James Fisher and Sons plc

Annual Report 2013

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 energy industry.

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	2013	2012 (restated)**	change
Group revenue	**£413.7m**	£363.3m	+14%
Underlying operating profit *	**£46.6m**	£41.1m	+13%
Underlying profit before tax *	**£41.4m**	£35.0m	+18%
Underlying diluted earnings per share *	**65.6p**	55.1p	+19%
Proposed final dividend	**13.54p**	11.83p	+15%
Statutory profit before tax	**£46.2m**	£46.4m	-
Statutory diluted earnings per share	**75.7p**	78.5p	(4)%

- Offshore Oil revenue up by 19%, profit up by 15% due to strong market conditions in Norway and developing markets;
- Specialist Technical profits increased by 55% following successful Divex acquisition;
- Double digit underlying growth at Marine Support;
- Separately disclosed profit of £6.8m on sale of Foreland;
- Strong cash generation with gearing reduced to 30% (2012: 39%);
- Final dividend raised by 15% to 13.54p per share (2012: 11.83p) making 20.0p for the year (2012: 17.7p).

* **James Fisher and Sons plc uses alternative performance measures as key financial indicators to assess the underlying performance of the Group. These include underlying operating profit, underlying profit before tax and underlying earnings per share. The narrative in the Annual Report and Accounts is based on these alternative performance measures.**

** **2012 has been restated for the adoption of IAS19, Employment Benefits, details of which are set out in note 1.**

Chairman's statement

Charles Rice, Chairman

> Group revenue up by 14% to £413.7m and underlying profit before tax up 18% to £41.4m

Group results and dividend

James Fisher and Sons plc made significant progress in 2013 with Group revenue up by 14% to £413.7m and underlying profit before tax up 18% to £41.4m. Underlying diluted earnings per share was 65.6 pence, an increase of 19% over 2012.

All four of the Group's operating divisions contributed to the strong pattern of growth underpinning these results. Marine Support achieved further expansion of its ship to ship transfer and mooring operations while making good progress with the development of its support contracts and diving businesses. Offshore Oil did particularly well, benefitting from favourable market conditions in the North Sea as well as making significant progress in the new deep sea markets off Brazil and Africa. Specialist Technical's excellent result reflected the first-time contribution from Divex Limited (Divex), a leading equipment supplier to the saturation diving market which was acquired in March and performed ahead of expectations. Our Nuclear business within Specialist Technical also did well, broadening its customer base significantly while producing another good result. Tankships improved its earnings further by careful attention to costs and by managing capacity to reflect the level of contract demand.

The strength of the Group's trading performance in 2013 and the continued positive outlook has led the Board to propose a 15% increase in the final dividend to 13.54 pence per share which together with the 6.46 pence interim will bring the total dividend for the year to 20.0 pence per share (2012: 17.7p).

Strategic developments

The Group continues to benefit from its consistent strategy of investing in niche businesses which operate in demanding environments where their strong marine service and specialist engineering skills are valued and rewarded. The majority of the Group's activities are therefore focused on the offshore oil, gas and renewables sectors together with an increasing presence in the nuclear decommissioning and condition monitoring businesses. Working with their strong multi-national client base, these businesses have expanded their international footprint significantly in recent years and have benefited from the strong growth seen in the new markets offshore of Africa, Brazil and the Far East.

In March, the Group acquired Divex for an initial consideration of £20.8m. This Aberdeen based company is a leader in the saturation diving equipment market, servicing both the commercial and defence sectors in a strongly international setting. Its expertise, customers and operational bases fit well with our JF Defence submarine rescue business. Together, they will form a strong specialist subsea business with combined operations in the UK, Far East and Australia and a broader spread of customers which will help even out the peaks and troughs that have affected our Defence business in recent years.

In July, we announced the disposal of our 25% interest in Foreland Shipping for an initial consideration of £11.4m in cash with potential additional consideration in the event of the sale of certain assets. This Private Finance Roll-on Roll-off support ship contract to the Ministry of Defence had reduced in scale following the Defence Review. The Board therefore decided that it was better to release the capital tied up in this business for reinvestment into faster growing areas of the Group. An example of this was the acquisition in August of Osiris Marine for £3.3m, a diving services company which enhanced the Group's offering to the offshore renewables sector.

The combination of strong cash conversion from the Group's trading activities together with the sale of our Foreland interest led to a further reduction in year-end gearing to 30%. The strength of our balance sheet means that the Group is well placed to take advantage of further organic growth and acquisition opportunities in the year ahead.

The Board

At our last AGM we announced that Maurice Storey would retire from his role as Senior Non-Executive Director during 2013. In his ten years on the Board, Maurice made a significant contribution to the development of the Group and brought deep technical and maritime expertise. Malcolm Paul was appointed Senior Non-Executive Director on 31 December 2013. In August, I was delighted to be able to announce the appointment of David Moorhouse (formerly Executive Chairman of Lloyds Register) and of Michael Salter (formerly Chief Operating Officer of Abbot Group plc) as new Non-Executive Directors. Between them they strengthen the Board's insight into the oil and gas sectors and provide a full replacement of Maurice Storey's technical and maritime knowledge.

Having ensured a period of hand-over, Michael Everard has also decided to retire from the Board at the end of April. Michael has served on the Board for over seven years and helped shape the integration of FT Everard into the Group following its acquisition in 2006. I would like to thank Maurice and Michael for the great contribution that they have made to the Group's development over the last years.

Staff

The success of James Fisher remains linked to our ability to retain and develop the entrepreneurial drive and professionalism of the staff and management teams in our operating companies. As the Group expands overseas these businesses become increasingly complex. A number of sectors are marked by shortages of skilled engineering staff. As a Group wide initiative we are therefore paying increased attention to our in-house training and to our graduate and management development programmes. This investment comes at a cost but will enable us both to continue growing and to manage increased complexity as we go forward.

Our success depends more than ever on the dedication and professionalism of our staff. On behalf of the Board, I would like to thank all our staff for the tremendous commitment shown throughout all our businesses over the last year.

Outlook

The increased scale of the Group and its enhanced international presence has reinforced the Group's market position in the demanding environments of the offshore, marine and nuclear sectors. This gives us confidence that our operating companies will continue their recent pattern of growth across a broad front. In particular, demand for our services remains strong in our Offshore Oil division while our Specialist Technical subsea and nuclear businesses have a healthy order book in a growing market. All divisions will benefit from the strength of our balance sheet which will enable us to invest further in organic growth opportunities and to continue with our programme of targeted acquisitions.

Trading to date in 2014 has been to management expectations and we continue to be well placed to provide further growth and value for our shareholders.

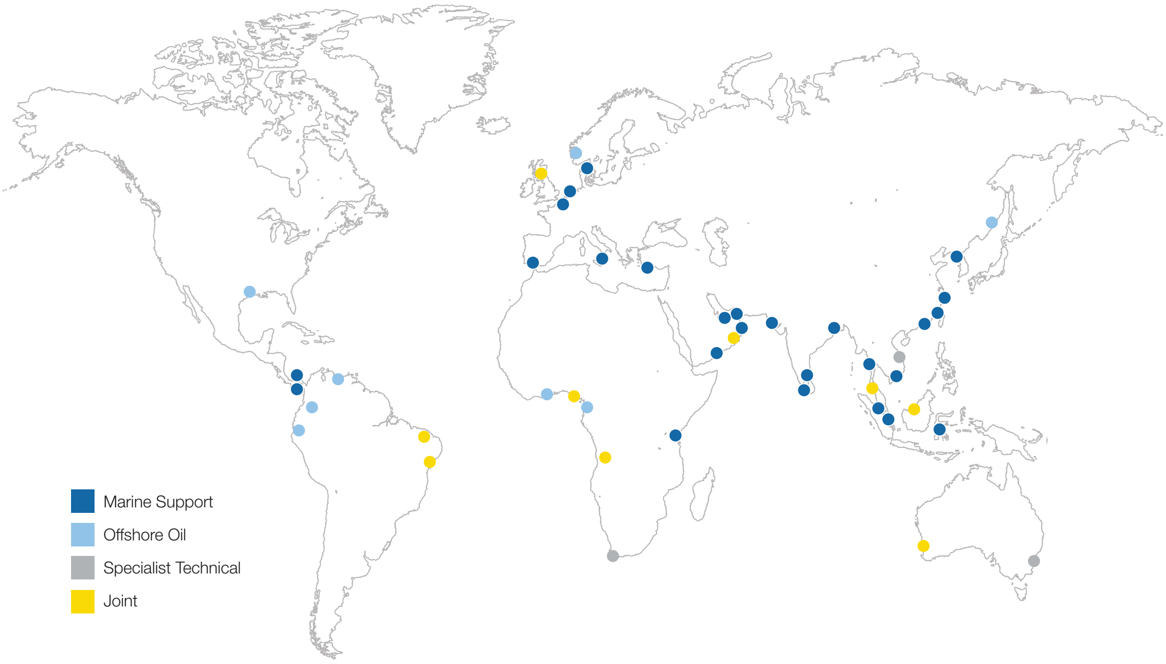
Charles Rice
3 March 2014

Saturation Diving System

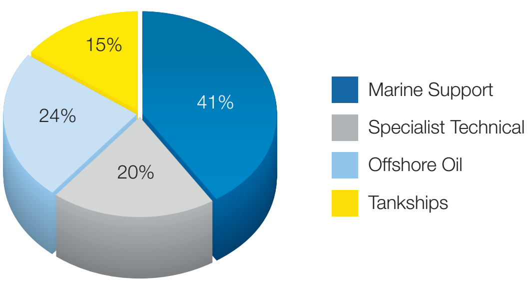
In October 2013 Divex completed the design, manufacture and supply of a 450 metre rated saturation diving system. The system, worth in excess of £10m, is to be installed onto a Navy rescue ship in 2014.

The system is a unique design that accommodates 12 divers in saturation, allowing three-man bell excursions to depths of 450 metres to gain access to stricken submarines. The chamber complex can also accommodate up to 60 submariners in the event that they require decompression following rescue.

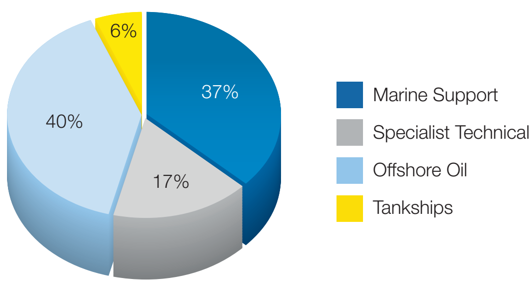
Geographical locations



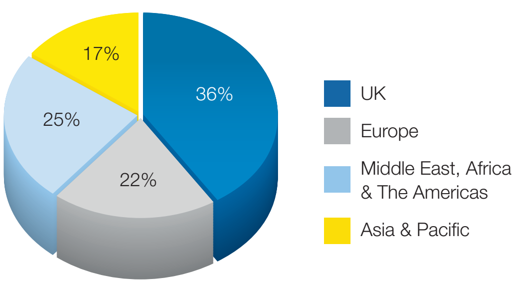
Revenue by division



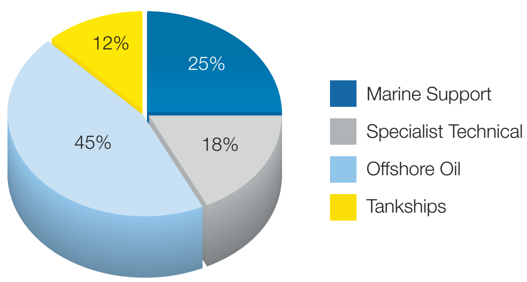
Profit by division



Revenue by geography



Assets by division



Business model

Our business model comprises a number of high quality niche businesses offering a range of marine services predominantly to large multinational customers and governments on an international basis.

Marine services

Businesses linked together by common marine service skills.

Entrepreneurial culture

The Group has a decentralised management structure which encourages managers to be responsible for running their own businesses with the back-up and resources of a larger group.

Our businesses have strong, experienced management teams that are rewarded according to the success of their businesses. An entrepreneurial culture means we are responsive to changes in the market and the competitive environment.

High quality services provided to demanding environments

The Group provides solutions to customers through the provision of specialist equipment which is coupled with the detailed knowledge of our people, who are industry experts in their specific operations. The equipment is often designed and assembled by our people, who then operate the equipment and provide through-life support to our customers.

Whilst our expertise originates in the UK, the Group provides these solutions and support on an international basis and focuses on servicing less mature markets.

Addressing customer demands for quality and improvement entails the continuous development of innovative products to maintain market leadership in our areas of service.

Buy and build

The Group has acquired a series of privately owned companies with specific niche expertise which has enabled the Group to widen the range of services provided to our large multinational customers. The global reach of the Group has facilitated the internationalisation of operations of these companies.

Strong organic growth has been achieved through investment in people, working capital and equipment.

Strategy

A consistent strategy has been applied to leverage UK marine skills in areas of niche expertise to a global market.

The Group has a range of entrepreneurially led businesses which are at the forefront of the market in their specific operational niches. Our businesses operate in demanding environments where strong marine service and specialist engineering skills are valued and rewarded. The focus is on providing solutions to our customers who are moving into the less mature and fast growing markets where they value trusted and quality suppliers.

Such high value services are expected to be cash generative and to produce net margins in excess of 10% and returns on capital employed of 15% or more.

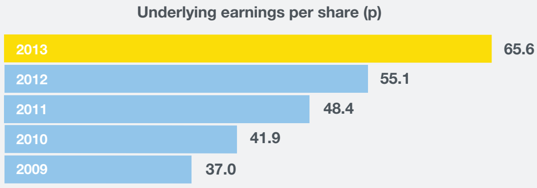
Bolt-on acquisitions have broadened the range of services provided. As a result the Group provides an integrated range of services to our international customers and leverages these relationships.

Nick Henry, Chief Executive Officer

Compound growth rates over the last five years in underlying earnings per share and dividends are 13% and 9% respectively

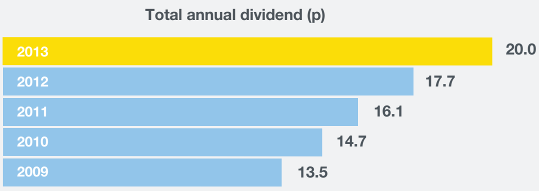
Principal corporate objectives

- **deliver progressive long-term growth in underlying earnings per share**



Underlying diluted earnings per share has grown over the last five years by a compound rate of 13% per annum largely through organic growth supplemented by a number of niche acquisitions.

- **deliver progressive dividend growth**



The Group's dividend policy is progressive by reference to underlying growth and dividend cover. Dividends have grown by a compound rate of 9% over the last five years and this continues the trend of increasing dividends in each of the last 19 years.

Business model and strategy

The Group had a further year of strong growth with underlying diluted earnings per share increasing by 19% on the previous year. Sustained organic growth represented 85% of the 13% increase in underlying operating profit to £46.6m. All four divisions produced significant contributions with underlying profit growth in Marine Support (13% adjusted for prior year disposal), Specialist Technical (55%), Offshore Oil (15%) and Tankships (33%). Operating margins increased in Specialist Technical and Tankships and were in line with prior year in Offshore Oil and Marine Support (adjusted for The Railway Engineering Company (TRE) which was sold in 2012).

Since 2002, the Group has established and grown its Marine Services businesses (Marine Support, Specialist Technical and Offshore Oil) and revenues have increased by a compound rate of 19% over the last five years to £352.4m in 2013. In continuation of this strategy, the Group divested the non-core TRE in December 2012 for £25.5m and reinvested the proceeds with the acquisition of Divex in March for an initial consideration of £20.8m.

Divex is a global leader in the design and supply of saturation diving systems and related diving equipment to the defence and oil and gas markets. It is complementary to our submarine rescue business, JF Defence, and joins the Group at an interesting time with high activity levels in the subsea market and good prospects for new orders of saturation diving systems.

In August 2013, Osiris Marine Services Limited and Osiris Underwater Engineering Limited (together Osiris Marine) were acquired for an initial consideration of £3.3m. Osiris Marine provides diving and subsea services, principally to the renewables sector in the UK.

At the same time, we announced the sale of our 25% shareholding in Foreland Holdings Limited (Foreland). James Fisher and Sons plc was one of the four original investors in Foreland, a Private Finance Initiative to own and operate six roll-on, roll-off vessels for the Ministry of Defence. The disposal realised £11.4m of proceeds and resulted in a profit of £6.8m in the year. Further proceeds conditional on the sale of two vessels may be received in 2014. Whilst a successful investment for the Group, the Board decided that Foreland's contract did not have significant growth prospects. The proceeds will be used to finance further bolt-on acquisitions and to drive further organic growth.

During the year, the Group opened several new bases and early in 2014 will commence operations from Labuan, Malaysia. Our Scantech Offshore business became established in Brazil and won two significant well testing orders from major multinational customers, one of which has contributed strongly to the 2013 result.

The Group invested £24.7m (2012: £26.1m) in capital expenditure of which the majority was spent within our Offshore Oil division in new high specification equipment. Our JF Nuclear business created a new digital radiography facility at Deeside, UK and we recently invested in a new facility in Inchinnin, near Glasgow, UK where operations for JF Defence and Divex will be based. Our Nuclear business successfully implemented a new business information system across its six sites.

A recent strategic development has been to seek marine service contracts in the operations and maintenance sector of the European renewables market. In support of strategic bases and diving services within Fendercare and Strainstall Marine's structural stress monitoring services, we acquired Osiris Marine which broadens our offering to this sector.

In providing solutions to our customers, an important part of our strategy is to develop new innovative products. Our safety product, the Weak Link Bail is being delivered to customers outside of the Norwegian market for the first time in 2014 and the award winning PyroSentry product proved successful in 2013. Our JF Nuclear business has largely completed development and testing of the robotic manipulator, Moduman, and within Offshore Oil, we launched the Switch which facilitates the operation of multiple down-hole devices from a single power source.

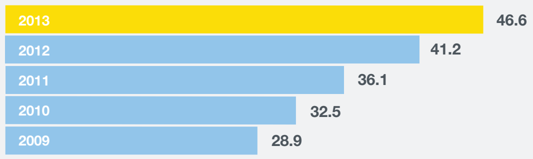
CALM Buoy refurbishment

In 2013, Fendercare completed a significant contract for Chevron Nigeria to refurbish and re-commission a catenary anchor leg mooring (CALM) buoy as part of the Escravos Gas to Liquids Project. A CALM consists of a floating buoy anchored to the seabed by catenary chain legs which are secured to anchors or piles. Fluid product is transferred via the CALM to or from a tanker by floating and subsea hose systems.

Fendercare's scope of work included inspection of all hydraulic and electrical systems, determining the buoy's water tight integrity and the refurbishment of all lifting points and lifting equipment. Fendercare successfully re-commissioned the CALM Buoy following refurbishment.

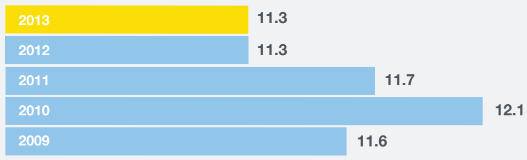
Performance against KPI's

Underlying operating profit (£m)



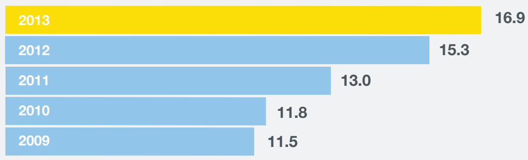
Underlying operating profit is after adjusting for separately disclosed items and is the profit from operations before interest. The Group has increased underlying profit by a compound rate of 9% over the last five years.

Operating margin (%)



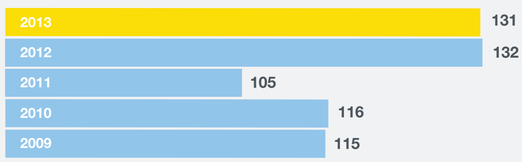
Operating margin is the ratio of underlying operating profit to revenue. The Group's operating margin in 2013 was 11.3% (2012: 11.3%). The Group's margin has ranged between 11.3% and 12.1% over the last five years and is partly dependent on the amount of third party content or pass through revenue.

Return on operating capital employed (%)



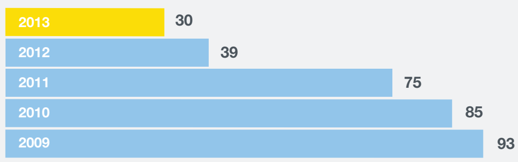
Return on operating capital employed is defined as underlying operating profit divided by average operating capital employed. Operating capital employed comprises tangible fixed assets, intangible fixed assets, operating debtors net of creditors, less provisions. The Group's post tax return on operating capital employed was 16.9% (2012: 15.3%) at 31 December 2013.

Cash conversion (%)



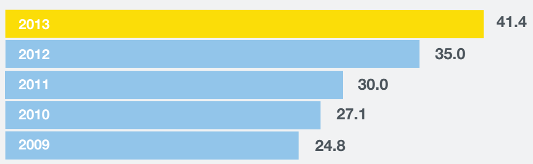
Cash conversion is defined as the ratio of operating cash flow to underlying operating profit. Operating cash flow is defined as underlying operating profit, adding back depreciation and amortisation and adjusting for net movements in working capital, pension payments and for the cash profits of associates. The Group's cash conversion was 131% in 2013 (2012: 132%).

Gearing (%)



Gearing is defined as the ratio of net borrowings to net assets. The gearing of the Group at 31 December 2013 was 30% (2012: 39%) and compares to 93% at the end of 2009.

Underlying profit before tax (£m)



Underlying profit before taxation is after interest and before separately disclosed items and taxes. The compound annual growth rate in underlying profit before taxation over the last five years is 12%.

Business reviews

Marine Support

	2013	2012	2011
Underlying operating profit (£m)	**18.3**	19.3	18.4
Underlying operating margin	**10.7%**	12.3%	15.7%
Underlying return on capital employed (ROCE)	**29.4%**	25.2%	25.5%

- **Underlying revenue growth of 14%**
- **Ship to ship transfer produced further organic growth**
- **First LNG ship to ship operations completed**
- **West African contract for mooring buoy refurbishment completed**
- **Acquisition of Subsea Vision and Osiris Marine for £5.8m**
- **Further contract wins in UK renewables**

Marine Support produced a good financial performance with underlying revenue growth of 14% and operating profit increasing by 13% after adjusting for TRE, the business sold in 2012. Overall margins adjusted for TRE, were maintained in 2013 after reducing by around three percentage points in 2012, when we commenced a large contract in Angola which had a high proportion of third party content.

Ship to ship transfer services achieved further organic growth with South-East Asia performing well and we completed our first Liquefied Natural Gas (LNG) transfer in 2013. Operations in the West African market increased profits through contracts to install and refurbish mooring equipment and Fendercare continued to expand its network of bases around the world, recently opening a new facility in Sharjah, Dubai.

The acquisition of Subsea Vision Limited for £2.5m was completed in January 2014. Subsea Vision is an operator of niche remotely operated vehicles (ROV) used in the support of floating production, storage and offloading (FPSO) in the oil and gas market.

Osiris Marine was acquired in August 2013 for a consideration of £3.3m. Osiris Marine provides diving and subsea services both to the renewables and oil and gas sectors in the UK. This broadens the range of support services to the renewables market which is developing.

Structural monitoring services also produced organic growth both in the UK, South-East Asia and the Middle East, where the market is showing signs of recovery.

Specialist Technical

	2013	2012	2011
Underlying operating profit (£m)	**8.5**	5.5	6.9
Underlying operating margin	**10.5%**	9.0%	13.2%
Underlying return on capital employed	**21.8%**	16.5%	18.4%

- **Divex completed a major saturation diving project and made strong contribution since acquisition in March**
- **Orders for two further saturation diving systems**
- **Joint project assembly base established in Glasgow, UK**
- **Australia – integrating contracts with the navy**
- **Exceptional profit of £6.8m on sale of Foreland**
- **Healthy order book at JF Nuclear**

The Specialist Technical division produced a strong set of results with revenue increasing by a third and after adjusting for Foreland, underlying operating profit nearly doubled. This reflects the contribution from Divex, the global market leader in the design and delivery of saturation diving systems. During 2013 it completed a system that will ultimately be used by the Russian Navy. It also received orders for two further systems which will be completed over the next two years. The introduction of Divex into the Group has gone smoothly and the integration of the operations in Australia, Singapore and Scotland is underway.

JF Defence, which had a shortage of project work in the first half after completing the refurbishment of the Swedish submarine rescue vehicle in 2012, produced an improved order book in the second half of 2013, including securing funding for the next stage of development of the Swimmer Delivery Vehicle. In December it also completed a large exercise off Sydney in Australia (Black Carillon) which boosted second half financial performance.

Our Nuclear business produced another solid performance. Whilst there was no significant increase in profit, the prior year included the benefit of the one-off Olympics contract in 2012 and the financial performance in 2013 illustrates the underlying organic growth from the nuclear power sector. The customer base has been further extended during the year with contract wins from Dounreay and the Atomic Weapons Authority (AWE).

