% of the Company's total issued ordinary share capital). The minimum and maximum prices at which such shares can be purchased is as stated in the resolution. The authority will expire at the conclusion of the AGM to be held in 2014, or if earlier 2 August 2014 and replaces a similar authority granted on 3 May 2012 which expires at the conclusion of the forthcoming AGM.

If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares then such shares would be immediately cancelled in which event the number of ordinary shares in issue would be reduced. On 5 March 2013, being the latest practical date before publication of this Notice, there were options over ordinary shares in the capital of the Company representing 3.09% of the Company's total issued share capital. If the authority to purchase the Company's ordinary shares was exercised in full and those shares were subsequently cancelled, these options would represent 3.25% of the Company's total issued share capital. The directors have no present intention to exercise this 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 11. The Companies Act 2006 requires the notice period for general meetings of the Company to be at least 21 days. The Company is currently able to call general meetings (other than an AGM) on 14 clear day's notice. In order to be able to preserve this ability, shareholders must have approved the calling of meetings on 14 day's notice. Resolution 11, which is proposed as a special resolution, seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Registered Office and Advisers**Company Secretary
and registered office**

M J Hoggan
James Fisher and Sons plc
Fisher House, PO 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

Bankers

Barclays Bank PLC
Barclays Commercial Bank
1st Floor
3 Hardman Street
Spinningfields
Manchester
M3 3AX

DBS Bank Ltd
London Branch
4th Floor
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Handelsbanken
First Floor East
Bridge Mills
Stramongate
Kendal LA9 4UB

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lloyds TSB Bank plc
8th Floor
40 Spring Gardens
Manchester M2 1EN

Yorkshire Bank
The Chancery
58 Spring Gardens
Manchester
M2 1YB

Merchant bankers

E C Hambro Rabben & Partners Ltd
32-33 St James's Place
London
SW1A 1NR

Stockbrokers

Investec Bank (UK) Limited
2 Gresham Street
London
EC2V 7QP

N+1 Singer
Time Central
Gallowsgate
Newcastle upon Tyne
NE1 4SR

Financial Calendar**10 April 2013**

Ex dividend date for 2012 final dividend

12 April 2013

Record date

2 May 2013

Annual General Meeting

10 May 2013

Payment of 2012 final dividend

August 2013

Announcement of 2013 interim results



This Annual Report has been prepared for the members of the Company only. The Company, its directors, employees and agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements that are subject to future matters including, amongst other matters, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates and the availability of financing to the Group. As such the forward-looking statements involve risk and uncertainty. Accordingly, whilst it is believed the expectations reflected in these statements are reasonable at the date of publication of this Annual Report they may be affected by a wide range of matters which could cause actual results to differ materially from those anticipated. The forward-looking statements will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast



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