Offshore Oil

	2013	2012	2011
Underlying operating profit (£m)	**19.7**	17.1	12.8
Underlying operating margin	**19.9%**	20.6%	18.0%
Underlying return on capital employed	**16.4%**	15.0%	12.1%

- **Strong organic growth – revenue up 19%, profits up 15%**
- **Contract wins for Zone 2 equipment in Africa and South America**
- **One-off profit on well testing order in Brazil**
- **New product developments coming to market**

The Offshore Oil division had an excellent year with revenue increasing by 19% and underlying operating profit by 15%. The market, both in the North Sea and in the developing markets off West Africa and South America, continued to be very active, particularly in the subsea sector. The strong performance was in part driven by the demand for our designs of Zone 2 and Norsok (Norwegian standard) equipment. This led to significant contracts being won for major international oil and gas suppliers for well testing, both in Brazil and Africa, which were partially completed in 2013.

Capital expenditure of £14.8m was invested into new equipment during the year and will drive further organic growth. The majority of this is targeted at long term rental contracts in Asia, Africa and South America.

We continued to invest in new product development which provides solutions to our customers or improved health and safety. The Switch was exhibited at a major industry workshop in Houston, US in May 2013. This facilitates operating a number of down-hole devices from a single power source from the surface. In addition, new products were developed at Scantech AS, our Norwegian business and at Scantech Offshore which provides well testing related services.

Tankships

	2013	2012	2011
Underlying operating profit (£m)	**3.2**	2.4	1.1
Underlying operating margin	**5.2%**	3.9%	1.7%
Underlying return on capital employed	**10.0%**	7.3%	2.7%

- **Steersman and Asperity vessels sold, reducing fleet size**
- **Milford Fisher chartered out to Mediterranean market**
- **King Fisher and Kestrel Fisher introduced**
- **MoD charters for 2 vessels**

Tankships produced an improved result with underlying profits increasing by 33% to £3.2m whilst revenue declined marginally. This was in line with the policy to reduce capacity and improve the yield. During the year the fleet was reduced by a further 2 vessels with m.v. Steersman sold on behalf of its owners in January, and m.v. Asperity sold in December. In addition a further vessel, m.v. Milford Fisher, was chartered out to the Mediterranean market.

The results benefited from the charter of two vessels to the Ministry of Defence, which entailed replacement vessels being chartered in to cover our contract commitments.

The demand for clean petroleum products, whilst not recovering to 2007 levels, remains stable. The fleet has now been reduced to reflect the level of contract demand with the exposure to the spot market significantly reduced.

Nick Henry
3 March 2014

Stuart Kilpatrick, Group Finance Director

"Second half turnover was 21% higher than prior year and operating profit was up by 15%"

	Revenue 2013 £m	Revenue 2012 £m		Underlying operating profit 2013 £m	Underlying operating profit 2012 £m	
Marine Support						
Ongoing	**171.3**	150.3	**+14.0%**	**18.3**	16.2	**+13.0%**
Disposed [1]	**-**	7.0		**-**	3.1	
Total	**171.3**	157.3	+8.9%	**18.3**	19.3	-5.2%
Offshore Oil	**99.2**	83.4	**+18.9%**	**19.7**	17.1	**+15.2%**
Specialist Technical						
Ongoing	**81.9**	60.8	+34.7%	**7.6**	3.9	**+94.9%**
Disposed [2]	**-**	-		**0.9**	1.6	
Total	**81.9**	60.8	+34.7%	**8.5**	5.5	+54.5%
Tankships	**61.3**	61.8	**-0.8%**	**3.2**	2.4	**+33.3%**
Common costs				**(3.1)**	(3.2)	
Group	**413.7**	363.3	**+13.9%**	**46.6**	41.1	**+13.4%**
Interest				(5.2)	(6.1)	
Underlying profit before tax				**41.4**	35.0	**+18.3%**

[1] The Railway Engineering Company (TRE) was sold on 31 December 2012
[2] Foreland was sold on 19 August 2013

The Group's balance sheet has been strengthened over the last eighteen months with proceeds from businesses sold of around £38m and marine service acquisitions costing around £18m. As a result the Group's financial gearing has reduced to 30% (2012: 39%) from 93% five years ago and the ratio of net debt to earnings before interest, tax and depreciation (EBITDA) at 31 December 2013 was 1.0 times (2012: 1.2 times). In 2013 revenue increased by 14% to £413.7m and underlying profit before taxation was 18% higher at £41.4m (2012: £35.0m). Second half turnover was 21% higher than prior year and operating profit was up by 15%.

Good performance in ship to ship services, marine services and strain monitoring led to a 14% increase in ongoing marine support revenues and a 13% increase in underlying operating profit. Offshore Oil services remained strong in the Norwegian North Sea and in developing markets. Our Scantech Offshore business delivered part of a sale and service order for a customer in Brazil that added around £1.0m to the result in 2013 which under its normal rental arrangements would have arisen over a four year period.

Specialist Technical's 35% increase in revenue and 55% increase in underlying operating profit reflects a good contribution from Divex since March net of the impact of divesting of the Group's 25% interest in Foreland, in August 2013. Tankships revenue was flat but profitability was 33% higher as a consequence of reduced operating costs and the benefit of two larger vessels being chartered out for the majority of 2013.

	2013	2012	2011
Marine Support [1]			
Operating margin	**10.7%**	10.8%	14.0%
Return on net operating assets (ROCE)	**29.4%**	21.7%	22.6%
Offshore Oil			
Operating margin	**19.9%**	20.6%	18.0%
Return on net operating assets (ROCE)	**16.4%**	15.0%	12.2%
Specialist Technical [2]			
Operating margin	**9.4%**	6.3%	7.4%
Return on net operating assets (ROCE)	**19.5%**	12.7%	11.6%
Tankships			
Operating margin	**5.2%**	3.9%	1.7%
Return on net operating assets (ROCE)	**10.0%**	7.3%	2.7%

Operating margins at Marine Support were consistent with prior year having reduced in 2012 due to the high third party content on the Angola contract but this led to a compensatory increase in ROCE over the period. Offshore Oil margins remain around the 20% level and ROCE of 16% whilst Specialist Technical improved significantly reflecting improved profitability at Divex and continued progress in our JF Nuclear operations. ROCE in our Tankships has benefited from a reduction in vessel book values following an impairment provision taken in 2012.

[1] Excludes TRE (sold December 2012)
[2] Excludes Foreland (sold August 2013)

Restatement of prior year

A change to the accounting standards in relation to defined benefit pension schemes (IAS19) has decreased reported underlying operating profit in 2012 by £0.1m and increased interest payable by £0.3m and as a result, underlying pre-tax profit has been restated from £35.4m to £35.0m. There is no impact on cash flows of this amendment to accounting standards. Following the acquisition of Divex Limited in March, the segmental format has been revised. Our submarine rescue Defence business is now reported together with Divex and our Nuclear business within Specialist Technical. Our fendering, strain monitoring and maritime services businesses are now reported within a new Marine Support segment.

Interest

Net interest reduced by £0.9m to £5.2m (2012: £6.1m) due to lower borrowings and lower total cost of borrowing as the Group's gearing was reduced. Pension interest was £0.3m lower due to a lower discount rate applied and a reduction in the liability.

Separately disclosed items

To provide a better understanding of the underlying trading performance, the Group separately discloses certain items each year. This is done on a consistent basis and comprises gains on sale of businesses, any impairments which are significant by virtue of their size, costs incurred in making business acquisitions and the amortisation of acquired intangible assets. In 2013, there was a gain on sale of the Group's interest in Foreland of £6.8m, costs of acquiring businesses of £0.9m and amortisation of acquired intangible assets of £0.6m. In 2012 the Group reported a profit on sale of TRE of £20.9m, recorded a vessel impairment charge of £9.1m and amortisation of £0.1m.

	2013 £m	2012 £m
Sale of business:	**6.6**	20.9
Vessel impairment	**-**	(9.1)
Business acquisitions related	**(1.5)**	(0.1)
Separately disclosed items	**5.1**	11.7

Taxation

The effective tax rate on underlying profit before tax was 18.6% (2012: 19.0%). The rate is slightly lower than previous year as the Group has reflected future UK rate reductions into its deferred tax calculations. The overall rate is dependent on the mix of profits in overseas operations which have different tax rates to the UK and dependent on the proportion of Tankships profit, which is taxed based on tonnage rather than on profitability.

The Group's tax policy has been approved by the Board and shared with the UK tax authorities. Whilst the Group has a duty to shareholders to seek to minimise its tax burden, its tax policy is to do so in a manner which is consistent with its commercial objectives, meets its legal obligations and its code of ethics. We aim to manage our tax affairs in a responsible and transparent manner and with regard for the intention of the legislation rather than just the wording itself.

Earnings per share and dividends

Underlying diluted earnings per share increased by 19% in the year to 65.6p per share (2012: 55.1p) due to the increase in underlying operating profit, lower interest costs and a lower effective tax rate on profits. Diluted earnings per share after separately disclosed items decreased by 4% to 75.7p per share (2012: 78.5p) mainly due to a lower gain on the sale of businesses in 2013.

The Board are recommending a 15% increase to the final dividend for the year to 13.54p per share (2012: 11.83p), which makes a total for the year of 20.0p per share (2012: 17.7p). The final dividend will be paid on 9 May 2014 to shareholders on the register on 11 April 2014. Dividend cover based on underlying earnings was 3.3 times (2012: 3.1 times).

Cash flow and borrowings

Net borrowings decreased by £8.8m in the year due to a cash inflow from operating activities of £53.3m, which was used to finance £24.9m of capital expenditure, net outflows on businesses acquired and disposed of £6.4m and outflows for dividends and interest of £13.2m. The Group's cash conversion, the ratio of operating cash to operating profit was 131% (2012: 132%). At 31 December 2013, the ratio of net borrowings (including guarantees) to earnings before interest, tax, depreciation and amortisation (EBITDA) was 1.0 times (2012: 1.2 times). Net gearing, the ratio of net debt to equity, was reduced to 30% (2012: 39%).

An additional contribution of £5.2m on 31 December 2013 to reduce MNOPF pension liabilities added three percentage points to year-end gearing and reduced cash conversion by eleven percentage points. However, by removing the associated interest cost of spreading payments over ten years, the payment will result in a £1.7m cash flow benefit over the remaining seven years of the obligation.

A small group of relationship banks provide bilateral facilities to the Group on an unsecured basis over a 3-5 year term. At 31 December 2013, the Group had £73.6m (2012: £78.0m) of undrawn facilities of which £68.8m (2012: £65.6m) 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 MNOPF's triennial 2012 valuation was finalised in June 2013 and increased the deficit by £4.4m.

As reported last year, 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. The trustees are seeking ratification from the Court of its proposed methodology for future deficit contributions and the extent of any additional contributions will not be known with certainty until the process is concluded.

During the year, the Group made contributions to defined benefit schemes of £10.1m including the additional contribution of £5.2m made in December. Total defined benefit pension deficits at 31 December 2013 were £23.1m (2012: £27.1m). The annual instalment on pension schemes in 2014 is estimated at £4.7m (2012: £4.6m).

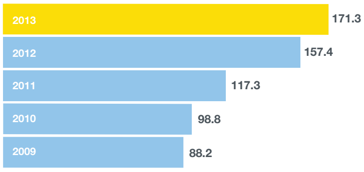
SWITCH

RMSpumptools develops mechanical and electrical products for artificial lift completions. The Switch is an industry first, patented, in-well device that can direct power between two electric submersible pumps from a single power cable. Through use of its innovative technology, RMSpumptools has developed a means to reliably switch between two power cables using hydraulic control from surface, all while compensating for the high pressures and temperatures associated with an in-well environment.

The Switch targets high cost applications typically associated with offshore and subsea well completions where significant savings can be achieved.

Marine Support

Revenue (£m)

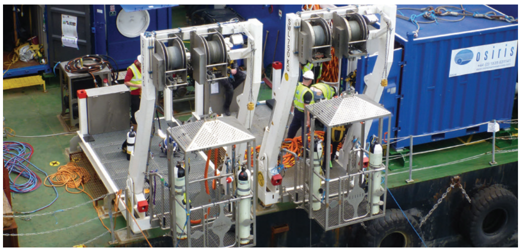


Underlying operating profit (£m)

Return on net operating assets (%)

Sector

Our Marine Support businesses provide a range of services and solutions to the global marine industry. Our services are supplied to a range of end market sectors including marine, oil and gas, ports, construction and renewables.



Our principal businesses

	Operations	End markets	Locations
Fendercare	Marine products and services, ship to ship transfers, diving services, marine consultancy	Marine, oil and gas, renewables, defence	UK; Singapore; Perth, Australia; Dubai; Macae, Brazil; Lagos, Nigeria
Strainstall	Products and services that measure and monitor structural stress	Marine, oil and gas, renewables, civil and construction	UK; Dubai; Qatar; Singapore; Malaysia
James Fisher Marine Services	Project and ship management	Marine, oil and gas, renewables, civil and construction	UK
Osiris	Subsea cable burial and repair, Remotely operated vessels, diving	Renewables	UK

Market drivers

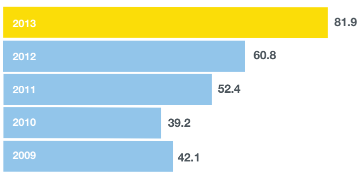
Fendercare are the leading provider of pneumatic floating fenders and other mooring equipment to the global marine industry. The sectors serviced are commercial shipbuilding, ship refurbishment, defence, port developments and the oil and gas market for project applications. Fendercare is also the leading provider of ship-to-ship services for the transfer of crude or refined oil, liquefied petroleum gas or bulk cargoes. The demand for these services is driven by the volume of oil trading between oil majors and independent traders, and also the production from countries who do not have the port infrastructure to accommodate large tankers.

Strainstall are the leading provider of strain gauges to the marine industry, which are used in a range of applications such as mooring systems on ships and in ports as well as being used to monitor structural integrity of infrastructure in the construction and transport sectors. The sectors serviced encompass new shipbuilding, ship refurbishment and life extension, port developments and projects for the oil and gas market.

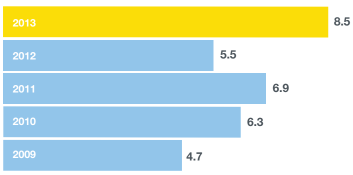
These services are provided from a global spread of regional bases. In addition the division provides support services to the renewables industry in the UK and European North Sea.

Specialist Technical

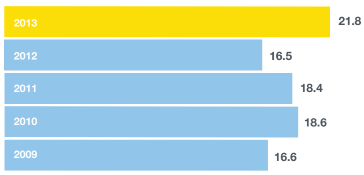
Revenue (£m)



Underlying operating profit (£m)



Return on net operating assets (%)



Sector

Our Specialist Technical businesses supply the subsea market with diving equipment, submarine rescue services and the nuclear decommissioning market. The submarine rescue market is a small niche with a national navy either having its own capability or relying on other countries. Other subsea services provided to the Defence sector include diving equipment and special operations vessels. The Group also supplies saturation diving systems to the oil and gas sector. Saturation diving systems are installed onto Dive Support Vessels and support deep subsea diving activities. Our Nuclear businesses primarily serve the UK decommissioning market.

Our principal businesses

	Operations	End markets	Locations
Divex	Design, supply and servicing of diving and subsea equipment	Commercial and defence diving, hyperbaric and submarine rescue	UK; Perth, Australia; Dubai; Cape Town, South Africa
JF Defence	Submarine rescue and special operations services	Defence	UK; Singapore; Perth, Australia
JF Nuclear	Engineered solutions in remote handling, non-destructive testing and calibration services	Nuclear power plants	UK

Market drivers

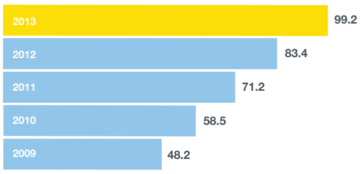
Divex is the world's leading supplier of saturation diving systems and related diving equipment. Its end markets are oil and gas and defence. Saturation diving systems are both fixed and portable. Fixed systems are usually built into dive support vessels (DSV). Divex provides the equipment and the follow-on consumables, support and maintenance to the DSV operator. The construction and replacement of DSVs drives new build saturation diving systems which in turn drives ancilliary service and product spend. Divex's defence market is based on service, repair and calibration requirements and on projects requiring specialist diving equipment.

JF Defence is the world leader in submarine rescue services. It encompasses the ability to design, deliver and operate submarine rescue vehicles. It has long term service contracts with navies in a very niche area of capability. The driver is the tendering of defence projects for provision of the equipment, which can then lead to longer term service contracts to operate the service. We currently provide submarine rescue services to the UK, Singaporean and Australian navies. The business also provides swimmer delivery vessels to the Special Operations markets.

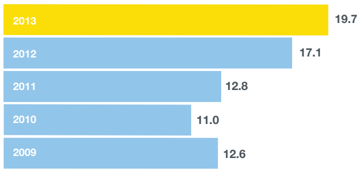
JF Nuclear provides products and services to the nuclear industry both in the operation of nuclear power plants and decommissioning. Its products and services operate in hazardous environments. The business provides instrumentation, non-destructive testing, calibration, and digital radiography to the nuclear, aerospace and process industries. The market drivers for JF Nuclear are the demand for its products, services and lifetime support from the UK decommissioning industry, radiological calibration requirements and projects within the aerospace, process and defence industries.

Offshore Oil

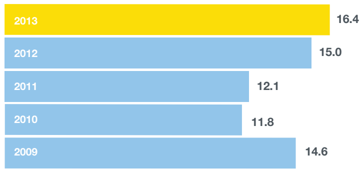
Revenue (£m)



Underlying operating profit (£m)



Return on net operating assets (%)



Sector

Our Offshore Oil division supplies a range of services and equipment to the global oil and gas industry. Services include the design and engineering of specialist equipment, platform maintenance and modification, well testing support, subsea operations, through to the provision of pipeline excavation and maintenance services. James Fisher is established as a world leader in artificial lift specialist completion technology and innovative accessory tools for electrical submersible pumps.

Our principal businesses

	Operations	End markets	Locations
Scantech AS	Design and engineering of specialist equipment, platform maintenance and modification, well testing support and subsea operations	Oil and gas	Stavanger, Norway; Bergen, Norway
Scantech Offshore	Provides products and services to well testing companies	Oil and gas	UK; Dubai; Perth, Australia
JF Offshore and Buchan Technical Services	Supplies a range of quality equipment for sale and hire, including winches and hoists, marine cranes and deck machinery, plus subsea excavation	Oil and gas	UK
RMSpumptools	Artificial lift specialist completion technology and innovative accessory tools for electrical submersible pumps	Oil and gas	UK; Singapore

Market drivers

ScanTech AS, based in Stavanger, Norway, rents a range of equipment to the Norwegian oil and gas market which are used on the rigs for platform maintenance, well testing or specific projects. The equipment is designed and certificated to the Norsok standard. The drivers for the business are the number of offshore rigs in operation in the Norwegian sector and the level of operating expenditure within that sector.

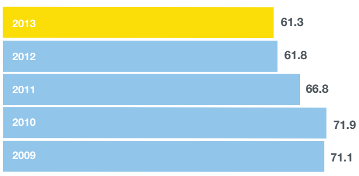
ScanTech Offshore provides support services to the well testing market on a global basis, other than Norway. It rents equipment to the large multinational oil service companies along with qualified personnel to operate the equipment. The driver on the business is the number of offshore rigs in operation around the world.

RMSpumptools supplies products to the global downhole oil and gas market which improve the productivity of wells utilising electrical submersible pumps.

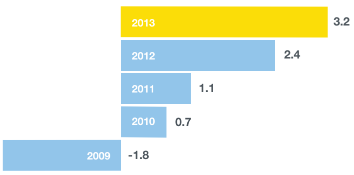
The Offshore Oil division operates in niche areas of the oil and gas services market. These are predominantly focused on the operation and maintenance phases of the market. There is limited exposure to exploration expenditure.

Tankships

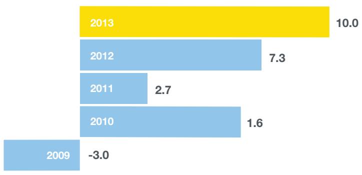
Revenue (£m)



Underlying operating profit (£m)



Return on net operating assets (%)



Sector

Our tankships division operates a fleet of product tankers which trade along the UK and North European coastline carrying petrol, diesel, kerosene and biofuels.

We perform over 1,000 voyages each year carrying fuel from refinery and terminals to major coastal storage facilities. We also operate a port in Plymouth, UK.

Our principal businesses

	Operations	End markets	Locations
JF Everard	Delivery of clean petroleum products around the European coastline	Distribution of clean petroleum products	UK
Cattedown Wharves	Port operations	Wet and dry product distribution	Plymouth, UK

Market drivers

JF Everard distribute clean petroleum products under contracts with oil majors from refineries and terminals to storage facilities around the coast and to islands. It operates a fleet of 15 double hulled product tankers with capacity ranging from 3,000 to 11,000 tonnes. The driver is the level of consumption of clean products (petrol, diesel, kerosene and biofuels) in the UK, Ireland and Northern Europe.

Shipping dramatically reduces our customers' carbon footprint compared to other modes of transportation. CO^2 emissions are halved for shipping compared to road freight and just one full ship keeps more than 100 trucks from the roads.

Cattedown Wharves is a port in Plymouth which provides stevedoring services to the oil majors who own tank farms in Plymouth. It also handles dry cargoes such as animal feed which is imported and clay which is exported from the South West. The driver for the business is the level of consumption of clean oil products within the South West of the UK.

King Fisher and Kestrel Fisher

Two new double hulled oil tankers with a deadweight displacement of 7kT joined the fleet to be managed by our ship management team. The vessels are powered by MAK type 8M25C engines and delivered a trial speed at summer draft of 12.3 Knots.

This supplements the Tankships fleet of 3kT, 4kT and 10kT vessels transporting clean petroleum products around the European coastline.

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 include ethical, anti-bribery and corruption, treasury, employment, health and safety and environmental issues. The Board retains an oversight role and has a schedule of matters specifically reserved 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.

Risk and description	Potential impact	Mitigation
Contractual		
Failure to manage large and complex contracts. In addition, as the Group continues to grow there is a risk that contracts are accepted on unsatisfactory terms.	Failure to deliver a major contract in accordance with customer requirements would have potentially 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 are designed to ensure that contracts are reviewed and approved at appropriate levels prior to commitment. Major contracts are subject to ongoing review at levels and frequencies appropriate to performance and potential risks.
Recruitment and retention of key staff		
The success of the Group is built upon strong management teams in the operating businesses who are committed to the success of their respective businesses. Our success also depends on recruiting and retaining the right people in all areas of our business.	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.
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, foreign exchange and credit risk. The majority of its transactions are in USD or GBP but the Group has an increasing exposure to less liquid currencies.	An increase in interest rates or change in exchange rates or credit restriction would have a financial impact.	The Group manages interest rate and foreign exchange rate risks through hedging arrangements where appropriate. The Group maintains relationships with a small key group of banks and reviews its funding mix and requirements at each Board meeting.
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 Group has limited exposure to the exploration phase and seeks longer term contracts in the production and maintenance cycles in the oil and gas sector.
Operations in emerging markets		
The Group has increasing activities in overseas emerging markets which may be in association with local shareholders.	This has the potential for increasing the Group's financial and governance risk exposure.	The Group allocates additional resource to areas of higher risk and enhanced internal audit reviews are supported by external audit companies.
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.

Introduction

Corporate responsibility is central to the Group's business strategy and the Company is committed to conducting its business with honesty, integrity and fairness. The Board believes that aligning corporate responsibility linked to business strategy and objectives is key to the Group's sustainability and success. The Group has implemented a number of policies covering anti-bribery and corruption, business ethics and whistle-blowing which support our approach to corporate responsibility. We require all our people to conduct themselves to the highest level of ethical conduct in their 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. The continual monitoring of the application of these policies across our Group demonstrates our commitment to ensuring that our business operates in an ethical and responsible manner.

Employees

The Board recognises that as a service business, our talented and diverse workforce is our most valuable asset. The long term success of the Group is dependent 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 Group 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 on-going investment and seek to ensure that employees are informed on matters affecting their employment and business developments in the Group through management briefings and newsletters, the Group's website and by the distribution of Preliminary and Interim Announcements and press releases. Copies of the Annual Report and Accounts are also made available to the operating business and this communication process enables employees to gain an understanding of the Group's objectives and their roles in achieving them.

Key employee statistics	**2013**	2012	2011
Average number of employees	**2,190**	1,823	1,646
Females as % of total	**21.1%**	20.9%	20.4%

To enable personal development, employees are encouraged to participate in training and development programmes and to obtain professional qualifications relevant to their roles through the Group's training programmes. In addition, in 2013 the Group broadened its management development and graduate recruitment programme which focuses on recruiting talented graduates, developing skills and experience and producing potential future managers.

We operate in a competitive marketplace and the Board recognises the importance of rewarding employees appropriately for the value they bring to the business and aims to offer rewards that attract and retain key talent. In addition, the Company encourages employees to share in its success through share ownership and annually invites employees to participate in its share schemes. At 31 December 2013, 251 employees were participants of the James Fisher Savings Related Share Option Scheme (2012: 188).

The Company is committed to equal opportunity and it is our policy to ensure that all employees and potential employees are treated fairly regardless of their race, religious or political beliefs, gender, age, marital status sexual orientation or disability. We aim to ensure that people from any background or gender have equal access to employment, training and career progression opportunities. We strive to select individuals on merit and do not consider that targets or quotas are appropriate. However, the Board has agreed that the issue of gender diversity should be addressed as part of the Board's succession and development.

Set out below is a breakdown of the average number of persons by gender and category:

	2013		2012	
	Male	**Female**	Male	Female
Main Board Directors	**7**	**-**	6	-
Senior managers	**37**	**6**	34	6
Employees	**1,691**	**434**	1,406	375

All of our employees are treated with respect and dignity and harassment or any kind is not tolerated.

It is our policy and practice to give full and fair consideration to applications for employment by disabled people. If an employee became disabled during the course of their employment, wherever practicable, the Company would make every effort to ensure that arrangements and adjustments are made to continue their employment and arrange appropriate training for that employee.

Health and safety

The Group is fully committed to providing very high standards of safety to its employees and to contractors and visitors to the Group's premises. The Group promotes a safety culture of continuous improvement. The Chief Executive Officer, Nick Henry has overall responsibility for health and safety and the review of health and safety performance is usually the first agenda item at each Board and business board meeting. In accordance with our decentralised management approach, accountability is with local management to comply with local laws and regulations and specific needs.

Nick Henry chairs the Group health and safety committee (GHSC), which 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 is maintaining high standards of health and safety in its business. Through the GHSC, the Group shares best practice and following any health and safety incidents, including near misses, appropriate corrective action is taken to mitigate the risk of their recurrence.

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 ISO 19001. The Group has adopted the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in the reporting of recordable incidents.

A reportable incident under RIDDOR are work-related injuries to workers which result in their incapacitation for more than seven days. The number of reportable incidents across the Group in 2013 was 6 (2012: 1). The most common incidents relate to trips, falls and crush injuries. The Group also records lost time accidents (LTA's) to monitor performance and trends. An LTA is where a worker is incapacitated for three or more consecutive days, not including the day of incident. In 2013 the Group incurred 2 LTA's (2012: 6).

In addition the Group monitors the overall RIDDOR reportable frequency rate. The RIDDOR reportable frequency rate was 0.9 in 2013 (2012: 0.2).

Environmental

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, so 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.

Energy consumption was measured across the Group by recording data on the combustion of fuel and the use of electricity at its facilities. The Group's total greenhouse gas emissions (GHG) in 2013 was 82,600 tonnes of CO^2. This is largely made up of emissions from the combustion of oil and gas in vessels, which amount for 96% of our total emissions, although one 4,000 tonne vessel can carry over one hundred times the volume of fuel transported by a single petrol tanker, significantly reducing congestion and emissions to air.

	Emissions tonnes (000s)
CO^2 equivalent from electricity consumption in facilities	1.7
CO^2 from combustion of fuel at facilities and road vehicles	1.9
CO^2 from combustion of fuel in vessels	79.1
Total CO^2 emissions	**82.6**

Our GHG emissions have been calculated using UK Government guidelines for conversion of fuels and electricity. The Group's Carbon intensity ratio calculated against Group revenue is 0.02%. Following 2013, our goal is to reduce our GHG emissions in 2014, where possible. To help do so we have identified a series of actions to help reduce carbon intensive activities, including monitoring and reducing energy consumption, actively improving energy efficiency and avoiding unnecessary travel. In 2013 our Tankships Division implemented a new Ship Energy Efficiency Management Plan to regulate shipping energy efficiency and to control our marine GHG emissions. Waste management and recycling of materials, where practicable, is encouraged across the Group.

Human rights

James Fisher is committed to supporting and respecting human rights. Our everyday work practices and policies throughout the Group are designed to ensure that respect for human rights is integrated into the systems and culture of our business.

Business Ethics and Anti-Bribery and Corruption Policies

Our business ethics policy aims to instil the highest standards of business behaviour across the Group and focuses on embedding a culture of ethical compliance, so that all of our employees understand the standards of ethical business practices that are expected from them. As well as protecting the reputation of the Group and safeguarding the investment of our shareholders, the business ethics policy aims to protect the interests of every employee by ensuring legal and regulatory compliance as well as promoting responsible behaviour across the Group.

The Group has an established anti-bribery and corruption policy reflecting the requirements of the UK Bribery Act 2010 and has introduced an extensive compliance programme which has top level commitment from the Board and from senior 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.

West Cumbria Fab Lab Project

The economic development organisation, Britain's Energy Coast (BEC) has received support from the Sir James Fisher Foundation which has given a £100,000 grant over two years and JF Nuclear which has provided technical support and equipment enabling BEC to bring Fab Lab (fabrication laboratory) technology to West Cumbria. Fab Lab is a small-scale workshop/laboratory equipped with the latest computer-controlled tools that can produce prototypes or bespoke items from a digital design. The Fab Labs are designed to encourage an environment for innovation, design and making and to provide facilities to help students develop skills to support local business and provide training in the community.

On-going compliance is monitored by local compliance officers who are required to report to their local boards and to the Group Compliance Officer on at least a biannual basis. The compliance officers are responsible for ensuring that risk assessments, training and awareness are up to date and are required to monitor, record and report agency arrangements with third parties.

Customers

The Group aims to provide superior customer service through 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 international markets. 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' needs, and to deliver client satisfaction.

Suppliers

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, health and safety and management systems.

Communities

The Sir John Fisher Foundation is a charitable trust established in 1979 by Sir John and Lady Fisher and supports causes throughout the UK, but with special regard to those based in and working for the benefit of people living in and around 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 2013 the Foundation was able to make grants or commitments to charitable causes of £1.2m.

The Group encourages its trading companies to support local communities and charities within their operational areas and during the year companies and employees throughout the Group have been engaged in and undertaken a wide range of activities, including:

- Seven employees participated in the Keswick to Barrow 40 mile annual sponsored walk and run raising over £3,000 for charity;
- An employee completed the London Nightrider 100km cycle challenge raising £6,000 for charity;
- James Fisher Everard employees participated in the Battersea Park Corporate Challenge charity event and made a charitable donation of £650 to the Philippines disaster recovery fund;
- James Fisher Marine Services made a donation to the Greenock Sea Cadets, which is one of the UK's oldest nautical youth training charities;
- James Fisher Defence raised £500 for Cancer Research UK in the FreshnLo Pedal for Scotland charity cycle;
- James Fisher Nuclear (JFN) made a £675 donation to the Engineering Awareness Day at St Benedicts High School, Whitehaven. The event was supported by nine JFN staff who provided detailed advice and literature to students to encourage them to consider engineering careers in the nuclear industry; and
- RMSpumptools participated in the 54 mile Caledonian Challenge and raised over £6,500 for Foundation Scotland.

RMSpumptools staff participating in the Caledonian Challenge on 15-16 June 2013.

Board of Directors

Chairman

Charles Rice

Chairman of the Board and Nominations Committee
(aged 60) +

Joined the Board in April 2004 and was appointed as non-executive Chairman on 1 August 2012. He has wide experience in commercial shipping having held a number of commercial and operational roles with Overseas Containers Limited. During the 1990s he was responsible for P&O's Trans European Division progressing to a main board director of The Peninsular and Oriental Steam Navigation Company (P&O) in 2001. He is currently Chairman of the Transport Research Foundation.

Executive Directors

Nick Henry

Chief Executive Officer
(aged 52)

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 51)

Stuart 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

Malcolm Paul

Senior Non-Executive Director
(from 31 December 2013)
Chairman of the Remuneration Committee (from 31 December 2013)
(aged 62) *#+

Joined the Board in February 2011. He is a fellow of the Institute of Chartered Accountants in England and Wales and was a founder and former Finance Director of 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 is currently Chairman of Anthesis Consulting Group a private equity backed international company providing global clients with environmental and sustainable business solutions.

Michael Everard

Non-Executive Director
(aged 65) *#+

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.

Michael Salter

Non-Executive Director
(aged 66) *#+

Joined the Board in August 2013. Formerly Chief Operating Office at Abbot Group plc and earlier in his career, CEO of Smedvig UK Limited and General Manager of Bawden Drilling UK Ltd. Michael has recently stepped down as Chairman of the Scottish Chambers of Commerce. He is a Non-Executive Director of Ferguson Group Ltd and Non-Executive Chairman of CQS Rig Finance Funds plc (AIM listed) and of SAR Gruppen AS.

David Moorhouse CBE

Non-Executive Director
(aged 66) *#+

Joined the Board in August 2013. Formerly Executive Chairman of Lloyds Register and earlier in his career, CEO of John Brown plc, Director of Trafalgar House plc and Executive Vice President of Kvaerner where he had particular responsibility for their engineering and process businesses. David is currently a Non-Executive Director of OAO Sovcomflot and Braemer Shipping plc as well as holding a number of senior voluntary posts including Deputy Chairman of Maritime London and of the Mission to Seafarers. He is also a life member of the UK's Foundation for Science and Technology.

* Audit Committee # Remuneration Committee + Nominations Committee

Introduction by Charles Rice, Chairman of the Board

I am pleased to present the Corporate governance report on behalf of the Board. We aim to give a clear and meaningful explanation of how the Board and its committees discharge their duties and apply the principles of good governance as set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 and September 2012 (Code). The Board is committed to ensuring the highest standards of corporate governance and that values and behaviours are consistent across the Group. The appointment of David Moorhouse and Michael Salter as independent Non-Executive Directors during the year provides a firm foundation for continued oversight and scrutiny of the Company's activities.

I am pleased to report that at the date of this report, the Company complies fully with all of the principles and provisions enshrined in the Code.

I would encourage all shareholders to attend our AGM on 1 May 2014 as it provides an excellent opportunity to meet the Executive Directors and the independent Non-Executive Directors.

Our approach to corporate governance

The Board is committed to maintaining high standards of corporate governance. This report is intended to give shareholders a clear understanding of the Group's corporate governance procedures, how they operated during the year and how the Group complied with the principles set out in the Code.

Statement of compliance

The Board confirms that throughout the year ended 31 December 2013 through to the date of this report, the Company complied with the principles of the Code without exception.

Leadership

Chairman and Chief Executive roles

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 and are set out in writing and approved by the Board. The Chairman is responsible for the leadership of the Board and ensuring the Board is effective in all aspects of its role. The Chief Executive Officer has direct responsibility for the Group on a day to day basis which includes leadership of the operational management of the Group's businesses. Strategy, acquisition and disposal of businesses and major capital investments are agreed between the Chairman, the Chief Executive Officer and Group Finance Director prior to review and approval by the Board. The Board has 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; and
- key policies and reporting to shareholders.

The schedule is reviewed annually.

All Directors participate in discussing strategy, performance, financial and risk management of the Company. Meetings of the Board are structured to allow open discussion and as scheduled, the Board met six times in 2013. 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.

Corporate governance report

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.

Effectiveness

Size and composition of the Board

The Board currently comprises a Non-Executive Chairman, a Chief Executive Officer, a Group Finance Director and four other Non-Executive Directors. The Board functions effectively and efficiently and is considered to be of an appropriate size in view of the scale of the Company and the diversity of its businesses. The Board considers that each Director demonstrates a range of experience and is of 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.

David Moorhouse and Michael Salter joined the Board as Non-Executive Directors on 1 August 2013. Maurice Storey retired from the Board on 30 December 2013 after 10 years' service and on that date Malcolm Paul succeeded him as the Senior Independent Non-Executive Director and Chairman of the Remuneration Committee.

Role of the Non–Executive Directors

The Board considers the Non-Executive Directors combine broad business and commercial experience to bring independent and objective judgement 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.

Board committees

The Board has Nomination, Remuneration and Audit Committees. Each Committee has formal written terms of reference. In addition to the formal Committees, the Board has appointed an Executive Committee consisting of the Chairman and the Executive Directors. This has written terms of reference and 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, 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 meet with the managing directors of the principal businesses on at least a quarterly basis to deal with operational issues and develop and implement strategy.

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 is reviewed annually.

Performance evaluation

The Board undertakes a formal and rigorous annual evaluation of its own performance and that of the Audit Committee, Remuneration Committee and Nominations Committee and each individual Director. The formal evaluations are undertaken internally and for the year ending 31 December 2013 were conducted in January 2014.

The formal evaluation requires each Director to complete in confidence a detailed questionnaire relating to all aspects of Board performance and performance of the Board's principal 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 Non-Executive 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.

Re-election of Directors

All Directors are subject to election by the shareholders at the first AGM following their appointment to the Board and in accordance with the Code, all of the other Directors will also stand for re-election at the 2014 AGM.

Risk management and internal controls framework

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its objectives and for ensuring that the Company maintains sound risk management and internal control procedures. Accordingly, the Board has established an on-going 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 2013, 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 on-going 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 Audit Committee report and details of the principal risks and the Group's approach to mitigating them are set out in the Strategic report.

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 may be raised in the first instance with the Company Secretary in confidence.

Anti-bribery and corruption

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-bribery and corruption statement and policy and does 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 feedback on the institutional presentations which is given to the Company's advisers, is circulated to the Board. The Chairman periodically consults with major shareholders in order to develop a balanced understanding of any issues and concerns. In addition if at any meetings of the Executive Directors with investors a governance or strategy matter is raised, it is relayed back to the Board.

Remuneration Committee

The Remuneration Committee reports to the Board and its members are appointed by the Board. The Committee members are Malcolm Paul, Michael Everard, David Moorhouse and Michael Salter. The Committee is chaired by Malcolm Paul. 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 remuneration policy for 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 on invitation by the chairman of the Committee and is not present when his own terms and conditions are discussed.

Nominations Committee

The Nominations Committee reports to the Board and its members are appointed by the Board. The Committee members are Charles Rice, Michael Everard, Malcolm Paul, David Moorhouse and Michael Salter. The Committee is chaired by Charles Rice. The Committee is formally constituted with written terms of reference which 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 to the Board, candidates to fill vacancies when they arise.

The Committee's work in 2013 included making recommendation to the Board on the appointment of two new independent Non-Executive Directors, Michael Salter and David Moorhouse, and nominating Maurice Storey's successor as Senior Independent Non-Executive Director and chairman of the Remuneration Committee. The Committee on behalf of the Company engaged Cardinal Resourcing, external search consultants, to assist with the identification, screening and appointment of Non-Executive Directors.

Corporate governance report

Attendance at Board and Committee meetings

Directors' attendance at the Board and Committee meetings convened in the year was as follows:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of Meetings	6	3	3	3
Charles Rice	6/6	-	-	3/3
Nick Henry	6/6	-	-	-
Stuart Kilpatrick	6/6	-	-	-
Michael Everard	6/6	3/3	3/3	3/3
Malcolm Paul	6/6	3/3	3/3	3/3
Maurice Storey	6/6	3/3	3/3	3/3
David Moorhouse	2/2	1/1	-	-
Michael Salter	2/2	1/1	-	-

Maurice Storey ceased to be a member of the Board and of the Audit, Remuneration and Nominations Committees on 30 December 2013. Whilst not formally required, Charles Rice, Nick Henry and Stuart Kilpatrick attended a number of Audit, 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

3 March 2014

Introduction by Malcolm Paul, Chairman of the Audit Committee

I am pleased to present the Audit Committee report for the year ended 31 December 2013.

Role and responsibilities

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 including the appropriateness of accounting policies and practices;
- to advise the Board whether it believes that the Annual Report and Accounts, taken as a whole is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's performance, business model and strategy;
- to review the effectiveness and objectivity of the external audit process, assess the independence of the auditor and ensure appropriate policies and procedures are in place to protect such independence;
- to review and assess the adequacy of the Group's systems of internal control and risk management (which includes monitoring the internal audit function) and monitor the risk profile of the business; and
- to report to the Board on how it has discharged its responsibilities.

Composition

The Audit Committee consists exclusively of independent Non-Executive Directors. The chairman of the Committee is Malcolm Paul, a Chartered Accountant, who was formerly finance director of a FTSE 250 company and has significant recent and relevant financial experience. The other members were Maurice Storey, Michael Everard, David Moorhouse and Michael Salter. Committee attendance is shown on page 26. David Moorhouse and Michael Salter were appointed to the Committee on 1 August 2013 and Maurice Storey resigned from the Committee on 30 December 2013.

The Chairman, Chief Executive Officer, Group Finance Director, representatives from external audit and internal audit and the Company Secretary normally attend the meetings by invitation.

Main activities of the Committee during the year

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

February 2013

- reviewed papers on key accounting judgements. These included a review of the carrying value of intangible and tangible assets for any permanent impairment, the adequacy of provisions for slow moving inventory and overdue debts, claims and contingent liabilities, and the appropriateness of assumptions underlying the assessment of defined benefit pension schemes;
- considered reports from the external auditor on its audit and review of the Company's accounts including accounting policies, areas of judgement, risk management and internal controls;
- reviewed the principal financial and non-financial risks relevant to the Group, and the Group's internal control and risk management systems;
- reviewed the proposed final dividend and approved the going concern statement and management representation letter;
- reviewed and approved the Company's preliminary announcement, and draft Annual Report and Accounts for the financial year ending 31 December 2012;
- considered the level of non-audit services fees for services provided by the external auditor and satisfied itself that the objectivity and independence of the auditor was safeguarded;
- reviewed internal audit reports and approved the 2013 internal audit plan;
- assessed the performance of the external auditor, summarising the result of the annual performance evaluation of the external auditor during the 2012 audit;
- met with the external and internal auditor without executive management being present to review the audit process, identify areas of improvement and concern and provide feedback on their respective performance; and
- approved the auditor's fees for the 2012 audit and recommended to the Board that KPMG should be re-appointed as auditor for 2013.

August 2013

- reviewed the Group's 2013 half year results, the interim announcement and the external auditor's review;
- continued to monitor the Group's risk profile and noted the Group's risk from increased operations overseas;
- reviewed the adequacy and effectiveness of the Group's internal control and risk management systems;
- reviewed the status of the 2013 internal audit programme and evaluated the Company's internal controls;

Audit Committee report

- considered the 2012/2013 Audit Quality Inspections Annual Report and the 2012/2013 Public Report on KPMG issued by the Financial Reporting Council; and
- met with both the external and internal auditor without executive management being present.

November 2013

- reviewed and approved the external auditor's proposed audit plan and fees for 2013 and approved the key areas of audit focus;
- reviewed the internal auditor's progress report on the 2013 internal audit and approved the proposed 2014 internal audit programme;
- reviewed and approved the Group's internal control and risk management review process; and
- reviewed and approved the process for evaluating the performance of the external auditor, internal audit and the Audit Committee.

Financial reporting and significant judgements

As part of their monitoring of the integrity of the financial statements, the Committee reviews whether suitable accounting policies have been adopted, whether management have made appropriate estimates and judgements and seeks guidance from the external auditors to make a full and proper assessment. The main issues reviewed in the year ended 31 December 2013 were:

- **impairment of goodwill and intangible assets**
  The Committee considered the carrying value of goodwill and the assumptions related to the impairment review. The judgements in relation to the impairment review relate to the underlying assumptions in calculating the value of a cash generating unit. The key assumptions are the achievability of long term forecasts and the discount rates applied to the forecast cash flows. As an area of audit focus, the Group Finance Director provided detailed reporting to the Committee including an assessment of the sensitivity analysis carried out.
- **revenue recognition**
  The Group increasingly works on long term contracts which often span the period end and as a result judgements have to be made at that time on the stage of completion of these projects in order to fairly represent their progress in terms of both revenue and profit recognition. The Company uses an established accounting policy in respect of accounting for long term contracts. The Committee received reports on a number contracts where the estimation of the stage of completion had an impact on the performance of the business and were able to challenge the methodology by which revenue and profits had been recognised. Where appropriate, matters arising were discussed with the Group Finance Director and the Committee concluded that the financial statements recognised revenue in accordance with the Group's accounting policy.
- **defined benefit pension obligations**
  The Committee considered the Group's defined benefit obligations and the underlying assumptions used to value those obligations. The key assumptions being the discount rate, the inflation rate and life expectancy were compared to those of actuarial specialists and any significant changes from previous years were explained by the Group Finance Director. Small changes to the assumptions applied to the valuation of defined benefit pension obligations can materially affect the results and reported pension liability.
- **operating in overseas jurisdictions with uncertain legislation**
  In line with its overall strategy the Group has seen an increase in overseas activities particularly in emerging markets and sometimes in association with local shareholders. This has the potential for increasing both the financial and governance risk exposure of the Group. The Committee receives regular updates on the operational and financial performance of these businesses together with the assessment of areas where specific judgements have been necessary. Where appropriate the Group seeks local professional advice on matters of legislation and tax and responds accordingly. During the year Deloitte were appointed to advise specifically on control issues and to provide an internal audit function in several overseas territories. On review the Committee was satisfied that the reports and explanations received supported the treatment of the performance of these overseas businesses in the financial statements.

The Committee was satisfied that each of the matters set out above was adequately addressed by the Executive Directors, appropriately tested and reviewed by the external auditor and that disclosures made in the Annual Report and Accounts were appropriate.

External audit

The Audit Committee advises the Board on the appointment of the external auditor, the auditor's fees and their performance.

The Committee discusses the nature, scope and results of the audit with the external auditor and management. Following the conclusion of the annual audit the Committee reviews the effectiveness of the audit and the performance of the auditor through an evaluation process; this review takes into account and assesses the views of the Committee members, the Board and senior managers involved in the audit process. The results of the review are considered by the Committee and discussed with the auditor and management. The review includes an assessment of the calibre of the audit firm, its quality controls, the composition of the audit team, the audit fee, the effectiveness of the auditor's communication and the auditor's governance and independence.

For the 2013 audit, the Committee considered that the performance of the auditor was good and the auditor's interaction with the Company, management and with the Audit Committee satisfactory.

KPMG Audit Plc has been the Company's auditor since 2008. In accordance with UK regulations, KPMG adhere to a rotation policy based on best practice and a new lead engagement partner was appointed in 2013 in place of his predecessor who had completed five years in that role. The Committee is mindful that the audit should be put out to tender at least every ten years. The latest date the Committee would need to consider putting the audit out to tender is 2018, however the Committee will consider the need to tender the audit annually, dependent on the auditor's performance.

To safeguard the objectivity and independence of the external auditor, the Company has an established policy in respect of non-audit fee work that may be undertaken by the auditor. Whilst the Committee accepts that certain work of a non-audit nature is best undertaken by the auditor, it is a requirement that where fees exceed an agreed threshold, approval to use the auditor for such work must be given in advance by the Committee. In 2013, KPMG carried out various non-audit tasks, particularly in relation to taxation where a detailed understanding of the Group's activities is advantageous. Due diligence work in connection with the Group's acquisition of Divex was placed with another firm. Non-audit fees paid to KPMG represented 32% of the audit fee in 2013. The Committee has recommended to the Board that KPMG should be re-appointed as auditor and a resolution to this effect will be put forward at the forthcoming AGM.

Internal audit

Internal audit programmes and internal control and risk management questionnaires are used to monitor the effectiveness of the Group's risk management and internal control systems and processes. The internal audit is managed by an experienced professional and primarily consists of a peer group review process, whereby a senior manager from within the Group conducts an audit of a non-related area of the Group in accordance with an annual programme approved by the Committee. The scope of each internal audit is agreed in advance to try to ensure that key areas for each business are addressed. Internal audit identify, report and address key commercial and financial risk and control issues and their reports are presented to the Committee for review. The internal audit reports are shared with local and Group managers for review and action as appropriate, and provided to the external auditor.

In 2013 to supplement the peer review process, the Group appointed Deloitte's risk assurance practice to carry out internal audits of our non-UK businesses and to improve our internal audit planning process. The Committee considers that this appointment has improved the Group internal audit procedures.

The effectiveness of the Group's internal audit function is reviewed annually by the Board and the Committee. Following the 2013 review, the Committee recommended and the Board concluded that the internal audit process was appropriate and effective.

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. The Audit Committee received reports throughout the year and has reviewed the systems of internal control and risk management and is satisfied that the systems are effective.

During the year there was one incidence of whistle-blowing in relation to alleged wrong-doing by the manager of a small overseas subsidiary. Immediate action was taken by senior management which resulted in Deloitte being commissioned to carry out an independent review. This process is on-going and appropriate action will be taken once the full facts have been established.

Key features of internal control systems

The Company has 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, significant treasury transactions and significant contracts are subject to approval. The Group has established policies for ethics, employment, health and safety, environmental, whistle-blowing and anti-bribery and corruption which are reviewed annually. A schedule of matters reserved for the Board is in place for approving major transactions and strategic or organisational changes.

Key features of risk management systems

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 and measure 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 reports to the Board, including details of the significant risks facing their business and how they are being controlled. The annual review of risk management systems undertaken by the business units managing directors, includes an updated risk register. Completed returns are submitted to the Company Secretary for analysis and reporting to the Board. Furthermore 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.

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's 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.

Malcolm Paul
Chairman of the Audit Committee

3 March 2014

Directors' Remuneration report

Annual Statement

Introduction by Malcolm Paul, Chairman of the Remuneration Committee

I am pleased to present our Directors' Remuneration report for 2013 for which we will be seeking your approval at our 2014 Annual General Meeting (AGM).

The Directors' Remuneration report is presented to comply with the new reporting requirements on directors' remuneration and is in two principal sections. The first section on the Remuneration Policy Report, summarises the policy of the Board for the remuneration of the Directors and is a restatement of the existing policy updated in light of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (Regulation). The main changes relate to the policies for recruitment and termination. The second section, the Annual Report on Remuneration, describes how that policy has been implemented in 2013 and how it will operate in 2014 and provides details on the Remuneration Committee.

We are seeking shareholder approval at the AGM of the Remuneration Policy Report by way of a binding resolution and plan to put this section of the report to a binding vote every three years, unless there are changes to our policy requiring shareholder approval. The Annual Report on Remuneration will be put to the AGM each year on an advisory vote basis. The Remuneration Policy will commence on 1 January 2014 but not become formally effective until the 2014 AGM, assuming shareholder approval is obtained.

During the year the Committee held three meetings. Matters discussed included the annual salary review, bonus targets, long term incentive awards and prior year performance against targets. The Committee also reviewed the remuneration arrangements of senior management across the Group. The Committee has always endeavoured to be clear and transparent in matters of remuneration and consider that the new report format continues this approach by being easy to understand and informative.

Transition of Board structure and remuneration

Tim Harris retired as Executive Chairman on 31 July 2012. The Board on the recommendation of the Nominations Committee decided that his successor, Charles Rice, would be appointed on a non-executive basis but be expected to allocate the majority of his time to this role given the transition from the previous structure. The number of Executive Directors then reduced from three to two - Nick Henry, Chief Executive Officer, and Stuart Kilpatrick, Group Finance Director - with a corresponding increase in their responsibilities. During 2013 James Fisher and Sons plc also joined the FTSE 250 Index.

During this transition, the Remuneration Committee has implemented phased increases in the salaries of Nick Henry and Stuart Kilpatrick on 1 August 2012, 1 January 2013 and 1 January 2014 to bring them to a level more appropriate to their new level of responsibilities and the size of the Company. The Committee consider that this adjustment phase has now been substantially completed with the 1 January 2014 review.

2013 performance and remuneration

During the year ended 31 December 2013, James Fisher and Sons plc delivered another strong trading performance with revenue increased by 14% and underlying profit before tax up by 18% on previous year. The decisions made by the Committee in relation to executive remuneration outcomes were taken in the context of this performance.

In the context of the transition process noted above, Charles Rice's fee as Non-Executive Chairman was increased by 10% to £220,000 on 1 January 2013. Fifty per cent of this fee, net of tax, is used to purchase shares to be held throughout his period in office. Nick Henry's salary increased by 15% to £375,000 and Stuart Kilpatrick's by 16% to £255,000. Fees for Non-Executive Directors were increased by 3%. Annual bonuses for the Executive Directors, which are based on a combination of the achievement of individual and Company objectives paid out at the maximum level of 70% of base salary.

Awards under the Long-term Incentive Plan (LTIP) made in 2011 will vest in full on 6 April 2014 having achieved the maximum target of earnings per share (EPS) growth over the Retail Prices Index (RPI) over the three year period to 31 December 2013. Awards under the Executive Share Option Scheme (ESOS) made in 2011 are expected to vest in full in 2014 having exceeded the upper quartile target for total shareholder return (TSR).

Remuneration policy for 2014

Other than as described above, the Remuneration Committee has decided not to make changes to the remuneration framework and policy this year. The decisions we have taken within the terms of our existing policies have been designed to both reward performance that benefits shareholders and focus management on delivering the agreed business strategy.

As part of the transition phase, on 1 January 2014 Nick Henry's salary was increased by 9% to £410,000 and Stuart Kilpatrick's by 8% to £275,000. The annual fees of the Chairman and Non-Executive Directors' increased by 2.5%.

As appropriate, the Company will continue to engage and communicate to shareholders regarding the Company's remuneration policy and to take suitable action when required. I hope you will join me in supporting the two resolutions in respect of this year's Directors' Remuneration report at the AGM on 1 May 2014.

Malcolm Paul
Chairman of the Remuneration Committee

3 March 2014

Remuneration Policy Report

Overview of Directors' Remuneration Policy

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 objective 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 normally reviewed annually. Where an Executive Director's responsibilities change during the course of a year, the Committee will consider whether a remuneration review is appropriate outside of the annual review process.

Executive remuneration reviews are based upon the following principles:

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

How the Executive Directors' Remuneration Policy relates to the wider Group

The Remuneration Policy set out within this report provides an overview of the structure that operates for the senior executives in the Group. Employees below executive level have a lower proportion of their total remuneration made up of incentive-based remuneration, with remuneration driven by market comparators and the impact of the role of the employee in question. Long-term incentives are reserved for those judged as having the greatest potential to influence the Group's earnings growth and share price performance. While the Remuneration Committee considers pay and conditions across the workforce when reviewing and setting the Executive Director remuneration policy, the Committee does not consult with employees on this matter at the current time.

How shareholders' views are taken into account

The Committee takes an active interest in shareholder views on our Remuneration Policy and is mindful of the concerns of shareholders and other stakeholders.

Directors' Remuneration report

Directors' Remuneration Policy

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
Base salary	Designed to attract retain, motivate and reward the necessary high calibre of individuals to the Board.	Base salaries are a fixed annual sum normally effective 1 January and payable monthly in cash. Salaries are reviewed each year normally effective 1 January and 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 market data.	No prescribed maximum salary or salary increase. Salaries are set for each Executive Director within a range around the market median for similar positions in appropriate comparator companies. The Committee is also guided by the general increase for the employee population although increases may be higher or lower than this to recognise, for example, an increase in the scale, scope or responsibility of an individual.	Not applicable.
Pensions	To offer competitive retirement benefits.	Executive Directors are eligible to join the Group's defined contribution scheme, receive a company contribution into a personal pension scheme or be paid a cash supplement in lieu of pension.	Up to a maximum of 15% of base salary.	Not applicable.
Benefits	To offer competitive benefits.	Provision of a company car or cash alternative, life assurance and healthcare insurance. Other benefits may be provided where appropriate. These benefits do not form part of pensionable earnings.	No prescribed maximum.	Not applicable.
Annual bonus	To incentivise and reward the Executive Directors to deliver annual financial and operational targets.	Payable in cash on the achievement of financial and personal objectives and non-pensionable.	Up to 70% of base salary.	Majority of the bonus potential is based on a financial target derived from the annual plan. Minority of the bonus potential is based on individual achievement and personal objectives.
LTIP	To align the interests of the Executive Directors with the Group's long term performance, strategy and the interests of shareholders.	Annual grant of awards; structured as nil cost options; non-pensionable.	Up to 100% of base salary.	Sliding scale earnings per share (EPS) growth targets; 33.3% of an award vests at threshold increasing to 100% vesting at maximum.
ESOS	To align the interests of the Executive Directors with the Group's long term performance, strategy and the interests of shareholders.	Annual grant of awards; structured as market value options; non-pensionable.	Up to 100% of base salary.	Sliding scale relative to total shareholder return (TSR) targets; 25% of an award vests at threshold increasing to 100% vesting at maximum.
SRSOS	To encourage share ownership and align the interests of all-employees and shareholders.	HMRC approved all-employee share plan.	As per prevailing HMRC limits.	Not applicable.
Non-Executive Directors	To provide fees to reflect the time commitment and responsibilities of each role in line with those provided by similarly sized companies.	Fixed annual fee, paid quarterly in cash; reviewed annually; Committee determines the Chairman's fees. The Chairman and Executive Directors determine fees for the other Non-Executive Directors.	No prescribed maximum fee or fee increase although aggregate fees are limited by the Company's Articles of Association; The Committee is guided by market rates, time commitments and responsibility levels.	Not applicable.

Notes:

(1) The choice of the performance metrics applicable to the annual bonus reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to both the delivery of profit growth and personal objectives.

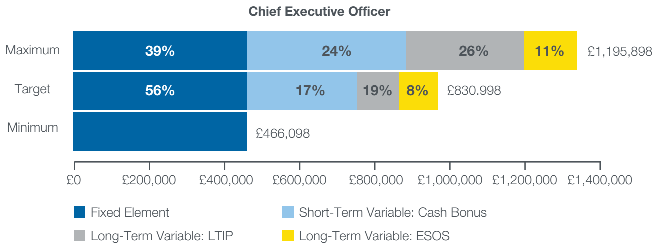
(2) The TSR and EPS performance conditions applicable to the LTIP and ESOS were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The TSR performance condition is assessed on the Committee's behalf by New Bridge Street whilst EPS growth is derived from the audited financial statements.

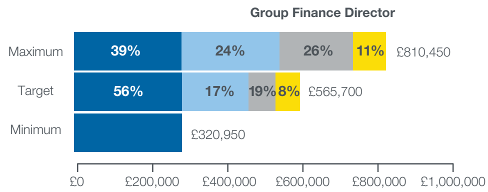
(3) The Committee operates its share plans in accordance with the plan rules and the Listing Rules and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans (e.g. treatment of awards for leavers, change of control, adjustments to performance targets).

(4) Consistent with HMRC legislation, the all-employee SRSOS does not have performance conditions.

(5) In approving the Directors' Remuneration Policy, authority is given to the Company to honour any past commitments entered into with current or former Directors (such as the vesting of share awards granted in the past).

Executive Director's potential value of 2014 remuneration package





In illustrating potential reward opportunities the following assumptions have been made:

(1) Minimum performance is based on fixed pay only (comprising basic salary and pension and the estimated value of benefits from 1 January 2014).

(2) Target performance is based on fixed pay plus 50% of the maximum values used for the Company's incentive arrangements.

(3) Maximum performance is based on: (a) a maximum annual bonus of 70% of base salary; (b) an LTIP award of 75% basic salary at face value; and (c) an ESOS award of 100% of base salary at an expected value approximated to one third of the face value of the shares under option.

(4) No share price appreciation has been assumed.

Approach to recruitment

New Executive Directors will be appointed on remuneration packages with the same structure and elements set out in the Directors' remuneration policy table. On-going incentive pay will be limited to:

- Maximum annual bonus of 70% of salary;
- Up to 100% of salary LTIP award;
- Up to 100% of salary ESOS award; and
- Participation in the SRSOS.

For external appointments, the Committee may offer additional cash or share-based elements to replace deferred or incentive pay forfeited by an executive when leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions. Shareholders will be informed of any such payments as soon as practicable following the appointment.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its original terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and incidental expenses as appropriate.

Loss of office

The Committee has considered remuneration for Executive Directors leaving the Company and is committed to applying consistent and equitable approach to ensure the Company pays no more than necessary. The loss of office policy is in line with market practice and will be dependent on whether deemed a 'good leaver' or 'bad leaver'. The 'good leaver' policy includes:

- payment in lieu of notice equal to one year's basic salary or, if termination is part way through the notice period, the amount of salary relating to any unexpired notice to the date of termination. There is an obligation on Directors to mitigate any loss which they may suffer if the Company terminates their service contract;
- bonus payments for the period worked may be made, subject to the original performance targets, at the discretion of the Committee. Any such payments would be made on the normal payment date;
- vesting of share scheme awards is not automatic and the Committee retains the discretion to prevent awards from lapsing depending on the circumstances of the departure and the best interests of the Company. Awards which do not lapse on cessation of employment may either vest at that time or on the normal vesting date. These awards will usually be subject to time pro-rating to reflect the unexpired portion of the performance period concerned. Awards that are subject to performance conditions will usually only vest to the extent that these conditions are satisfied; and
- Executive Directors will also be entitled to a payment in respect of accrued but untaken annual holiday entitlements on termination.

'Good leaver' reasons are death, injury, illness or disability, redundancy, retirement, transfer of business resulting in cessation of the individual's employment within the Group or change of control. No compensation is paid for summary dismissal, save for any statutory entitlements.

Directors' Remuneration report

Service contracts

It is the Board's policy that Executive Directors are employed on contracts subject to no more than twelve months' notice from either side. The Board recognises however that it may be necessary in the case of new executive appointments to offer an initial longer notice period, which would subsequently reduce to 12 months after the expiry of the initial period. The service agreements do not have a fixed term. If it becomes necessary to consider termination of a service contract, the Committee will have regard to all the circumstances of the case, including mitigation, when determining any compensation to be paid. Details of the current service contracts are as follows:

	Contract Date	Notice Period
Nick Henry	1 December 2006	12 months
Stuart Kilpatrick	1 July 2010	12 months

The Executive Directors are permitted to serve as Non-Executive Directors of other companies, provided the appointment is first approved by the Remuneration and Nominations Committees. Directors are allowed to retain their fees from such appointments. During the period the Executive Directors held no such appointments.

Non-Executive Directors do not have service contracts but have a letter of appointment setting out their terms and conditions. Non- Executive Directors are appointed each year for up to 12 months and are entitled to one month's prior written notice of early termination for which no compensation is payable. Details of the letters are set out below:

	Date of appointment	Letter of appointment
Charles Rice	1 April 2004	1 January 2014
Michael Everard	28 December 2006	1 January 2014
Malcolm Paul	1 February 2011	1 January 2014
David Moorhouse	1 August 2013	1 January 2014
Michael Salter	1 August 2013	1 January 2014

Chairman

Fifty per cent of the fee paid to Charles Rice, net of deductions, is used to buy ordinary shares in the Company and these shares must be held throughout his period in office. The shares are purchased on a quarterly basis in accordance with a trading plan agreed with Investec Bank plc dated 7 March 2013.

Annual Report on Remuneration

Remuneration Committee

The Committee was chaired by Maurice Storey during 2013. The Committee also comprised four other independent Non-Executive Directors: Malcolm Paul, Michael Everard, David Moorhouse and Michael Salter. Malcolm Paul became chairman of the Committee on 31 December 2013 following Maurice Storey's retirement.

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 UK Corporate Governance Code in relation to Directors' Remuneration Policy and practice and that it has applied the Code throughout the year. The Committee's terms of reference include:

- To determine and agree with the Board the framework and policy for Executive Directors and senior managers;
- To review the appropriateness and relevance of the remuneration policy;
- To agree the measures and targets for any performance related bonus and share schemes of the Executive Directors; and
- To determine within the terms of the policy the total individual remuneration package of the Executive Directors.

The Committee met three times during the year. Details of attendance at Committee meetings during 2013 are set out on page 26. During the year the Committee has considered the appropriateness and relevance of the remuneration policy, the Executive Directors' remuneration packages, including base salaries, the grant of share-based incentive awards, the vesting of share-based incentive awards subject to performance conditions being met and the amount and basis of performance related bonuses. Charles Rice 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

New Bridge Street is the principal independent adviser to the Committee. During the year the Committee reviewed market information on Directors' remuneration published by New Bridge Street and a number of other sources and received advice from New Bridge Street on all matters under consideration by the Committee including on Directors' remuneration, updates on best practice, legislative requirements and market practice. The Committee is satisfied that the advice provided on remuneration is objective and independent. New Bridge Street's fees for this work amounted to £7,825.

Implementation of the Directors' Remuneration Policy for 2014

Nick Henry's salary was increased by 9% to £410,000 on 1 January 2014 and Stuart Kilpatrick's salary was increased by 8% to £275,000. For 2014, Company pension contributions or cash supplement in lieu of pension will remain unchanged at 13% and LTIP awards will be granted to the Executive Directors over shares worth 75% of base salary. The comparator group for the 2014 ESOS will be the FTSE 250 Index, excluding investment trusts. Otherwise, Executive Directors' remuneration for 2014 is as set out in the policy section.

Non-Executive Directors

Fees

	2014 £	2013 £	Increase
Chairman	226,000	220,000	2.5%
Other Non-Executive Director fees:			
Basic fee	48,700	47,500	2.5%
Additional fee for Audit Committee Chairman	7,500	5,000	50%
Additional fee for the Senior Independent Director and Chairman of Remuneration Committee	5,000	5,000	0%

Information subject to audit

Total remuneration received by the Executive Directors in 2013 and 2012

	Nick Henry		Stuart Kilpatrick	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Base salary	**375**	300	**255**	201
Benefits	**15**	15	**11**	11
Pension	**49**	40	**33**	26
Annual performance bonus	**263**	210	**179**	141
Short term remuneration	**702**	565	**478**	379
LTIP - performance	**192**	175	**128**	-
LTIP - share appreciation	**210**	257	**141**	-
LTIP - total	**402**	432	**269**	-
ESOS	**289**	349	**193**	-
Total remuneration	**1,393**	1,346	**940**	379

Benefits

	2013			2012		
	Cash allowance in lieu of car £000	**Medical insurance £000**	**Total £000**	Cash allowance in lieu of car £000	Medical insurance £000	Total £000
Nick Henry	**14**	**1**	**15**	14	1	15
Stuart Kilpatrick	**10**	**1**	**11**	10	1	11
	24	**2**	**26**	24	2	26

Pensions

Pension contributions equivalent to 13% of base salary may be paid into personal pension plans, the Company pension scheme or taken as a separate cash allowance, subject to income tax.

	2013			2012		
	Paid as cash allowance £000	**Paid as pension contribution £000**	**Total £000**	Paid as cash allowance £000	Paid as pension contribution £000	Total £000
Nick Henry	**11**	**38**	**49**	-	40	40
Stuart Kilpatrick	**-**	**33**	**33**	-	26	26
	11	**71**	**82**	-	66	66

Strategic report

Governance

Financial statements

Annual bonus awards for 2013

The maximum annual bonus for Executive Directors was 70% of base salary, with 70% based on financial objectives and 30% based on individual achievement and personal objectives. Details of the actual performance against the targets are as follows:

(i) Financial objectives

Performance measure	Performance in 2013	Assessment against target
Adjusted profit before tax	Growth of 7%-15% on previous year.	Adjusted profit before tax exceeded target.

(ii) Personal objectives

	Personal objectives
Nick Henry	- Set, communicate and lead key management priorities; - Manage key contract risks; - Strengthen business development; - Improve investor relations.
Stuart Kilpatrick	- Strengthen and improve quality of financial reporting; - Improve internal audit process and risk management; - Develop and maintain good relationships with banks, advisors and investors.

Based on the financial performance set out above and their assessment of the Executives against their personal objectives, the Committee determined that each Executive Director should be paid the maximum annual performance award.

Vesting of LTIP awards

The LTIP values included in the table below relate to awards granted on 30 March 2011 which vest on 6 April 2014 dependent on EPS performance over the three year period ended 31 December 2013. Under the performance target which uses 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.

Performance target	Base EPS	EPS for the year ended 31 December 2013	EPS growth	Threshold RPI +9%	Maximum RPI +18%
Adjusted EPS	41.9p	65.6p	56.9%	19.9%	28.9%

As a result of meeting the above performance conditions, the gross value of LTIPs that will vest on 6 April 2014 are as follows:

	Share price at date of grant	Share price at 31 December 2013	Proportion vesting	Shares vested	Performance element (1) £000	Share appreciation element (2) £000	Total £000
Nick Henry	543p	1,137p	100%	35,411	192	210	402
Stuart Kilpatrick	543p	1,137p	100%	23,659	128	141	269

(1) The performance element represents the face value of awards that vested.

(2) The share appreciation element represents the value due to the change in share price from the date of award to 31 December 2013.

(3) The share price at grant is based on a ten day average immediately prior to the date of grant and the share price at 31 December 2013 is based on a three month average.

(4) The gross value of the LTIP awarded to past directors that will vest on 6 April 2014 is £602,000

Vesting of ESOS awards

The ESOS values included in the table below relate to the awards granted on 30 March 2011 which are expected to vest on 30 March 2014 dependant on TSR performance over the three year period. The vesting percentage has been estimated based on performance up to 31 December 2013. For the 2011 ESOS, the comparator group comprises companies forming the FTSE Small Cap Index as a whole, excluding investment trusts. If at the end of the performance period the Company ranks in the upper quartile of the comparator group, all of the options will vest.

Performance target	TSR at 31 December 2013	Median	Upper quartile	Vesting
TSR	136.5%	32.3%	87.0%	100%

As a result of meeting the above performance conditions, the gross value of the ESOS options that are expected to vest on 30 March 2014 are as follows:

	Share price at date of grant	Share price at 31 December 2013	Shares granted	Proportion vesting	Shares vested	Total £000
Nick Henry	548p	1,137p	49,105	100%	49,105	289
Stuart Kilpatrick	548p	1,137p	32,808	100%	32,808	193

(1) The share price at grant is based on a three day average immediately prior to the date of grant and the share price at 31 December 2013 is based on a three month average.

(2) The gross value of the ESOS awarded to past directors that are expected to vest on 30 March 2014 is £433,000.

Share awards granted in 2013

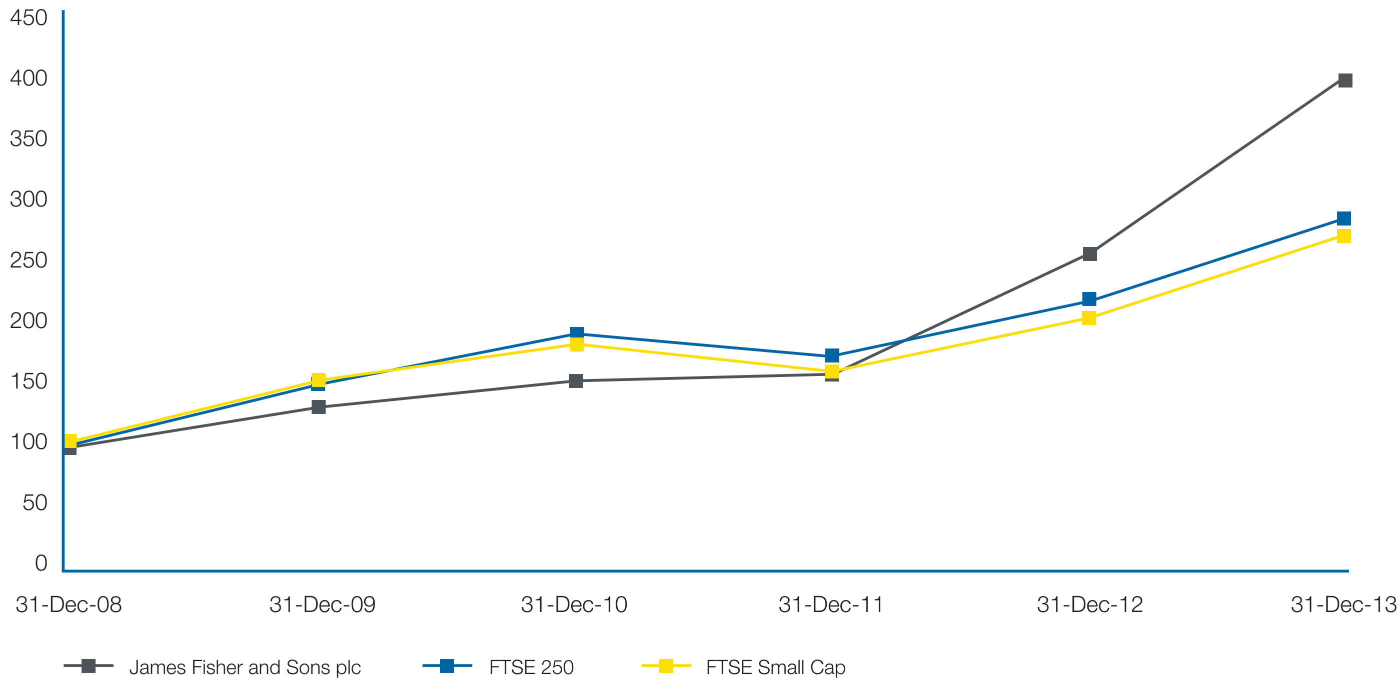
LTIP granted on 8 April 2013	Proportion of salary	Maximum shares awarded	Share price at grant	Exercise price at grant
Nick Henry	75%	27,205	£10.25	-
Stuart Kilpatrick	75%	18,500	£10.25	-
ESOS granted on 9 April 2013				
Nick Henry	100%	36,490	£10.48	£10.28
Stuart Kilpatrick	100%	24,813	£10.48	£10.28

Vesting of the 2013 share awards is subject to achievement of performance targets over a three year period. The LTIP is subject to EPS performance over the three year period ending on 31 December 2015. No awards vest if EPS growth does not at least equal the RPI increase over the period plus 9%. Full vesting is achieved at 18% growth in excess of the RPI increase over the vesting period. The ESOS is subject to Company's TSR performance relative to the FTSE 250 Index, excluding investment trusts, over the three year period from the date of grant. If at the end of the period the Company ranks in the upper quartile all of the options will vest. If the ranking is at median level, 25% of options will vest. No options will vest for performance below the median. For intermediate rankings, a proportionate number of options will vest reducing on a straight-line basis. Options which do not vest at the end of a performance period lapse.

Aligning pay with performance (unaudited)

The following graph shows the total shareholder return compared to the FTSE 250 and the FTSE Small Cap indices.

Growth in the value of £100 holding over five years



Remuneration of highest paid Executive Director compared with growth in underlying diluted earnings per share

	2013	2012	2011	2010	2009
Annual change in underlying diluted EPS (pence)	**18%**	15%	16%	13%	5%
Salary, pensions and benefits (£000)	**439**	355	399	381	380
Annual performance bonus (£000)	**263**	210	268	256	77
Short term remuneration (£000)	**702**	565	667	637	457
Share schemes (£000)	**691**	781	534	124	90
CEO total remuneration (£000)	**1,393**	1,346	1,201	761	547
Actual bonus as a percentage of the maximum	**100%**	100%	100%	100%	30%
LTIP vesting as a percentage of the maximum	**100%**	100%	100%	100%	100%
ESOS vesting as a percentage of the maximum	**100%**	100%	40%	-	60%

2009-2011 inclusive represent Tim Harris' remuneration and 2012 and 2013 represent Nick Henry's remuneration.

Change in CEO's pay compared to James Fisher employees

The table below shows the percentage year on year change in salary, benefits and annual bonus earned between the year ended 31 December 2012 and the year ended 31 December 2013 for the Chief Executive Officer compared to the average increase of the Group's UK employees. The change to the Chief Executive Officer's salary and bonus was part of a phased increase during the transition referred to on page 30. The Committee chose the Group's UK employees for pay comparison with the Chief Executive Officer as a meaningful comparator group.

	Salary	Benefits	Annual Bonus
Chief Executive Officer	+15%	-	+15%
Average increase for the Group's UK employees	+4%	+1%	+18%

Relative importance of remuneration (unaudited)

	2013 £m	2012 £m	Change £m
Total employee remuneration	98	81	17
Total dividends paid	9	8	1

Interests in shares

The interests of Directors and their connected persons in ordinary shares as at 31 December 2013, including any interests in share options and shares provisionally awarded under the LTIP, ESOS and SRSOS are as follows:

	Beneficial Number	LTIP Number	ESOS Number	SRSOS Number	Vested but unexercised share options ESOS Number	Exercised during the year Number
Nick Henry	126,013	98,956	135,291	1,750	139,503	31,193
Stuart Kilpatrick	2,289	66,439	90,825	-	-	-
Charles Rice	12,222	-	-	-	-	-
Malcolm Paul	5,000	-	-	-	-	-

Executive Directors' interest in options over shares

	Number of share options						
	1 January 2013 Number	Granted during the year Number	Exercised during the year Number	31 December 2013 Number	Exercise price	Date from which exercisable	Expiry date
Nick Henry	40,367	-	(31,193)	9,174	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
	26,314	-	-	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	30.11.17
	-	36,490	-	36,490	1,028p	09.04.16	09.04.23
	271,247	36,490	(31,193)	276,544			
Stuart Kilpatrick	32,808	-	-	32,808	522p	30.03.14	30.03.21
	33,204	-	-	33,204	567p	09.03.15	09.03.22
	-	24,813	-	24,813	1,028p	09.04.16	09.04.23
	66,012	24,813	-	90,825			
Total	337,259	61,303	(31,193)	367,369			

All options relate to the 2005 ESOS scheme other than 1,750 held by Nick Henry under the SRSOS scheme.

There was a gain of £194,488 (2012: £3,812) on exercise of the options set out in the table above. The interest of the Directors options over ordinary shares under the ESOS and SRSOS have not changed since the year end.

Executive Directors' interest in LTIP share awards

	1 January 2013 Number	Granted during year Number	Vesting during year Number	31 December 2013 Number	Vesting Date
Nick Henry	42,101	-	(42,101)	-	6 April 2013
	35,411	-	-	35,411	6 April 2014
	36,340	-	-	36,340	6 April 2015
	-	27,205	-	27,205	8 April 2016
	113,852	27,205	(42,101)	98,956	
Stuart Kilpatrick	23,659	-	-	23,659	6 April 2014
	24,280	-	-	24,280	6 April 2015
	-	18,500	-	18,500	8 April 2016
	47,939	18,500	-	66,439	
Total	161,791	45,705	(42,101)	165,395	

The scheme is unapproved for HM Revenue and Customs purposes. At the date of publication of this report, there are no changes to the Executive Directors' interest in LTIP share movements.

Sourcing of shares and dilution

The Remuneration Committee has regard to the limits on dilution advised by the Association of British Insurers (ABI) 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 174,572 ordinary shares on the open market (2012: 154,591) and at 31 December 2013 the Trust held 154,170 (2012: 186,329) ordinary shares. During the year 31,193 shares were issued by the Company to satisfy obligations under the ESOS scheme.

Share price during the financial year

The middle market price of one ordinary share in the Company during the financial year ranged from 815p to 1,277p and at 31 December 2013 was 1,250p.

Non-Executive Directors' remuneration

		Total fees	
		2013 (£000)	2012 (£000)
Charles Rice	- appointed Chairman on 1 August 2012	**220**	114
Malcolm Paul		**53**	51
Maurice Storey		**53**	48
Michael Everard		**48**	46
David Moorhouse	- appointed on 1 August 2013	**20**	-
Michael Salter	- appointed on 1 August 2013	**20**	-

Shareholder voting

The Company is committed to on-going shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Company seeks to understand the reasons for any such vote and will report any actions in response to it. The following table sets out actual voting in respect of our 2012 Directors' Remuneration Report at the 2013 AGM:

Resolution Text	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
To approve the Directors' Remuneration report	29,607,357	79.8%	7,499,985	20.2%	39,674,659	2,567,317

Following comments by corporate governance and proxy voting agencies on the treatment of Tim Harris' 2012 bonus and his remaining LTIP and ESOS share awards on his retirement on 31 July 2012, a number of shareholders voted against the Directors' Remuneration Report. It was highlighted that the standard approach in respect of such matters is that they should be pro-rated for time, except in exceptional circumstances. The Board took the view that exceptional circumstances did exist because:

- he had led the transformation of the Company's fortunes over ten years;
- during that time profits had risen 370% and the share price had increased sevenfold;
- underlying profit before tax in 2012 was over 20% up in the first half and 18% up over the year as a whole; and
- he had provided for an orderly succession enabling the Company to continue its rapid development.

The Board on the recommendation of the Remuneration Committee therefore decided that while his 2012 LTIP and ESOS schemes would be cancelled in full, his 2012 bonus and his 2010 and 2011 share schemes, which were all more than half way through their qualifying periods, would be allowed to stand. This was on the basis that any eventual awards under these schemes would anyway be dependent on the Company meeting its profit and performance targets. In the case of poor performance these awards would not be payable.

Malcolm Paul
Chairman of the Remuneration Committee

3 March 2014

Directors' report

James Fisher and Sons plc is incorporated as a public limited company and is registered in England with the registered number 211475. Its registered office is Fisher House, PO Box 4, Barrow in Furness, Cumbria, LA14 1HR. The Directors present their Annual Report and the Group audited financial statements for the year ended 31 December 2013.

Principal activities

The principal activities of the Group are the provision of marine and specialist engineering services. A description and review of the Group's activities during the financial year and an indication of the likely future trends and factors that might affect the development and performance of the Group is described in the Strategic report, which together with Board of Directors, Corporate governance report, the Audit Committee report, the Directors' Remuneration report and Directors' responsibilities statement 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 £38.3m (2012 restated: £39.5m). The Directors recommend a final dividend of 13.54p per share (2012: 11.83p) making a total of 20.00p per share (2012: 17.70p) for the year. The final dividend, if approved, will be paid on 9 May 2014 to ordinary shareholders who were on the register on 11 April 2014.

Directors

Charles Rice, Nick Henry, Stuart Kilpatrick, Michael Everard, Malcolm Paul, Maurice Storey, Michael Salter and David Moorhouse all served as Directors of the Company during the year.

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 2013 Number	At 31 December 2012 Number
Nick Henry	**126,013**	91,606
Stuart Kilpatrick	**2,289**	2,250
Charles Rice	**12,222**	5,000
Malcolm Paul	**5,000**	5,000

(1) Between 31 December 2013 and 3 March 2014, there were no changes to the holdings of serving Directors;
(2) No Director has an interest in the preference shares of the Company, or in the shares of any subsidiary undertaking;
(3) 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

In accordance with the Company's Articles of Association (Articles), any Director who has held office for more than three years since his last appointment must offer himself up for re-election at the Annual General Meeting (AGM) and at least one third of the Board is subject to re-election at each AGM. However, in accordance with the requirements of the Code, all of the Directors will offer themselves for re-election or election, as appropriate at the forthcoming AGM apart from Maurice Storey who retired on 30 December 2013 and Michael Everard who will retire in April 2014.

A statement about Board evaluation and the contribution of Directors is set out in the Corporate governance report on page 24.

No contract in relation to the Group's business in which the Directors of the Company had an interest, existed at 31 December 2013 or at any time during 2013.

Share capital

The structure and details of the Company's share capital are set out in note 20 on page 84.

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 Articles, copies of which can be obtained 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 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 31,193 ordinary shares were issued in respect of options exercised under the Executive Share Option Scheme (ESOS).

The James Fisher Employee Share Ownership Trust, holds 154,170 ordinary shares (2012: 186,329) 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 pages 32 and 38.

Additional information for shareholders

The 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.

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 dis-apply statutory pre-emption rights at the AGM.

Purchase of own shares

At the AGM held on 2 May 2013, the Company was given authority to purchase up to 2,503,391 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 dis-apply statutory pre-emption rights and the purchase of own shares are set out in the Notice of the AGM at page 107.

Substantial shareholders

As at 3 March 2014 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:

	Ordinary shares		Preference shares	
Shareholder	No	%	No	%
Rowland Hart Jackson (non-beneficial)	8,895,763	17.76	-	-
Schroder Investment Management	6,463,611	12.90	-	-
Therapia Investments Limited	3,539,550	7.07	100,000	100.00
Montanaro Investment Managers	2,501,830	4.99	-	-
Standard Life Investments	2,028,599	4.05	-	-
Blackrock Investment Management Limited	1,805,661	3.60	-	-
	25,235,014	50.37	100,000	100.00
Total number of shares in issue	50,099,015	100.00	100,000	100.00

Auditor

KPMG Audit plc has instigated an orderly wind down of its business. The Board has decided to put KPMG LLP forward to be appointed as auditor and a resolution for the appointment of KPMG LLP as auditor of the Company will be proposed at the AGM to be held on 1 May 2014.

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 auditor is aware of that information.

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 2013 the Group and Company had an average number of 54 days and 75 days purchases outstanding in trade creditors respectively (2012: Group 59 days, Company 57 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' report

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 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.

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.

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 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 Strategic report. 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 at 31 December 2013 (2012: £147.9m) fall due for renewal over the next 5 years with none falling due for renewal by 31 December 2014. Compliance with banking covenants is reported half yearly and involves tests for the ratio of net debt: EBITDA, interest cover and fixed charge cover. There were no breaches of covenants 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 the Annual Report and Accounts.

UK Corporate Governance Code
In accordance with the requirements of the Code, the Board has carried out a thorough review of the Annual Report and Accounts and the processes involved in compiling the accounts and is satisfied that the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Annual General Meeting
The AGM of the Company will be held on 1 May 2014. The Notice of AGM is set out on page 107.

The Directors' report on pages 42 to 44 and the Strategic report on pages 1 to 21 are hereby approved by the Board.

By Order of the Board

Michael Hoggan
Company Secretary

3 March 2014

Directors' responsibilities statement

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 Strategic report and a Directors' report, the Directors' Remuneration report 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.

Directors' Responsibilities statement in respect of the Annual 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;
- the Annual Report and financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable; and
- the management report which comprises the Directors' report and the Strategic report 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

3 March 2014

Independent auditor's report

To the members of James Fisher and Sons plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of James Fisher and Sons plc for the year ended 31 December 2013 set out on pages 48 to 105. 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 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- 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.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

Goodwill (£104.2m)

Refer to page 28 (Audit Committee report), page 60 (accounting policy) and page 76 (financial disclosures)

- The risk: The Group remains acquisitive and an impairment assessment of goodwill is carried out annually. The Group performs the review at an individual cash generating unit (CGU) level using value in use models. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgmental areas that our audit is concentrated on.
- Our response: Our audit procedures included, among others, testing the principles and integrity of the models used, comparison of the key assumptions to external data as well as our own assessments in relation to key inputs such as revenue growth, gross margin assumptions, cost inflation and long term growth rates. We considered the historical accuracy of the Group's growth assumptions and used external data and our own valuation specialists when assessing the discount rate applied. We considered the Group's market capitalisation and compared that with a market valuation derived from the forecasts used in the impairment calculations, assessed the potential risk of management bias in the calculations and critically assessed the sensitivities applied by the Group. We also assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflects the risks inherent in the valuation of goodwill.

Revenue (£413.7m)

Refer to page 28 (Audit Committee report), page 61 (accounting policy) and page 69 (financial disclosures)

- The risk: Revenue is recognised from the provision of goods and services by the Group and its subsidiaries when the significant risks and rewards of ownership have passed to the buyer. Where services rendered are provided through 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 recognition is considered a significant audit risk due to the element of estimation in the calculation of contract revenues.
- Our response: Our audit procedures included, among others, testing the Group's internal controls over revenue. Analytical and substantive audit procedures were undertaken at subsidiary level and included the analysis of monthly revenue trends, the assessment of sales around the year end for inclusion of the relevant transaction in the appropriate period and the testing of cash received after the year end. We reviewed the terms of significant sales contracts when assessing the revenue recognition basis applied by the Group. When assessing the stage of completion on contracts we agreed amounts recognised to confirmatory evidence on a sample basis. This included the agreement of actual costs incurred to invoice and the assessment of any judgements applied in the projection of total contract costs including any contingency provisions.

Retirement benefit obligations (£23.1m)

Refer to page 28 (Audit Committee report), page 63 (accounting policy) and pages 85 and 91 (financial disclosures)

- The risk: Significant estimates are made in valuing the Group's post-retirement defined benefit schemes and small changes in assumptions and estimates used to value the Group's net pension deficit would have a significant effect on the results and financial position of the Group. For this reason it is one of the judgemental areas our audit is focused on.
- Our response: In this area our audit procedures included, among others, testing the reasonableness of the Group's net defined benefit liability calculations and, with the support of our own actuarial specialists, we challenged the key actuarial assumptions applied, being the discount rate, inflation rate and mortality/life expectancy and compared key assumptions to independently derived data. We agreed asset values to direct confirmations from investment managers. We also considered the adequacy of the Group's disclosures in respect of the sensitivity of the deficits to these assumptions.

Operating in overseas jurisdictions with uncertain legislation

Refer to page 28 (Audit Committee report)

- The risk: The Group is multinational and is developing its operations in a number of emerging markets. Operating in these territories presents increased contractual, operational and financial risks due to the need to comply with potentially uncertain regulatory and legislative environments, including legislation relating to foreign exchange and tax. Breaches of compliance or inappropriate assumptions over provisioning for the uncertain legislation could have a significant effect on the results and financial position of the Group and is one of the judgemental areas our audit is focused on.
- Our response: In response to this, our audits included the involvement of local specialists where appropriate to analyse and challenge the assumptions used to determine provisions for legal and tax matters based on their knowledge and experience of local regulations and practices. We considered the exposure to breaches of legislation by making appropriate enquiry of the Group in relation to compliance with laws and regulations and the existence and status of any significant legal matters. We also reviewed the compliance logs and reports returned by overseas locations to identify actual and potential non-compliance with laws and regulations, both those specific to the Group's business and

those relating to the conduct of the business generally. Where significant matters were identified we obtained confirmations from the Group's legal counsel. We reviewed correspondence where available with the local tax authorities and using our experience of local practices and court interpretations we assessed the assumptions made by management in arriving at the tax provision or, where there are material local indirect taxes, contract results.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £2.0m. This has been determined with reference to a benchmark of group profit before taxation, which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. Materiality represents 4.8% of PBT and 4.3% of PBT adjusted for items disclosed separately on the face of the income statement.

We agreed with the Audit Committee to report all corrected and uncorrected misstatements we identified through our audit with a value in excess of £0.1m, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

In determining the key reporting components at which to conduct full scope audits or specified procedures we considered not only the financial size of individual components' operations but also the level of risk presented by, for example, the nature, complexity, maturity or location of those operations. Audits for Group reporting purposes were performed by the Group audit team at the key reporting components in the UK and by component auditors in the following countries: UK, Norway, Angola and the United Arab Emirates. Audit work in these countries was a combination of controls and substantive work determined by our assessment of the strength of internal controls within each business. In addition, specified audit procedures for Group reporting purposes, including the attendance at inventory counts and desktop review work, were performed by Group and component auditors in the UK, Brazil, Singapore, Malaysia, Australia and China. These audit procedures covered 96% of total Group revenue; 90% of Group profit before taxation; and 90% of total Group assets.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to materiality levels set by, or agreed with, the Group audit team. These materiality levels were set individually for each component and ranged from £0.2m to £1.0m.

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the Group audit team. Telephone meetings were also held with the auditors at the majority of locations that were not physically visited.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit Committee report does not appropriately address matters communicated by us to the Audit Committee.

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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 44, in relation to going concern;
- the part of the Corporate governance report on pages 23 to 26 relating to the Company's compliance with the nine provisions of the 2010 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of report and responsibilities

As explained more fully in the Directors' responsibilities statement set out on page 45, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
St James Square
Manchester
M2 6DS

3 March 2014

Consolidated income statement

for the year ended 31 December 2013

		Year ended 31 December 2013			restated (note 1) Year ended 31 December 2012		
	Notes	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	**413,667**	**-**	**413,667**	363,338	-	363,338
Cost of sales		**(358,813)**	**(1,738)**	**(360,551)**	(316,674)	(9,508)	(326,182)
Gross profit		**54,854**	**(1,738)**	**53,116**	46,664	(9,508)	37,156
Administrative expenses		**(10,595)**	**-**	**(10,595)**	(8,597)	-	(8,597)
Share of post tax results of joint ventures	15	**2,378**	**-**	**2,378**	3,082	-	3,082
Operating profit	5	**46,637**	**(1,738)**	**44,899**	41,149	(9,508)	31,641
Profit on sale of subsidiary and joint venture	17	**-**	**6,613**	**6,613**	-	20,896	20,896
Finance income	7	**256**	**-**	**256**	262	-	262
Finance costs	7	**(5,545)**	**-**	**(5,545)**	(6,422)	-	(6,422)
Profit before taxation		**41,348**	**4,875**	**46,223**	34,989	11,388	46,377
Tonnage tax		**(13)**	**-**	**(13)**	(15)	-	(15)
Income tax	8	**(7,732)**	**270**	**(7,462)**	(6,658)	361	(6,297)
		(7,745)	**270**	**(7,475)**	(6,673)	361	(6,312)
Profit for the year		**33,603**	**5,145**	**38,748**	28,316	11,749	40,065
Profit attributable to :							
Owners of the Company		**33,109**	**5,145**	**38,254**	27,717	11,749	39,466
Non-controlling interests		**494**	**-**	**494**	599	-	599
		33,603	**5,145**	**38,748**	28,316	11,749	40,065
Earnings per share				**pence**			pence
Basic	10			**76.6**			79.1
Diluted	10			**75.7**			78.5

Consolidated statement of other comprehensive income

for the year ended 31 December 2013

	Notes	Year ended 31 December 2013 £000	restated (note 1) Year ended 31 December 2012 £000
Profit for the year		**38,748**	40,065
Other comprehensive income			
Items that will not be classified to profit or loss			
Remeasurements of defined benefit plan liabilities	22	**(5,541)**	(69)
Income tax on items that will not be reclassified to profit or loss		**617**	(310)
		(4,924)	(379)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(6,093)**	(219)
Net gain on hedge of net investment in foreign operations		**(366)**	(436)
Effective portion of changes in fair value of cash flow hedges	26	**1,531**	1,193
Effective portion of changes in fair value of cash flow hedges in joint ventures	15	**703**	(343)
Net changes in fair value of cash flow hedges transferred to profit or loss		**14**	(710)
Income tax on items that may be reclassified subsequently to profit or loss	8	**(442)**	31
		(4,653)	(484)
Other comprehensive income for the year, net of income tax		**(9,577)**	(863)
Total comprehensive income for the year		**29,171**	39,202
Attributable to:			
Owners of the Company		**28,716**	38,608
Non-controlling interests		**455**	594
		29,171	39,202

Consolidated and Company statement of financial position

at 31 December 2013

		Group		Company	
	Notes	**31 December 2013 £000**	31 December 2012 £000	**31 December 2013 £000**	31 December 2012 £000
Non-current assets					
Goodwill	12	**104,176**	86,390	**-**	-
Other intangible assets	13	**9,482**	6,243	**-**	-
Property, plant and equipment	14	**108,202**	103,484	**6,199**	6,054
Investment in joint ventures	15	**9,467**	12,391	**-**	-
Investments in subsidiaries	16	**-**	-	**247,918**	238,783
Available for sale financial assets	16	**1,378**	1,370	**1,368**	1,368
Deferred tax assets	9	**2,770**	2,759	**5,266**	5,246
		235,475	212,637	**260,751**	251,451
Current assets					
Inventories	18	**46,476**	36,062	**-**	-
Trade and other receivables	19	**91,673**	91,405	**2,509**	6,076
Derivative financial instruments	26	**1,413**	790	**1,413**	790
Corporate tax receivable		**-**	-	**2,395**	-
Cash and short term deposits		**23,982**	18,339	**2,846**	48
		163,544	146,596	**9,163**	6,914
Total assets		**399,019**	359,233	**269,914**	258,365
Equity and liabilities					
Capital and reserves					
Called up share capital	20	**12,525**	12,517	**12,525**	12,517
Share premium		**25,238**	25,144	**25,238**	25,144
Treasury shares		**(1,392)**	(1,061)	**(1,392)**	(1,061)
Other reserves		**(1,183)**	3,432	**(919)**	(1,847)
Retained earnings		**147,716**	123,437	**102,316**	66,971
Equity attributable to owners of the Company		**182,904**	163,469	**137,768**	101,724
Non-controlling interests		**903**	447	**-**	-
Total equity		**183,807**	163,916	**137,768**	101,724
Non-current liabilities					
Other payables	21	**12,503**	743	**-**	-
Retirement benefit obligations	22	**23,141**	27,061	**19,561**	18,639
Cumulative preference shares	20	**100**	100	**100**	100
Loans and borrowings	24	**78,020**	81,059	**77,949**	80,965
Deferred tax liabilities	9	**1,132**	933	**-**	-
		114,896	109,896	**97,610**	99,704
Current liabilities					
Trade and other payables	21	**93,656**	76,769	**17,299**	21,478
Current tax		**5,866**	6,664	**-**	117
Derivative financial instruments	26	**654**	1,686	**565**	1,427
Loans and borrowings	24	**140**	302	**16,672**	33,915
		100,316	85,421	**34,536**	56,937
Total liabilities		**215,212**	195,317	**132,146**	156,641
Total equity and liabilities		**399,019**	359,233	**269,914**	258,365

These accounts were approved by the Board of Directors on 3 March 2014 and signed on its behalf by:

Nick Henry
Chief Executive Officer

Company number 211475

Consolidated cash flow statement

for the year ended 31 December 2013

	Notes	31 December 2013 £000	restated (note 1) 31 December 2012 £000
Profit before tax		**46,223**	46,377
Adjustments to reconcile profit before tax to net cash flows			
Depreciation and amortisation		**17,761**	16,450
Acquisition costs and amortisation of acquired intangibles		**1,738**	276
Profit on sale of property, plant and equipment		**(476)**	(670)
Impairment of non-current assets		**-**	9,232
Profit on disposal of subsidiary and joint venture undertakings		**(6,613)**	(20,896)
Finance income		**(256)**	(262)
Finance costs		**5,545**	6,422
Share of post tax results of joint ventures		**(2,378)**	(3,082)
Share based compensation		**1,205**	1,192
Decrease/(increase) in trade and other receivables		**6,474**	(13,217)
Decrease/(increase) in inventories		**1,167**	(3,074)
(Decrease)/increase in trade and other payables		**(2)**	17,898
Defined benefit pension cash contributions less service costs		**(10,102)**	(4,821)
Cash generated from operations		**60,286**	51,825
Cash outflow from acquisition costs		**(939)**	-
Income tax payments		**(6,054)**	(3,719)
Cash flow from operating activities		**53,293**	48,106
Investing activities			
Dividends from joint venture undertakings		**2,337**	4,584
Proceeds from the sale of property, plant and equipment		**3,574**	2,184
Finance income		**256**	262
Acquisition of subsidiaries, net of cash acquired	17	**(18,329)**	-
Proceeds from the sale of business	17	**12,820**	25,105
Acquisition of property, plant and equipment		**(24,907)**	(26,020)
Acquisition of investment in joint ventures		**-**	(1,125)
Development expenditure		**(1,370)**	(2,459)
Cash flows used in investing activities		**(25,619)**	2,531
Financing activities			
Proceeds from the issue of share capital		**102**	256
Finance costs		**(4,317)**	(4,839)
Purchase less sales of own shares by ESOP		**(2,259)**	(771)
Capital element of finance lease repayments		**(332)**	(394)
Proceeds from other non-current borrowings		**5,500**	37,789
Repayment of borrowings		**(7,198)**	(68,531)
Dividends paid		**(9,142)**	(8,267)
Cash flows from financing activities		**(17,646)**	(44,757)
Net increase in cash and cash equivalents	25	**10,028**	5,880
Cash and cash equivalents at 1 January		**18,339**	13,575
Net foreign exchange differences		**(4,385)**	(1,116)
Cash and cash equivalents at 31 December		**23,982**	18,339

Company cash flow statement

for the year ended 31 December 2013

	Notes	31 December 2013 £000	restated (note 1) 31 December 2012 £000
Profit before tax		**43,482**	26,681
Adjustments to reconcile profit before tax to net cash flows			
Depreciation		**597**	694
Profit on sale of property, plant and equipment		**(110)**	-
Finance income		**(3,761)**	(5,307)
Finance costs		**5,232**	5,515
Dividends received from subsidiaries		**(51,101)**	(32,813)
Reduction in provision against investments		**(40)**	(45)
Share based compensation		**877**	661
Decrease/(increase) in trade and other receivables		**3,939**	(4,368)
(Decrease)/increase in trade and other payables		**(4,644)**	5,568
Additional defined benefit pension scheme contributions		**(2,417)**	(3,174)
Cash generated from operations		**(7,946)**	(6,588)
Income tax receipts		**2,090**	4,431
Cash flow used in operating activities		**(5,856)**	(2,157)
Investing activities			
Dividends from subsidiaries		**51,101**	32,813
Proceeds from the sale of plant and equipment		**162**	-
Finance income		**3,761**	5,307
Recapitalisation of subsidiaries		**(5,339)**	-
Acquisition of property, plant and equipment		**(794)**	(401)
Cash flows from investing activities		**48,891**	37,719
Financing activities			
Proceeds from the issue of share capital		**102**	256
Finance costs		**(5,045)**	(5,453)
Net loans advanced to subsidiaries		**(3,428)**	(25,378)
Purchase less sales of own shares by ESOP		**(2,259)**	(771)
Proceeds from other non-current borrowings		**5,500**	37,078
Repayment of borrowings		**(24,441)**	(32,332)
Dividends paid		**(9,142)**	(8,267)
Cash flows from financing activities		**(38,713)**	(34,867)
Net increase in cash and cash equivalents	25	**4,322**	695
Cash and cash equivalents at 1 January		**48**	10
Net foreign exchange differences		**(1,524)**	(657)
Cash and cash equivalents at 31 December		**2,846**	48

Consolidated statement of movements in equity

for the year ended 31 December 2013

	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 2013	**12,517**	**25,144**	**123,437**	**3,432**	**(1,061)**	**163,469**	**447**	**163,916**
Profit for the period	**-**	**-**	**38,254**	**-**	**-**	**38,254**	**494**	**38,748**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(6,055)**	**-**	**(6,055)**	**(38)**	**(6,093)**
Net gain on hedge of net investment in foreign operations	**-**	**-**	**-**	**(352)**	**-**	**(352)**	**-**	**(352)**
Effective portion of changes in cash flow hedges	**-**	**-**	**-**	**1,101**	**-**	**1,101**	**-**	**1,101**
Effective portion of changes in fair value of cash flow hedges in joint ventures	**-**	**-**	**-**	**703**	**-**	**703**	**-**	**703**
Net changes in fair value of cash flow hedges transferred to profit or loss	**-**	**-**	**-**	**(12)**	**-**	**(12)**	**-**	**(12)**
Remeasurements of defined benefit plan liabilities	**-**	**-**	**(4,924)**	**-**	**-**	**(4,924)**	**-**	**(4,924)**
Contributions by and distributions to owners								
Ordinary dividends paid	**-**	**-**	**(9,142)**	**-**	**-**	**(9,142)**	**-**	**(9,142)**
Share based compensation	**-**	**-**	**1,205**	**-**	**-**	**1,205**	**-**	**1,205**
Tax effect of share based compensation	**-**	**-**	**814**	**-**	**-**	**814**	**-**	**814**
Arising on the issue of shares	**8**	**94**	**-**	**-**	**-**	**102**	**-**	**102**
Purchase of shares	**-**	**-**	**-**	**-**	**(3,144)**	**(3,144)**	**-**	**(3,144)**
Sale of shares	**-**	**-**	**-**	**-**	**885**	**885**	**-**	**885**
Transactions with shareholders	**8**	**94**	**(7,123)**	**-**	**(2,259)**	**(9,280)**	**-**	**(9,280)**
Transfer on disposal of shares	**-**	**-**	**(1,928)**	**-**	**1,928**	**-**	**-**	**-**
At 31 December 2013	**12,525**	**25,238**	**147,716**	**(1,183)**	**(1,392)**	**182,904**	**903**	**183,807**

Consolidated statement of movements in equity

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	Total 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	-	-	39,466	-	-	39,466	599	40,065
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)
Remeasurements of defined benefit plan liabilities	-	-	(379)	-	-	(379)	-	(379)
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

Other reserve movements

Other reserves	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2012	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
Other comprehensive income for the period	**(6,407)**	**1,792**	**(4,615)**
At 31 December 2013	**(940)**	**(243)**	**(1,183)**

Company statement of movements in equity

for the year ended 31 December 2013

	Capital					
	Share capital £000	Share premium £000	Retained earnings £000	Hedging reserves £000	Treasury shares £000	Total equity £000
At 1 January 2013	12,517	25,144	66,971	(1,847)	(1,061)	101,724
Profit for the period	-	-	47,461	-	-	47,461
Effective portion of changes in cash flow hedges	-	-	-	999	-	999
Net changes in fair value of cash flow hedges transferred to profit or loss	-	-	-	(71)	-	(71)
Remeasurements of defined benefit plan liabilities	-	-	(3,065)	-	-	(3,065)
Contributions by and distributions to owners						
Ordinary dividends paid	-	-	(9,142)	-	-	(9,142)
Share based compensation	-	-	1,205	-	-	1,205
Tax effect of share based compensation	-	-	814	-	-	814
Arising on the issue of shares	8	94	-	-	-	102
Purchase of shares	-	-	-	-	(3,144)	(3,144)
Sale of shares	-	-	-	-	885	885
Transactions with shareholders	8	94	(7,123)	-	(2,259)	(9,280)
Transfer on disposal of shares	-	-	(1,928)	-	1,928	-
At 31 December 2013	12,525	25,238	102,316	(919)	(1,392)	137,768

for the year ended 31 December 2012

	Capital					
	Share capital £000	Share premium £000	Retained earnings £000	Hedging reserves £000	Treasury shares £000	Total equity £000
At 1 January 2012	12,481	24,924	46,044	(1,338)	(1,681)	80,430
Profit for the period	-	-	28,037	-	-	28,037
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)
Remeasurements of defined benefit plan liabilities	-	-	(187)	-	-	(187)
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

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 2013.

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 Strategic report on pages 1 to 21. 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 24. In addition, note 26 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.

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 £68,800,000 of undrawn committed facilities none of which expire within twelve months. The Group's forecasts and projections, taking account of reasonable 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 and 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 3 March 2014.

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 £47,461,000 (2012: £28,037,000).

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

Statement of compliance

The consolidated financial statements and those of the Company have been prepared in accordance with IFRS adopted by the EU as at 31 December 2013 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 IAS 1	Presentation of Items of Other Comprehensive Income
IFRS 13	Fair Value Measurement
Amendment to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 19	Employee Benefits
Improvements to IFRS 2012	

Other than amendments to IAS 19 the adoption of these standards and interpretations had no impact on the Group.

Restatement of pension costs

The Group and Company has adopted the requirements of the amendments to IAS 19 Employee Benefits from 1 January 2013. The standard requires that the discount rate previously applied only to the scheme liabilities is also applied to the scheme assets. Previously separate growth assumptions were applied to scheme assets. Scheme administration costs which were previously incorporated into the return on plan assets are now included in administration expenses.

The impact of the restatement is as follows:

Group and Company

	2013 Year ended 31 December £000	2012 Year ended 31 December £000
Income Statement		
Increase/(decrease) in:		
Administrative expenses	**143**	103
Finance costs	**426**	265
Taxation	**(132)**	(90)
Statement of Comprehensive Income		
Profit for the period	**437**	278
Defined benefit plan actuarial losses	**(569)**	(368)
Income tax on other comprehensive income	**132**	90

The impact on key financial measures in the Income Statement is as follows:

	Operating Profit £000	Profit before tax £000	Profit for the year £000
31 December 2012 as reported	31,744	46,745	40,343
Impact of restatement	(103)	(368)	(278)
Restated 31 December 2012	31,641	46,377	40,065

The impact of the changes set out above was to reduce basic and diluted earnings per share by 0.8p (2012: 0.6p).

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 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. 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 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 the acquisition of non-controlling interests, the difference between the consideration paid and the fair value of the share of net assets acquired is recognised in equity.

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 primarily provides pensions to its employees through defined contribution schemes but also has defined benefit obligations. The valuation of these defined benefit schemes is subject to a high degree of volatility arising from their exposure to changes in bond yields and equity values, and sensitivity to changes in actuarial assumptions, such as to life expectancy. This makes it difficult to predict future potential liabilities with any certainty. Details of the Group pension schemes, the assumptions underlying their current valuations and sensitivities in respect of these assumptions are set out in note 22. Certain defined benefit obligations relate to industry-wide schemes which are funded by current and former employers to the shipping industry. The risk of corporate failure of any of the participants could lead to an increase in the Group's share of liability.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any permanent impairment in accordance with the accounting policy on page 60. 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.

Notes to the financial statements continued

1 Significant accounting policies continued

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). Details of asset impairments are included in note 14.

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. Details of intangible assets included in the statement of financial position are included in note 13.

Contingent consideration

Contingent consideration arises on acquisitions and is usually related to the achievement of financial performance targets relating to operating profits over an agreed period. The outcome of these arrangements depends on a number of factors outside the control of the business including, but not limited to, competition, general economic conditions and the availability of resources within the business to meet its obligations to its customers. The Group regularly assesses the likelihood of the targets being achieved during the performance period and makes appropriate adjustments to the expected contingent consideration through the income statement.

Revenue

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably and recovery of the consideration is probable. The timing of the transfer of risks and rewards will vary depending on the terms of the sales agreement, the evaluation of the specific risks associated with the performance of the contract (for example design, construction and testing) or generally accepted practice where there are no specific arrangements in the contract.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the 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. Further details are provided in notes 8 and 9.

Residual values and estimated remaining lives

Assets other than vessels are depreciated to a zero residual value over their useful economic lives. Residual values for vessels are set initially at 20% of purchase cost or fair value at acquisition, which is regarded as an approximation of current residual values. Changes in the residual values and estimated lives of assets would result in adjustments to the current and future rate of depreciation and amortisation through the income statement or the creation of impairment provisions. Residual values and estimated remaining lives are reviewed annually by the Directors taking into account the condition of vessels, future trading expectations and observable market transactions. See note 14 for details of movements on tangible fixed assets in the year.

Investments

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

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 domicilied 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.

1 Significant accounting policies continued

Accounting policies

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 acquistion 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.

Notes to the financial statements continued

1 Significant accounting policies continued

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 incurrs in connection with a business combination, are expensed as incurred.

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.

Separately disclosed items

Separately disclosed items are those which management believe would provide a clearer indication of the underlying trading performance of the Group if they are removed from the underlying results and shown separately. These are usually items which are significant in size or non-recurring in nature.

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. Provisions for warranty costs included in the balance sheet at 31 December 2013 were £911,000 (31 December 2012: £nil).

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 asseses 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 costs 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.

1 Significant accounting policies continued

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; and
- 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.

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.

Notes to the financial statements continued

1 Significant accounting policies continued

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 immediately. 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 return on scheme assets is determined by multiplying the fair value of plan assets by the discount rate, as determined at the start of the annual reporting period, taking account of any changes in the plan assets held during the period as a result of contributions or benefits payments. The return on scheme assets and the interest cost are recognised in the income statement in finance costs.

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.

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 recognised on long-term contracts are included on page 69.

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. Further analysis of movements on cash equivalents is given in note 25.

Other reserves

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.

Intra Group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtness 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.

Notes to the financial statements continued

1 Significant accounting policies continued

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 2013 with an effective date of implementation after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)		Effective Date (for Group)
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

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

2 Segmental information

Operating segments

During 2013, management has determined that the definition of operating segments should be revised to better reflect the nature of the Group's businesses. The revised segments, which continue to be based on the products and services provided by the business, are defined as follows:

Marine Support - includes the hire and sale of large scale pneumatic fenders and ship to ship transfer services, and the design and supply of systems for monitoring strains and stress in structures.

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.

Specialist Technical - provision of subsea services including submarine rescue and saturation diving including maintenance, asset management and consultancy services and non-destructive testing, decommissioning and remote operations and monitoring services predominantly to the nuclear industry.

Tankships - engaged in the sea transportation of clean petroleum products in North West Europe.

The main changes to the previous structure are that the fendering mooring and strain businesses are transferred out of the Specialist Technical segment into a new segment, Marine Support. The former Defence segment together with Divex and the nuclear activities is included within Specialist Technical. The Offshore Oil segment is unchanged and the Marine Oil division is renamed 'Tankships'.

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

The Group's largest customer accounted for 8% of Group external revenue (2012: 12%).

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 2013 and 2012 (restated for the changes described above).

Further information on the activities of these segments is included in the Chairman's statement and Strategic report on pages 1 to 21.

Year ended 31 December 2013

	Marine Support £000	Offshore Oil £000	Specialist Technical £000	Tankships £000	Corporate* £000	Total £000
Segmental revenue	174,918	99,632	84,164	61,312	-	420,026
Inter segment sales	(3,651)	(442)	(2,266)	-	-	(6,359)
Group revenue	171,267	99,190	81,898	61,312	-	413,667
Underlying operating profit	18,262	19,690	8,544	3,200	(3,059)	46,637
Acquisition costs	(150)	-	(789)	-	-	(939)
Amortisation of acquired intangibles	(114)	(137)	(548)	-	-	(799)
Operating profit	17,998	19,553	7,207	3,200	(3,059)	44,899
Profit on sale of subsidiary and joint venture undertaking	(182)	-	6,795	-	-	6,613
Finance income						256
Finance costs						(5,545)
Profit before tonnage and income tax						46,223
Tonnage and income tax						(7,475)
Profit attributable to equity holders						38,748
Share of post tax results of associates and joint ventures	831	-	1,547	-	-	2,378
Assets and liabilities						
Segment assets	92,591	136,486	81,078	43,990	35,407	389,552
Investment in joint ventures	7,458	-	2,009	-	-	9,467
Total assets	100,049	136,486	83,087	43,990	35,407	399,019
Segment liabilities	(35,898)	(17,858)	(36,473)	(11,831)	(113,152)	(215,212)
	64,151	118,628	46,614	32,159	(77,745)	183,807

Other segment information						
Capital expenditure:						
Property, plant and equipment	4,293	14,812	3,615	1,243	786	24,749
Depreciation	3,202	7,917	1,376	4,427	139	17,061
Amortisation of intangible assets	228	384	887	-	-	1,499

* Corporate assets comprise available for sale assets, deferred tax and centrally held corporate assets. Corporate liabilities comprise net borrowings, pension scheme and corporate tax and deferred tax liabilities.

Notes to the financial statements continued

2 Segmental information continued

Business segments

Year ended 31 December 2012 (restated)

	Marine Support £000	Offshore Oil £000	Specialist Technical £000	Tankships £000	Corporate* £000	Total £000
Revenue						
Segmental revenue	159,826	83,694	62,748	61,824	-	368,092
Inter segment sales	(2,439)	(335)	(1,980)	-	-	(4,754)
Group revenue	157,387	83,359	60,768	61,824	-	363,338
Underlying operating profit	19,341	17,131	5,473	2,405	(3,201)	41,149
Impairment of vessels	(1,659)	-	-	(7,573)	-	(9,232)
Amortisation of acquired intangibles	(87)	(138)	(51)	-	-	(276)
Operating profit	17,595	16,993	5,422	(5,168)	(3,201)	31,641
Profit on sale of subsidiary and joint venture undertaking	20,896	-	-	-	-	20,896
Finance income						262
Finance costs						(6,422)
Profit before tonnage and income tax						46,377
Tonnage and income tax						(6,312)
Profit attributable to equity holders						40,065
Share of post tax results of associates and joint ventures	798	-	2,284	-	-	3,082
Assets and liabilities						
Segment assets	98,709	127,732	44,030	49,313	27,058	346,842
Investment in joint ventures	7,710	-	4,681	-	-	12,391
Total assets	106,419	127,732	48,711	49,313	27,058	359,233
Segment liabilities	(31,711)	(14,553)	(14,258)	(16,534)	(118,261)	(195,317)
	74,708	113,179	34,453	32,779	(91,203)	163,916
Other segment information						
Capital expenditure:						
Property, plant and equipment	8,950	12,912	1,616	2,558	64	26,100
Depreciation	2,801	7,226	849	4,681	167	15,724
Amortisation of intangible assets	653	298	51	-	-	1,002

* Corporate assets comprise available for sale assets, deferred tax and centrally held corporate assets. Corporate liabilities comprise net borrowings, pension scheme and corporate tax and deferred tax liabilities

Geographic information

The following table represents revenue, expenditure and certain asset information regarding the Group's geographic presence for the years ended 2013 and 2012. Further analysis of the geographic spread of the business outside the European area has been provided in order to enable a better understanding of the scope of the Group's overseas activities.

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 and Americas		Asia Pacific		Total	
	2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Revenue										
Segmental revenue	**153,549**	150,875	**91,611**	70,527	**104,167**	89,804	**70,699**	56,886	**420,026**	368,092
Inter segment sales	**(4,795)**	(4,355)	**(857)**	(23)	**(707)**	(376)	**-**	-	**(6,359)**	(4,754)
Group revenue	**148,754**	146,520	**90,754**	70,504	**103,460**	89,428	**70,699**	56,886	**413,667**	363,338
Segment assets	**131,417**	97,434	**4,021**	8,308	**14,800**	22,283	**13,306**	18,571	**163,544**	146,596
Investment in joint ventures	**-**	3,187	**135**	193	**4,735**	4,987	**4,597**	4,024	**9,467**	12,391
Financial assets	**1,370**	1,370	**8**	-	**-**	-	**-**	-	**1,378**	1,370
Other non current assets	**151,066**	126,418	**58,194**	55,777	**4,166**	5,233	**11,204**	11,448	**224,630**	198,876
									399,019	359,233

3 Revenue

Revenue disclosed in the income statement is analysed as follows

	2013 £000	2012 £000
Sale of goods and services	**342,485**	319,595
Rental income	**42,130**	40,270
Contract revenue recognised in the period	**29,052**	3,473
Total revenue	**413,667**	363,338

4 Separately disclosed items

In order for a better understanding of the underlying performance of the Group certain items have been disclosed separately. These comprise costs incurred in acquiring businesses, significant impairments, the amortisation of acquired intangibles and profits and losses on the disposal of subsidiaries and joint ventures. Amortisation of acquired intangibles relates to the amortisation of the value attributed to customer relationships arising on the acquisition of certain subsidiaries. Acquisition costs relate to businesses acquired during the period.

	2013 £000	2012 £000
Impairment of vessels	**-**	(9,232)
Acquisition costs	**(939)**	-
Amortisation of acquired intangibles	**(799)**	(276)
Separately disclosed gross loss	**(1,738)**	(9,508)
Profit on sale of subsidiary and joint venture undertakings	**6,613**	20,896
Separately disclosed profit before taxation	**4,875**	11,388
Tax on separately disclosed items	**270**	361
	5,145	11,749

Notes to the financial statements continued

4 Separately disclosed items continued

On 19 August 2013 the Group disposed of its 25% interest in Foreland Holdings Limited for a gross consideration of £11,425,000. The gain of £6,795,000 is included in the Specialist Technical division. In August 2013 the Group disposed of the marine leisure business of Fendercare Australia for a consideration of £1,395,000. An operating loss on disposal of £182,000 has been recognised on this transaction and is included in the Marine Support division. 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 Marine Support division. Details of disposals are set out in note 17.

In 2012 the Directors performed an impairment review of its fleet of vessels. 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 an impairment was recognised in the Tankships division of £7,573,000 and £1,659,000 in Marine Support in the income statement. Following the disposal of m.v. Asperity in December 2013, £1,355,000 of the Tankships provision was utilised. The Directors have reviewed the impairment provision at 31 December 2013 and having considered the global vessel market believe that the remaining provision is appropriate. Further details are given in note 14.

5 Operating profit

This is stated after charging/(crediting)

	2013 £000	2012 £000
Profit on sale of subsidiary and joint venture undertaking	**(6,613)**	(20,896)
Impairment of vessels	**-**	9,232
Profit on sale of property, plant and equipment	**(476)**	(670)
Depreciation of property, plant and equipment:		
ships	**4,702**	4,964
other	**12,359**	10,760
Total depreciation charge	**17,061**	15,724
Amortisation of intangible assets	**1,499**	1,002
Research and development costs	**1,624**	1,667
Net foreign currency losses/(gains)	**510**	(376)
Cost of inventories recognised as an expense*	**119,779**	94,462
Operating lease rentals:		
property	**4,578**	3,758
ships	**10,643**	9,537
other	**660**	687
	15,881	13,982
hire of vessels	**14,186**	9,595
	30,067	23,577

* The prior year has been restated to remove sub contract costs

Auditor's remuneration comprises the following:	**2013 £000**	2012 £000
Audit of the financial statements of the parent	**152**	140
Fees payable to the Company's auditor and its associates for other services:		
Local statutory audits of subsidiaries	**378**	276
	530	416
Taxation services	**124**	305
Corporate finance services	**31**	-
Other services	**58**	42
	743	763

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

6 Staff costs and Directors' emoluments

a) Staff costs including Executive Directors	Group 2013 £000	2012 £000
Wages and salaries	**83,760**	69,975
Social security costs	**8,636**	6,958
Pension costs (see note 22)	**4,531**	3,234
Share based compensation	**1,205**	1,192
	98,132	81,359

The monthly average number of persons including Executive Directors employed by the Group was:

	Group 2013 Number	2012 Number
Technical and administrative	**1,948**	1,577
Seafarers	**242**	246
	2,190	1,823

(b) Directors' emoluments	2013 £000	2012 £000
Directors' emoluments	**1,098**	1,839
Aggregate gains made by Directors on the exercise of options	**194**	4
Pension contributions to defined contribution schemes	**82**	87
Number of Directors accruing benefits under:		
Defined contribution schemes	**1**	2

Full details of the Directors' emoluments and their interests in the Executive Share Option Schemes, Long-Term Incentive Plan and the Savings Related Share Option Schemes are set out in the Directors' Remuneration report on pages 30 to 41.

Compensation of key management to the Group	2013 £000	2012 £000
Short-term employee benefits	**1,645**	1,839
Termination payments	**-**	157
Share based payments	**545**	549
	2,190	2,545

Key management personnel comprise the Board of Directors of the Company and certain senior business managers.

7 Finance income and finance costs

	2013 £000	restated (note 1) 2012 £000
Bank interest receivable	**256**	262
Interest payable in respect of:		
Bank loans and overdrafts	**(3,670)**	(4,260)
Amortisation of loan arrangement fees	**(505)**	(660)
Preference dividend	**(4)**	(3)
Finance charges payable under finance leases	**(36)**	(40)
Net interest on pension obligations	**(1,097)**	(1,400)
Unwind of discount on deferred consideration	**(233)**	-
Other interest	**-**	(59)
	(5,545)	(6,422)

Notes to the financial statements continued

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:	2013 £000	restated (note 1) 2012 £000
Current tax:		
UK corporation tax	**(4,795)**	(3,571)
Tax overprovided in previous years	**674**	23
Foreign tax	**(4,310)**	(3,724)
Total current tax	**(8,431)**	(7,272)
Deferred tax:		
Origination and reversal of temporary differences	**969**	975
Total taxation on continuing operations	**(7,462)**	(6,297)

The total tax charge in the income statement is allocated as follows		
Income tax expense reported in Group income statement	**7,462**	6,297
Share of joint ventures' current tax (note 15)	**485**	174
Total income tax expense	**7,947**	6,471

Income tax on comprehensive income		
Current tax:		
Current tax on foreign exchange losses on internal loans	**14**	78
Current tax on contributions to defined benefit pension schemes	**1,287**	944
Current tax relating to derivatives	**(26)**	-
Deferred tax:		
Deferred tax relating to remeasurement gains and losses in defined benefit pension schemes	**(670)**	(1,254)
Deferred tax relating to fair value of derivatives	**(430)**	(47)
	175	(279)

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:

	2013 £000	2012 £000
Profit before tax from continuing operations	**46,223**	46,377
Tax arising in interests in joint ventures (note 15)	**485**	174
	46,708	46,551
At UK statutory tax rate of 23.25% (2012: 24.5%)	**10,860**	11,405
Difference due to application of tonnage tax to vessel activities	**(617)**	1,369
Expenses not deductible for tax purposes	**930**	274
Profit on disposal of subsidiary	**(1,657)**	(5,120)
(Over)/under provision in previous years		
Current tax	**(674)**	(23)
Deferred tax	**192**	(393)
Share based payments	**45**	(33)
Lower taxes on overseas income	**(385)**	(429)
Research and development relief	**(70)**	(147)
Utilisation of losses brought forward	**(191)**	(216)
Impact of change of rate	**(682)**	(262)
Other	**196**	46
	7,947	6,471

The effective income tax rate on the underlying profit before tax is 18.6% (2012: 19.0%). The effective rate on profit before income and tonnage tax from continuing operations is 16.2% (2012: 13.6%).

Unrecognised tax losses

At 31 December 2013 the Group has unrecognised tax losses of £77,000 (2012: £77,000). 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 and 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 has expired in accordance with this seven year provision.

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

UK corporation tax rates are reducing from 28% to 20% over a period of four years from 2011. The rate reduced to 23% on 1 April 2013 and further reductions to 21% and 20% effective from 1 April 2014 and 1 April 2015 respectively have also been enacted. This will reduce the Group's future current tax charge accordingly. The deferred tax balance at 31 December 2013 has been calculated based on application of the reduced 20% 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.

9 Deferred tax

Group

Deferred tax at 31 December relates to the following:

	Balance sheet		Income statement	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Deferred tax assets				
Retirement benefits	**4,227**	4,826	**(72)**	(234)
Share based payments	**1,554**	1,062	**(9)**	29
Derivative financial instruments	**23**	453	**-**	-
Losses carried forward	**107**	205	**99**	(205)
	5,911	6,546		
Deferred tax liabilities				
Property plant and equipment	**(2,803)**	(3,291)	**(488)**	(804)
Intangible assets	**(2,531)**	(2,097)	**93**	327
Other items	**1,061**	668	**(592)**	(88)
	(4,273)	(4,720)		
Deferred income tax charge			**(969)**	(975)
Net deferred income tax asset	**1,638**	1,826		

Deferred tax assets and liabilities included in the consolidated balance sheet have been analysed according to the net exposures in each tax jurisdiction.

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

	2013 £000	2012 £000
Balance at 1 January	**1,826**	1,523
Charged to comprehensive income	**(617)**	(902)
Credited to income statement	**969**	975
Exchange adjustments	**190**	(3)
Acquisition of subsidiaries	**(730)**	-
Disposal of subsidiaries (note 17)	**-**	233
Balance at 31 December	**1,638**	1,826

At 31 December 2013 the Group has no recognised deferred income tax liability (2012: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. At 31 December 2013 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £37,444,000 (2012: £45,327,000). 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.

Notes to the financial statements continued

9 Deferred tax continued

Company

Deferred tax at 31 December relates to the following:

	Balance sheet 2013 £000	Balance sheet 2012 £000
Deferred tax assets		
Retirement benefits	**2,876**	3,126
Temporary differences	**815**	571
Share based payments	**1,554**	1,062
Accelerated capital allowances for tax purposes	**15**	53
Derivative financial instruments	**(92)**	243
Losses carried forward	**107**	205
	5,275	5,260
Deferred tax liabilities		
Other	**(9)**	(14)
	(9)	(14)
Net deferred income tax asset	**5,266**	5,246

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

Balance at 1 January	**5,246**	5,153
Charged to equity in statement of comprehensive income	**(254)**	(431)
Credited to income statement	**274**	524
Balance at 31 December	**5,266**	5,246

At 31 December 2013 the Company has no recognised deferred income tax liability (2012: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the company's subsidiaries. At 31 December 2013 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £37,444,000 (2012: £45,327,000). 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.

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 2013 172,227 options (2012: 10,315) 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

	2013 Number of shares	2012 Number of shares
For basic earnings per ordinary share*	**49,921,772**	49,871,906
Potential exercise of share options and LTIPs	**588,818**	395,964
For diluted earnings per ordinary share	**50,510,590**	50,267,870

* Excludes 154,170 (2012: 186,329) 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.

	2013 £000	restated note 1 2012 £000
Profit attributable to owners of the Company	**38,254**	39,466
Adjustments:		
Separately disclosed items	**(4,875)**	(11,388)
Tax on separately disclosed items	**(270)**	(361)
Adjusted profit attributable to owners of the Company	**33,109**	27,717
	pence	pence
Basic earnings per share on profit from operations	**76.6**	79.1
Diluted earnings per share on profit from operations	**75.7**	78.5
Adjusted basic earnings per share on profit from operations	**66.3**	55.6
Adjusted diluted earnings per share on profit from operations	**65.6**	55.1

11 Dividends paid and proposed

	2013 £000	2012 £000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2012: 11.83p per share (2011: 10.74p)	**5,923**	5,362
Interim dividend for 2013: 6.46p per share (2012: 5.87p)	**3,236**	2,939
Less dividends on own shares held by ESOP	**(17)**	(34)
	9,142	8,267
Proposed for approval at Annual General Meeting (not recognised as a liability at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2013: 13.54p per share (2012: 11.83p)	**6,766**	5,901

12 Goodwill

Group

Cost and net book value:	2013 £000	2012 £000
At 1 January	**86,390**	87,351
Exchange differences	**(1,897)**	206
Disposal of subsidiary	**-**	(1,167)
Acquisition of subsidiaries	**19,683**	-
At 31 December	**104,176**	86,390

Impairment of goodwill

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

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

	2013 £000	2012 £000
Marine Support	**25,717**	23,316
Offshore Oil	**40,732**	42,230
Specialist Technical	**27,468**	10,585
Tankships	**10,259**	10,259
	104,176	86,390

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. Short-term growth rates for turnover vary between 2% and 58% which allows for significant growth in project based activities. 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 1%.

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% 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 rates used is 9.5% to 10.6% (2012: range of 10.2% to 11.2%). An effective tax rate of 18.4% 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:

Marine Support; maximum short-term gross profit growth of businesses of between 4% and 40% with long-term growth of between 2% and 7%, maximum growth in direct costs of 42% with between 2% and 5% 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.

Specialist Technical; maximum short-term gross profit growth of 20% with long-term growth of 2%, maximum growth in direct costs of 17% with 2% increase in the long-term.

Tankships; maximum short-term gross profit growth of 17% with long-term growth of between 1% and 2%, maximum growth in direct costs of 13% 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 2012	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**
Additions	1,370	57	3,444	4,871
Disposals	(171)	-	-	(171)
Exchange differences	-	(8)	(153)	(161)
At 31 December 2013	**6,890**	**639**	**4,708**	**12,237**
Amortisation				
At 1 January 2012	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
Charge for the period	647	53	799	1,499
Disposals	(118)	-	-	(118)
Exchange differences	-	(4)	(77)	(81)
At 31 December 2013	**926**	**423**	**1,406**	**2,755**
Net book value at 31 December 2013	**5,964**	**216**	**3,302**	**9,482**
Net book value at 1 January 2013	5,294	216	733	6,243
Net book value at 1 January 2012	4,485	336	1,016	5,837

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.

14 Property, plant and equipment

	Analysis of ships						
	Ships £000	Refit £000	Total ships £000	Assets under construction £000	Freehold and leasehold property £000	Plant and equipment £000	Total £000
Group							
Cost:							
At 1 January 2012	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
Additions	165	1,492	1,657	606	1,003	21,483	24,749
Reclassifications	-	-	-	(1,000)	432	223	(345)
Disposal of subsidiary undertaking	-	-	-	-	(1,342)	(51)	(1,393)
Acquisition of subsidiary undertaking	-	-	-	698	548	2,134	3,380
Disposals	(3,293)	(3,292)	(6,585)	-	(90)	(3,318)	(9,993)
Exchange differences	(101)	(23)	(124)	(172)	(513)	(3,604)	(4,413)
At 31 December 2013	**61,177**	**10,192**	**71,369**	**2,025**	**22,575**	**109,978**	**205,947**
Group							
Depreciation and impairment:							
At 1 January 2012	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
Provided during the year	2,812	1,890	4,702	-	774	11,585	17,061
Reclassifications	-	-	-	-	9	(307)	(298)
Disposal of subsidiary undertaking	-	-	-	-	(120)	(26)	(146)
Impairments	(1,355)	-	(1,355)	-	-	-	(1,355)
Disposals	(693)	(3,181)	(3,874)	-	(66)	(1,648)	(5,588)
Exchange differences	(34)	(22)	(56)	-	(102)	(2,249)	(2,407)
At 31 December 2013	**39,232**	**8,038**	**47,270**	**-**	**3,939**	**46,536**	**97,745**
Net book value at 31 December 2013	**21,945**	**2,154**	**24,099**	**2,025**	**18,636**	**63,442**	**108,202**
Net book value at 1 January 2013	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

Reclassifications

Reclassifications relate to assets transferred to inventory prior to disposal.

Impairment provisions

In 2012 the Group recognised an impairment provision of £9,232,000 in respect of its fleet of vessels. The impairment relates to the class of assets referred to as ships in the table above. The segmental allocation of the provision between the Tankships and Marine Support segments is shown in note 2.

The impairment was 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 or scrapping 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 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 2013 was £398,000 (2012: £1,561,000). Included in ships are assets with a cost of £5,170,000 (2012: £5,275,000) and accumulated depreciation of £4,168,000 (2012: £3,714,000) which relate to assets held under operating leases. Included in property, plant and equipment is aggregate interest capitalised of £1,197,000 (2012: £1,285,000).

	Ships £000	Freehold and leasehold property £000	Plant and equipment £000	Total £000
Company				
Cost:				
At 1 January 2012	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
Additions	8	20	766	794
Disposals	-	(90)	(204)	(294)
At 31 December 2013	**9,452**	**1,839**	**1,797**	**13,088**
Company				
Depreciation:				
At 1 January 2012	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
Provided during the year	456	66	75	597
Disposals	-	(38)	(204)	(242)
At 31 December 2013	**5,203**	**801**	**885**	**6,889**
Net book value at 31 December 2013	**4,249**	**1,038**	**912**	**6,199**
Net book value at 1 January 2013	4,697	1,136	221	6,054
Net book value at 1 January 2012	4,888	1,199	260	6,347

Included in property, plant and equipment is aggregate interest capitalised of £103,000 (2012: £108,000).

15 Investment in joint ventures

On 19 August 2013 the Group disposed of its 25% equity interest in the ordinary shares of Foreland Holdings Limited (Foreland) for a gross consideration of £11,425,000. Further details of the disposal are included in note 17.

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. In 2012 the Group paid £168,000 into its Dubai based joint venture, Fendercare Omega LLC, in respect of its 50% equity interest in the company. 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.

Notes to the financial statements continued

Details of the principal joint ventures and associated undertakings are set out on page 106. The Group's share of the assets, liabilities and trading results of these joint venture entities at 31 December 2013 which are accounted for under the equity accounting method, are as follows.

15 Investment in joint ventures continued

	2013 £000	2012 £000
Current assets	18,678	23,877
Non-current assets	24,759	54,890
Current liabilities	(14,969)	(11,212)
Non-current liabilities	(20,734)	(56,989)
Loans to associate	1,733	1,825
	9,467	12,391
Revenue	23,009	22,301
Cost of sales	(15,931)	(14,139)
Administrative expenses	(2,506)	(2,602)
Profit from operations	4,572	5,560
Finance costs		
Finance income	4	10
Finance costs	(1,713)	(2,314)
Profit before tonnage and income tax	2,863	3,256
Taxation	(485)	(174)
Profit after tax	2,378	3,082
Non-controlling interests	9	(70)
Net profit attributable to equity holders	2,387	3,012
Movement on investment in joint ventures		
At 1 January	12,391	12,534
Acquisitions	-	1,125
Disposals	(3,342)	-
Profit for the period	2,387	3,012
Dividends received	(2,337)	(4,584)
Gain arising on the amendment to the concession agreement	-	865
Share of fair value gains on cash flow hedges	703	(343)
Non-controlling interests	(16)	14
Exchange adjustments	(319)	(232)
At 31 December	9,467	12,391

In 2012 Foreland recognised a gain following a deed of amendment to its concession agreement of which the Group's share was £865,000. Due to the uncertainty relating to its recovery full provision was made in the Group for this amount. There are no capital commitments or contingent liabilities in respect of the Group's interests in joint ventures.

16 Financial assets

Group

Available for sale

	2013 £000	2012 £000
At 1 January 2013	1,370	1,370
Acquisition of subsidiary undertaking	8	-
At 31 December 2013	1,378	1,370
Company		
At 1 January and 31 December 2013	1,368	1,368

Available for sale financial assets represents a 17.2% (2012: 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.

The Group has a 50% interest in DivexDomeyer GmbH, a company incorporated in Germany which provides in-service support and aftermarket services to the German Navy. The Group does not actively participate in the operation and control of that business. Related party transactions with DivexDomeyer GmbH are set out in note 28.

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 2013 (2012: £Nil).

Investments

Company

	Shares £000	Subsidiary undertakings Loans £000	Total £000
Cost			
At 1 January 2012	83,840	129,867	213,707
Exchange adjustments	-	436	436
Additions/increases	531	78,331	78,862
Repayments	-	(53,389)	(53,389)
At 31 December 2012	84,371	155,245	239,616
Exchange adjustments	-	549	549
Additions/increases	5,667	74,368	80,035
Recapitalisations	66,888	(66,888)	-
Repayments	-	(71,489)	(71,489)
At 31 December 2013	**156,926**	**91,785**	**248,711**
Amount provided			
At 1 January 2012	445	433	878
Released	-	(45)	(45)
At 31 December 2012	445	388	833
Released	-	(40)	(40)
At 31 December 2013	**445**	**348**	**793**
Net book value at 31 December 2013	**156,481**	**91,437**	**247,918**
Net book value at 31 December 2012	83,926	154,857	238,783

A list of principal subsidiary undertakings is included on page 106.

17 Business combinations

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

Year ended 31 December 2013

On 5 March 2013 the Group acquired the entire issued share capital of Divex Limited and its subsidiaries (Divex), for an initial cash consideration of £20,800,000. The principal activities of Divex are the design, supply and assembly of diving and subsea equipment. Further contingent consideration is payable of up to £13,000,000 based on the future profitability of both the core commercial diving business and earnings from the sale of saturated diving systems during the five year period ending in December 2017. Whilst the achievement of these targets is contingent on both the expected size of the market for saturated diving systems and Divex's ability to win a significant proportion of it, management believe that the requirements will be met and have provided in full for the consideration due, having allowed for the impact of the time value of money on the expected dates on which the consideration will be paid.

On 19 August 2013 the Group acquired the entire issued share capital of Osiris Marine Services Limited and Osiris Underwater Engineering Services Limited (Osiris) for an initial consideration of £3,250,000. The principal activities of Osiris are the supply of diving and subsea services to the renewable energy sector. Further contingent consideration of up to a maximum of £1,250,000 is payable, linked to future annual profitability targets for the two years ended 30 June 2015. Management has reviewed its forecasts at the end of December 2013 and concluded that it is unlikely that the minimum target for the year to 30 June 2014 will be achieved. The contingent consideration payable for that period has therefore not been provided . Provision has been made for the remaining contingent consideration on the basis of management's current forecasts and this has been adjusted for the time value of money based on the expected date of payment. The outcome of these forecasts remains uncertain as to the volume, timing and profitablity of available contracts.

The provisional fair values of the assets and liabilities acquired are set out below. The businesses are expected to benefit from synergies derived from common marketing and distribution bases. Included in goodwill are certain intangible assets including the anticipated impact on these businesses of distributing their products to existing Group customers, that cannot be individually separated and reliably measured due to their nature.

Notes to the financial statements continued

17 Business combinations continued

Divex	Book value £000	Accountng policy adjustments £000	Fair value adjustments £000	Total £000
Customer relationships	-	-	2,729	2,729
Investments	8	-	-	8
Property, plant and equipment	1,267	-	-	1,267
Inventories	12,903	-	(991)	11,912
Trade and other receivables	4,999	-	-	4,999
Cash and short-term deposits	6,383	-	-	6,383
Trade and other payables	(11,698)	-	190	(11,508)
Interest bearing loans and borrowings	(51)	-	-	(51)
Deferred tax	651	-	(1,161)	(510)
Fair value of net assets acquired	14,462	-	767	15,229
Goodwill arising on acquisitions				16,734
				31,963
Consideration				
Cash				20,800
Contingent consideration				11,163
				31,963

Osiris	Book value £000	Accountng policy adjustments £000	Fair value adjustments £000	Total £000
Customer relationships	-	-	218	218
Property, plant and equipment	1,564	308	-	1,872
Trade and other receivables	1,841	-	-	1,841
Cash and short-term deposits	169	-	-	169
Trade and other payables	(2,105)	(534)	-	(2,639)
Interest bearing loans and borrowings	(140)	-	-	(140)
Deferred tax	(72)	45	(44)	(71)
Fair value of net assets acquired	1,257	(181)	174	1,250
Goodwill arising on acquisitions				2,685
				3,935
Consideration				
Cash				3,250
Contingent consideration				685
				3,935

Trade receivables in the acquired entities comprise gross contracted amounts of £5,349,000. There is doubt over the collectability of £297,000 of this amount.

On 26 July 2013 the Group acquired the trade and assets of The Underwater Centre Fremantle Pty Limited, a commercial diving training centre. The consideration of £712,000 related to the acquisition of £241,000 in relation to tangible fixed assets and £497,000 has been treated as an intangible asset representing the value of customer relationships. Deferred tax of £149,000 has been recognised on the acquisition. During the year the Group also acquired the trade and assets of a maritime engineering consultancy for a consideration of £119,000, which resulted in goodwill of £116,000.

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 9% and 15% reflecting the risk factors associated with these cash flows.

None of the goodwill is expected to be deductible for income tax purposes.

Acquisition expenses

The Group incurred acquisition expenses of £939,000 in relation to these business combinations which have been charged to the income statement and included within administration expenses.

Contribution to Group results

The overall contribution of the businesses acquired during the period to the Group's profit after tax was £3,524,000 with £35,280,000 being contributed to Group revenues. Had the business combinations taken place at the start of the financial year the contribution to Group profit from continuing operations for the year would have been £2,759,000 and the revenue from continuing operations would have been £43,385,000.

Disposals

Year ended 31 December 2013

On 19 August 2013 the Group disposed of its 25% interest in Foreland Holdings Limited for a gross consideration of £11,425,000.

	£000
Gross consideration	11,425
Net assets disposed of	
Investment in joint ventures	(3,342)
Provision	(1,250)
Disposal costs	(38)
Profit on disposal	6,795

On 9 September the Group disposed of the marine leisure business of Fendercare Australia for a gross consideration of £1,395,000 resulting in a loss on disposal of £182,000.

Year ended 31 December 2012

On 31 December the Group disposed of its interests 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. Net assets disposed of were £3,654,000 resulting in a profit on disposal of £20,896,000 after disposal costs of £950,000. 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 result.

18 Inventories

	Group	
	2013 £000	2012 £000
Work in progress	**10,360**	4,637
Raw materials and consumables	**12,137**	12,568
Finished goods	**23,979**	18,857
	46,476	36,062

	Group	
	2013 £000	2012 £000
Inventories stated at net realisable value	**-**	-
Amount charged to the income statement in the period in respect of inventory write-downs	**547**	223
Reversal of inventory write-downs	**47**	-

19 Trade and other receivables

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Trade receivables	**56,307**	59,792	**97**	130
Amounts owed by group undertakings	**-**	-	**997**	3,470
Amounts owed by joint venture undertakings	**1,134**	1,265	**-**	35
Other non-trade receivables	**4,878**	9,743	**1,098**	2,213
Prepayments and accrued income	**19,684**	18,119	**317**	228
	82,003	88,919	**2,509**	6,076
Construction contracts in progress	**9,670**	2,486	**-**	-
	91,673	91,405	**2,509**	6,076

At 31 December 2013, the aggregated amount of costs incurred and recognised profits (less recognised losses) to date under open construction contracts amounted to £29,410,000 (2012: £24,432,000). There are no retentions relating to construction contracts included in trade receivables (2012: £nil).

Of the above other non-trade receivables of £115,000 (2012: £28,000) are expected to be recovered in more than one year. Further information on the credit risks relating to trade and other receivables is given in note 26.

Notes to the financial statements continued

20 Share capital

Group and Company

Allotted, called up and fully paid

In thousands of shares	25p Ordinary shares		£1 Cumulative preference shares	
	2013	2012	**2013**	2012
In issue at 1 January	**50,068**	49,925	**100**	100
Exercise of share options	**31**	143	**-**	-
In issue 31 December	**50,099**	50,068	**100**	100

	2013 £000	2012 £000	**2013 £000**	2012 £000
Issued share capital	**12,525**	12,517	**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.

Treasury shares	**2013 £000**	2012 £000
154,170 (2012: 186,329) ordinary shares of 25p	**1,392**	1,061

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 2013 was £1,927,125 (2012: £1,509,265). The trust has not waived its right to receive dividends.

During the year 31,193 (2012: 142,391) ordinary shares with an aggregate nominal value of £7,798 (2012: £35,598) were issued under the Company's Executive Share Option Scheme at an option price of 327p per share, (2012: between 142p and 584p) giving rise to a total consideration of £102,001 (2012: £255,717).

21 Trade and other payables

Non-current liabilities

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Contingent consideration	**12,082**	-	**-**	-
Accruals and deferred income	**421**	743	**-**	-
	12,503	743	**-**	-

Current liabilities

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Trade payables	**36,659**	32,353	**1,014**	2,493
Amounts owed to group undertakings	**-**	-	**11,077**	13,021
Amounts owed to joint venture undertakings	**2,278**	3,011	**-**	-
Taxation and social security	**3,005**	2,705	**(63)**	148
Other payables	**9,333**	6,250	**2,580**	2,062
Accruals and deferred income	**42,381**	32,450	**2,691**	3,754
	93,656	76,769	**17,299**	21,478

22 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 (MNOPF), 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 MNOPF scheme, the balance of which relates to its subsidiary, FT Everard and Sons Limited.

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 2013.

The valuations of the schemes have been updated to 31 December 2013 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 2013 were as follows:

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Shore staff pension scheme	**(9,777)**	(9,695)	**(9,777)**	(9,695)
MNOPF pension scheme	**(13,460)**	(17,428)	**(9,784)**	(8,944)
Scantech pension scheme	**96**	62	**-**	-
	(23,141)	(27,061)	**(19,561)**	(18,639)

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

James Fisher and 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 2013.

The scheme closed to future accrual on 31 December 2010. 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 (2012: £1,615,000).

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.

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. In May 2013 the trustees of the scheme concluded the triennial valuation of the scheme as at 31 March 2012. The Group's share of the revised deficit was £4,163,000 and this has been accounted for in the calculation of its 2013 liability.

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 3.0% (2012: 3.3%) and Company 1.4% (2012: 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 4.65% (2012: 4.45%). The disclosures below relate to the Group's share of the assets and liabilities within the MNOPF.

Actuarial assumptions

The last actuarial valuations performed have been updated to 31 December 2013 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:

22 Retirement benefit assets and obligations continued

	2013	2012
Inflation (long-term rate after adjustment for short-term fluctuations) (%)	**3.4**	2.9
Rate of general long-term increase in salaries - shore staff (%)	**N/A**	N/A
Rate of increase of pensions in payment - shore staff (%)	**3.3 - 3.4**	2.5 - 2.9
Discount rate for scheme liabilities (%)	**4.65**	4.45
Expected rates of return on assets (%)	**4.65**	4.45
Post retirement mortality: (years)		
Shore staff scheme		
Current pensioner at 65 - male	**21.0**	20.1
Current pensioner at 65 - female	**23.3**	22.7
Future pensioner at 65 - male	**22.8**	21.9
Future pensioner at 65 - female	**25.2**	24.5
ScanTech Produkt		
Current pensioner at 65 - male	**21.8**	20.1
Current pensioner at 65 - female	**25.0**	22.7
Future pensioner at 65 - male	**22.4**	21.9
Future pensioner at 65 - female	**26.1**	24.5

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 years old.

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.

Restatement of pension costs
As referred to in note 1, the Group has adopted the requirements of the amendments to IAS 19 Employee Benefits from 1 January 2013. The long-term employee benefit costs are now measured by applying the discount rate previously applied only to the gross liability to the net pension deficit. The tables below have been adjusted to reflect the restatement of prior period data.

Sensitivities
The key sensitivities on the major schemes may be summarised as follows

Shore staff scheme

Key measure	Change in assumption	Change in Deficit
Discount rate	Decrease of 0.25%	Increase by 3.1%
Rate of inflation	Increase by 0.25%	Increase by 2.8%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.0%

MNOPF

Key measure	Change in assumption	Change in Deficit
Discount rate	Decrease of 0.25%	Increase by 0.8%

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

As at 31 December 2013

	Group				Company		
	Shore staff £000	**MNOPF £000**	**Scantech Produkt £000**	**Total £000**	**Shore staff £000**	**MNOPF £000**	**Total £000**
Equities	**20,712**	**4,356**	**-**	**25,068**	**20,712**	**2,050**	**22,762**
Gilts/corporate bonds	**23,611**	**7,836**	**232**	**31,679**	**23,611**	**3,687**	**27,298**
Property	**-**	**954**	**-**	**954**	**-**	**449**	**449**
Other investments	**4,821**	**61,185**	**-**	**66,006**	**4,821**	**28,794**	**33,615**
Cash/net current assets	**151**	**2,471**	**-**	**2,622**	**151**	**1,163**	**1,314**
Fair value of scheme assets	**49,295**	**76,802**	**232**	**126,329**	**49,295**	**36,143**	**85,438**
Present value of scheme liabilities	**(59,072)**	**(90,262)**	**(136)**	**(149,470)**	**(59,072)**	**(45,927)**	**(104,999)**
Net pension liabilities recognised in the balance sheet	**(9,777)**	**(13,460)**	**96**	**(23,141)**	**(9,777)**	**(9,784)**	**(19,561)**

As at 31 December 2012

	Group				Company		
	Shore staff £000	MNOPF £000	Scantech Produkt £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	-	51,685	-	51,685	-	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)

Expense recognised in the income statement (included in administrative expenses and finance costs)

Year ended 31 December 2013

	Group				Company		
	Shore staff £000	**MNOPF £000**	**Scantech Produkt**	**Total £000**	**Shore staff £000**	**MNOPF £000**	**Total £000**
Current service cost	**27**	**-**	**17**	**44**	**27**	**-**	**27**
Settlement gains	**-**	**(610)**	**-**	**(610)**	**-**	**-**	**-**
Expenses	**141**	**-**	**2**	**143**	**141**	**-**	**141**
Interest cost on benefit obligation	**2,460**	**3,993**	**5**	**6,458**	**2,460**	**2,047**	**4,507**
Return on scheme assets recorded in interest	**(2,062)**	**(3,291)**	**(8)**	**(5,361)**	**(2,062)**	**(1,687)**	**(3,749)**
	566	**92**	**16**	**674**	**566**	**360**	**926**
Actual return on plan assets	**4,027**	**n/a**	**-**		**4,027**	**n/a**	

Notes to the financial statements continued

22 Retirement benefit assets and obligations continued

Year ended 31 December 2012

	Group				Company		
	Shore staff £000	MNOPF £000	Scantech Produkt	Total £000	Shore staff £000	MNOPF £000	Total £000
Current service cost	30	-	50	80	30	-	30
Expenses	103	-	-	103	103	-	103
Interest cost on benefit obligation	2,705	4,165	13	6,883	2,705	2,135	4,840
Return on scheme assets recorded in interest	(2,193)	(3,274)	(16)	(5,483)	(2,193)	(1,678)	(3,871)
	645	891	47	1,583	645	457	1,102
Actual return on plan assets	4,359	N/A	-		4,359	N/A	

Movements in the benefit liability during the year

Year ended 31 December 2013

	Group				**Company**		
	Shore staff £000	**MNOPF £000**	**Scantech Produkt £000**	**Total £000**	**Shore staff £000**	**MNOPF £000**	**Total £000**
As at 1 January 2013	**9,695**	**17,428**	**(62)**	**27,061**	**9,695**	**8,944**	**18,639**
Expense recognised in the income statement	**566**	**92**	**16**	**674**	**566**	**360**	**926**
Contributions paid to scheme	**(1,654)**	**(8,487)**	**-**	**(10,141)**	**(1,654)**	**(1,689)**	**(3,343)**
Remeasurement gains and losses	**1,170**	**4,425**	**(54)**	**5,541**	**1,170**	**2,169**	**3,339**
Effect of movement in exchange rates	**-**	**-**	**4**	**4**	**-**	**-**	**-**
	9,777	**13,458**	**(96)**	**23,139**	**9,777**	**9,784**	**19,561**

Year ended 31 December 2012

	Group				Company		
	Shore staff £000	MNOPF £000	Scantech Produkt £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	645	891	47	1,583	645	457	1,102
Contributions paid to scheme	(1,641)	(3,031)	(50)	(4,722)	(1,641)	(1,559)	(3,200)
Remeasurement gains and losses	(149)	349	(131)	69	(149)	180	31
Effect of movement in exchange rates	-	-	(2)	(2)	-	-	-
	9,695	17,428	(62)	27,061	9,695	8,944	18,639

Reameasurement gains and losses are 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 2013

	Group				Company		
	Shore staff £000	MNOPF £000	Scantech Produkt	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2013	**57,062**	**91,372**	**267**	**148,701**	**57,062**	**46,843**	**103,905**
Current service cost	**27**	**-**	**17**	**44**	**27**	**-**	**27**
Expenses	**141**	**-**	**2**	**143**	**141**	**-**	**141**
Interest cost	**2,460**	**3,993**	**5**	**6,458**	**2,460**	**2,047**	**4,507**
Settlement gains	**-**	**(610)**	**-**	**(610)**	**-**	**-**	**-**
Contributions by scheme participants	**7**	**-**	**-**	**7**	**7**	**-**	**7**
Remeasurement loss/(gain)							
Actuarial loss/(gain) arising from scheme experience	**(8)**	**(1,107)**	**(122)**	**(1,237)**	**(8)**	**(1,208)**	**(1,216)**
Actuarial loss arising from changes in demographic assumptions	**1,157**	**-**	**-**	**1,157**	**1,157**	**-**	**1,157**
Actuarial loss/(gain) arising from changes in financial assumptions	**1,986**	**(90)**	**-**	**1,896**	**1,986**	**(66)**	**1,920**
Net benefits paid out	**(3,760)**	**(3,296)**	**(6)**	**(7,062)**	**(3,760)**	**(1,689)**	**(5,449)**
Effect of movement in exchange rates	**-**	**-**	**(27)**	**(27)**	**-**	**-**	**-**
	59,072	**90,262**	**136**	**149,470**	**59,072**	**45,927**	**104,999**

Year ended 31 December 2012

	Group				Company		
	Shore staff £000	MNOPF £000	Scantech Produkt	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
Expenses	103	-	-	103	103	-	103
Interest cost	2,705	4,165	13	6,883	2,705	2,135	4,840
Contributions by scheme participants	5	-	-	5	5	-	5
Remeasurement loss/(gain)							
Actuarial loss/(gain) arising from scheme experience	-	5,834	(306)	5,528	-	2,990	2,990
Actuarial gain arising from changes in demographic assumptions	(972)	-	-	(972)	(972)	-	(972)
Actuarial loss arising from changes in financial assumptions	3,092	350	-	3,442	3,092	180	3,272
Net benefits paid out	(2,767)	(3,031)	(2)	(5,800)	(2,767)	(1,559)	(4,326)
Effect of movement in exchange rates	-	-	6	6	-	-	-
	57,062	91,372	267	148,701	57,062	46,843	103,905

22 Retirement benefit assets and obligations continued

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

Year ended 31 December 2013

	Group				Company		
	Shore staff £000	MNOPF £000	Scantech Produkt £000	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2013	**47,367**	**73,944**	**329**	**121,640**	**47,367**	**37,899**	**85,266**
Return on scheme assets recorded in interest	**2,062**	**3,291**	**8**	**5,361**	**2,062**	**1,687**	**3,749**
Remeasurement gain/(loss)							
Return on plan assets excluding interest income	**1,965**	**(5,623)**	**(67)**	**(3,725)**	**1,965**	**(3,443)**	**(1,478)**
Contributions by employer	**1,654**	**8,487**	**-**	**10,141**	**1,654**	**1,689**	**3,343**
Contributions by scheme participants	**7**	**-**	**-**	**7**	**7**	**-**	**7**
Net benefits paid out	**(3,760)**	**(3,297)**	**(5)**	**(7,062)**	**(3,760)**	**(1,689)**	**(5,449)**
Effect of movement in exchange rates	**-**	**-**	**(33)**	**(33)**	**-**	**-**	**-**
	49,295	**76,802**	**232**	**126,329**	**49,295**	**36,143**	**85,438**

Year ended 31 December 2012

	Group				Company		
	Shore staff £000	MNOPF £000	Scantech Produkt £000	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2012	44,026	64,835	432	109,293	44,026	33,231	77,257
Return on scheme assets recorded in interest	2,193	3,274	16	5,483	2,193	1,678	3,871
Remeasurement gain/(loss)							
Return on plan assets excluding interest income	2,269	5,835	(175)	7,929	2,269	2,990	5,259
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	(2,767)	(3,031)	(2)	(5,800)	(2,767)	(1,559)	(4,326)
Effect of movement in exchange rates	-	-	7	7	-	-	-
	47,367	73,944	329	121,640	47,367	37,899	85,266

History of experience gains and losses

Shore staff	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of scheme assets	**49,295**	47,367	44,026	43,555	41,054
Defined benefit obligation	**(59,072)**	(57,062)	(54,866)	(52,692)	(55,263)
Deficit in scheme	**(9,777)**	(9,695)	(10,840)	(9,137)	(14,209)
Remeasurement gain					
Return on plan assets excluding interest income	**1,965**	2,262	(490)	1,484	783
Reameasurement gain/(loss) on scheme liabilities	**8**	-	26	1,752	(437)

Scantech Produkt	2013 £000	2012 £000	2011 £000	2010 £000
Fair value of scheme assets	**232**	329	432	386
Defined benefit obligation	**(136)**	(267)	(506)	(373)
Surplus/(deficit) in scheme	**96**	62	(74)	13

MNOPF

Group	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of scheme assets	**76,802**	73,944	64,835	61,311	57,868
Defined benefit obligation	**(90,262)**	(91,372)	(84,054)	(81,973)	(66,020)
Deficit in scheme	**(13,460)**	(17,428)	(19,219)	(20,662)	(8,152)

MNOPF

Company	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Fair value of scheme assets	**36,143**	37,899	33,231	31,425	29,660
Defined benefit obligation	**(45,927)**	(46,843)	(43,097)	(42,035)	(33,861)
Deficit in scheme	**(9,784)**	(8,944)	(9,866)	(10,610)	(4,201)

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 £40.6m (2012: £35.1m). The Directors do not consider it to be possible 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 number of defined contribution schemes. The pension charge for the year for these arrangements is equal to the contributions paid and was £4,486,000 (2012: £3,162,000). During the year the Company contributed £306,000 (2012: £327,000) into defined contribution schemes.

23 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. Further details on these schemes are included in the Director's Remuneration report on pages 30 to 41. 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. For options granted before 31st December 2012 if performance is at the bottom of the median, (second) quartile 40% will vest. For options granted thereafter 25% will vest at median level. 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. Awards were made under this scheme on 9 April 2013.

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 7 May 2013.

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.

Notes to the financial statements continued

23 Share based payments continued

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 8 April 2013.

The expense recognised for share based payments relating to equity settled share based payments transactions is £1,205,000 (2012: £1,192,000).

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 476,317 (2012: 583,426) ordinary shares of 25p each.

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

Group

					"Nil" Options	
	2013 Number	**WAEP**	2012 Number	WAEP	**2013 Number**	2012 Number
Outstanding at 1 January	**964,299**	**£4.69**	1,281,493	£4.18	**583,426**	735,204
Granted during the year	**134,049**	**£10.40**	205,701	£5.76	**107,379**	216,428
Forfeited during the year	**(35,317)**	**£6.58**	(350,165)	£4.60	**-**	(97,451)
Exercised	**(164,430)**	**£4.38**	(172,730)	£2.22	**(214,488)**	(270,755)
Outstanding at 31 December	**898,601**	**£5.53**	964,299	£4.69	**476,317**	583,426
Exercisable at 31 December	**415,283**	**£4.18**	358,332	£4.20	**-**	-

The weighted average share price at the date of exercise for the options exercised was £10.25 (2012: £6.46).

For the share options outstanding at 31 December 2013, the weighted average remaining contractual life is 3 years and 10 months (2012: 4 years and 2 months).

The weighted average fair value of options granted during the year was £5.40 (2012: £3.44). The range of exercise prices for options outstanding at the end of the year was £3.27 - £10.50 (2012: £3.27 - £6.73).

Company

					"Nil" Options	
	2013 Number	**WAEP**	2012 Number	WAEP	**2013 Number**	2012 Number
Outstanding at 1 January	**699,293**	**£4.62**	988,439	£3.94	**297,085**	414,421
Granted during the year	**100,154**	**£10.30**	158,588	£5.68	**58,540**	119,300
Forfeited during the year	**(2,827)**	**£9.31**	(287,163)	£4.38	**-**	(97,451)
Exercised	**(61,462)**	**£3.95**	(160,571)	£1.92	**(117,645)**	(139,185)
Outstanding at 31 December	**735,158**	**£5.12**	699,293	£4.62	**237,980**	297,085
Exercisable at 31 December	**413,159**	**£4.17**	266,289	£3.61	**-**	-

The weighted average share price at the date of exercise for the options exercised was £10.14 (2012: £6.59).

For the share options outstanding at 31 December 2013, the weighted average remaining contractual life is 4 years and 10 months (2012: 5 years and 2 months).

The weighted average fair value of options granted during the year was £5.74 (2012: £3.04). The range of exercise prices for options outstanding at the end of the year was £3.27 - £10.50 (2012: £3.27 - £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 SRSOS and the LTIP schemes, the binomial model for the 1995 ESOS and the Monte Carlo model for the 2005 ESOS.

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

	2013	2012
LTIP		
Dividend yield (%)	**2.00%**	2.75%
Expected life of option (years)	**3**	3
Share price at date of grant	**£10.25**	£6.05
2005 ESOS		
Dividend yield (%)	**2.00%**	2.75%
Expected life of option (years)	**6.5**	6.5
Share price at date of grant	**£10.46**	£5.72
Expected share price volatility (%)	**30%**	35%
SRSOS		
Dividend yield (%)	**2.00%**	2.75%
Expected life of option (years)	**3.26-7.26**	3.26-7.26
Share price at date of grant	**£9.63**	£5.95
Expected share price volatility (%)	**30%**	35%
Risk free interest rate (%)	**0.45%-0.96%**	0.61%-1.62%

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.

24 Loans and borrowings

Non current liabilities

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Bank loans	**77,949**	80,965	**77,949**	80,965
Finance leases	**71**	94	**-**	-
	78,020	81,059	**77,949**	80,965

Current liabilities

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Overdrafts	**-**	-	**16,672**	33,915
Finance leases	**140**	302	**-**	-
	140	302	**16,672**	33,915

Bank loans

Loans analysed by currency are repayable as follows:

Year ended 31 December 2013

	Group				Company			
Currency	**GBP**	**USD**	**NOK**	**Total**	**GBP**	**USD**	**NOK**	**Total**
Due within one year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Due between one and two years	**30,779**	**7,245**	**7,962**	**45,986**	**30,779**	**7,245**	**7,962**	**45,986**
Due between two and five years	**21,616**	**1,932**	**-**	**23,548**	**21,616**	**1,932**	**-**	**23,548**
Due after more than five years	**6,000**	**2,415**	**-**	**8,415**	**6,000**	**2,415**	**-**	**8,415**
	58,395	**11,592**	**7,962**	**77,949**	**58,395**	**11,592**	**7,962**	**77,949**

Year ended 31 December 2012

	Group				Company			
Currency	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

Notes to the financial statements continued

24 Loans and borrowings continued

The interest rates charged during the year ranged from 1.9% to 3.4% (2012: 1.5% to 3.9%).

The 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	
	2013 £000	2012 £000
Future minimum payments due:		
Within one year	**154**	317
Within two to five years	**84**	98
	238	415
Less: finance charges allocated to future periods	**(27)**	(19)
	211	396
Present value of minimum lease payments is analysed as follows		
Within one year	**71**	94
Within two to five years	**140**	302
	211	396

Company

The Company does not have any outstanding finance lease commitments.

25 Reconciliation of net debt

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

Group	1 January 2012 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2012 £000
Cash in hand and at bank	13,575	5,880	-	(1,116)	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)	37,016	(656)	(689)	(63,122)

	1 January 2013 £000	**Cash flow £000**	**Other non cash £000**	**Exchange movement £000**	**31 December 2013 £000**
Cash in hand and at bank	**18,339**	**10,028**	**-**	**(4,385)**	**23,982**
Debt due after 1 year	**(81,065)**	**-**	**1,940**	**1,076**	**(78,049)**
Debt due within 1 year	**-**	**1,698**	**(2,146)**	**448**	**-**
	(81,065)	**1,698**	**(206)**	**1,524**	**(78,049)**
Finance leases	**(396)**	**332**	**(191)**	**44**	**(211)**
Net debt	**(63,122)**	**12,058**	**(397)**	**(2,817)**	**(54,278)**

Company	1 January 2012 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2012 £000
Cash in hand and at bank	10	695	-	(657)	48
Debt due after 1 year	(94,825)	-	13,141	619	(81,065)
Debt due within 1 year	(15,281)	(4,746)	(13,926)	38	(33,915)
	(110,106)	(4,746)	(785)	657	(114,980)
Net debt	(110,096)	(4,051)	(785)	-	(114,932)

	1 January 2013 £000	**Cash flow £000**	**Other non cash £000**	**Exchange movement £000**	**31 December 2013 £000**
Cash in hand and at bank	**48**	**4,322**	**-**	**(1,524)**	**2,846**
Debt due after 1 year	**(81,065)**	**-**	**1,940**	**1,076**	**(78,049)**
Debt due within 1 year	**(33,915)**	**18,941**	**(2,146)**	**448**	**(16,672)**
	(114,980)	**18,941**	**(206)**	**1,524**	**(94,721)**
Net debt	**(114,932)**	**23,263**	**(206)**	**-**	**(91,875)**

26 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 2013 the Group had £68,800,000 (2012: £65,600,000) of undrawn committed facilities none of which expire within twelve months.

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 2013. 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 (2012: £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 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.

	2013 £000	2012 £000
Interest bearing loans and borrowings	**78,160**	81,361
Less cash and cash equivalents	**(23,982)**	(18,339)
Net debt	**54,178**	63,022
Equity attributable to the equity holders of the parent	**182,904**	163,469
Gearing ratio	**29.6%**	38.6%

The reasons for the change in gearing over the previous year are discussed in the Strategic report on pages 1 to 21.

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign exchange risk

Details of the Group's financial instrument risk management objectives, strategies and policies are set out on pages 1 to 21 of the Strategic report. Further information on these risks is presented below and is included in other disclosures throughout these consolidated financial statements.

26 Financial instruments continued

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. These arise principally from the Group's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Available for sale financial assets	**1,378**	1,370	**1,368**	1,368
Receivables	**84,655**	79,970	**2,598**	4,635
Cash and cash equivalents	**23,982**	18,339	**2,846**	48
Interest rate swaps used for hedging:				
Assets	**547**	-	**547**	-
Forward exchange contracts used for hedging:				
Assets	**866**	790	**866**	790
	111,428	100,469	**8,225**	6,841

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 30% of Group revenue (2012: 35%). No customer accounted for more than 8% of Group revenue. In 2012 one customer, a multinational company in the Oil and Gas sector, accounted for 12% 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 30 to 60 days terms. At 31 December the value of trade debtors outstanding was:

	Group				Company			
	2013		2012		**2013**		2012	
	Gross £000	**Allowance £000**	Gross £000	Allowance £000	**Gross £000**	**Allowance £000**	Gross £000	Allowance £000
Not past due	**48,426**	**-**	45,221	-	**97**	**-**	130	-
Past due	**13,018**	**1,074**	17,428	899	**-**	**-**	-	-
	61,444	**1,074**	62,649	899	**97**	**-**	130	-

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

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Balance at 1 January 2012	**899**	1,432	-	-
Exchange differences	**(68)**	(8)	-	-
On acquisition of subsiduaries	**297**	-	-	-
Provided in the year	**494**	378	-	-
Recoveries	**(197)**	(123)	-	-
Write offs	**(351)**	(780)	-	-
	1,074	899	-	-

The Group considers that the trade receivables that have not been provided against and 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.

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 facilites in a single period. At 31 December 2013, the Group has available £68,800,000 of undrawn committed bank facilities (2012: £65,600,000).

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

31 December 2013

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	**77,949**	**(83,426)**	**(2,747)**	**(47,305)**	**(24,744)**	**(8,630)**
Finance lease liabilities	**211**	**(211)**	**(140)**	**(43)**	**(28)**	**-**
Trade and other payables	**98,639**	**(98,639)**	**(98,639)**	**-**	**-**	**-**
Derivative financial liabilities						
Interest rate swaps used for hedging*	**(94)**	**(1,723)**	**(577)**	**(323)**	**(808)**	**(15)**
Forward exchange contracts used for hedging						
Outflow	**13**	**(3,041)**	**(3,041)**	**-**	**-**	**-**
Inflow	**(866)**	**17,218**	**17,218**	**-**	**-**	**-**
	175,852	**(169,822)**	**(87,926)**	**(47,671)**	**(25,580)**	**(8,645)**

* 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 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)

26 Financial instruments continued

31 December 2013

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	**94,621**	**(100,098)**	**(19,419)**	**(47,305)**	**(24,744)**	**(8,630)**
Trade and other payables	**15,904**	**(15,904)**	**(15,904)**	**-**	**-**	**-**
Derivative financial liabilities						
Interest rate swaps used for hedging*	**(6)**	**(1,490)**	**(344)**	**(323)**	**(808)**	**(15)**
Forward exchange contracts used for hedging						
Outflow	**13**	**-**	**-**	**-**	**-**	**-**
Inflow	**(866)**	**17,218**	**17,218**	**-**	**-**	**-**
	109,666	**(100,274)**	**(18,449)**	**(47,628)**	**(25,552)**	**(8,645)**

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

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)

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. As explained in the Strategic report on page 18, 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 other comprehensive income.

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

	31 December 2013						31 December 2012					
	USD 000	**EUR 000**	**NOK 000**	**SGD 000**	**AUD 000**	**AKZ 000**	USD 000	EUR 000	NOK 000	SGD 000	AUD 000	AKZ 000
Trade receivables	**34,335**	**3,933**	**60,370**	**3,349**	**4,004**	**-**	36,735	3,104	63,924	3,472	3,843	-
Cash at bank and in hand	**20,682**	**1,304**	**2,243**	**1,390**	**4,398**	**601,740**	23,963	474	27,640	3,063	1,498	856
Unsecured bank loans	**(19,200)**	**-**	**(80,000)**	**-**	**-**	**-**	(28,600)	-	(80,000)	-	-	-
Secured bank loans	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-
Letters of credit	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-
Trade payables	**(9,210)**	**(2,648)**	**(17,569)**	**(1,273)**	**(2,766)**	**(285,040)**	(12,697)	(2,004)	(16,585)	(1,192)	(366)	(167,933)
Gross balance sheet exposure	**26,607**	**2,589**	**(34,956)**	**3,466**	**5,636**	**316,700**	19,401	1,574	(5,021)	5,343	4,975	(167,077)
Forecast sales	**11,598**	**2,866**	**41,369**	**-**	**4,570**	**-**	10,831	2,118	49,481	-	-	-
Forecast purchases	**(3,035)**	**(4,252)**	**(15,700)**	**(5)**	**(60)**	**-**	(840)	(1,430)	(22,202)	(22)	-	-
Gross exposure	**35,170**	**1,203**	**(9,287)**	**3,461**	**10,146**	**316,700**	29,392	2,262	22,258	5,321	4,975	(167,077)
Forward exchange contracts	**(27,100)**	**-**	**-**	**-**	**-**	**-**	(45,260)	-	-	-	-	-
Net exposure	**8,070**	**1,203**	**(9,287)**	**3,461**	**10,146**	**316,700**	(15,868)	2,262	22,258	5,321	4,975	(167,077)

At 31 December 2013 the Group's cash balances included £3,784,000 denominated in Angolan Kwanza and held in James Fisher Angola Limitada. A change in Angolan legislation effective from 1 July 2013 required in-country monetary transfers to be transacted in local currency. Exchange control regulations can potentially impact the transferability of cash balances in certain countries of operation.

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 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.

	2013		2012	
	Equity £000	**Profit or loss £000**	Equity £000	Profit or loss £000
US Dollar	**(158)**	**(42)**	(110)	(1,668)
Norwegian Kroner	**(325)**	**(280)**	(690)	(273)
Euro	**3,485**	**(3,183)**	2,765	(2,323)
UAE Dirham	**(277)**	**(157)**	(100)	(395)
Singapore Dollar	**(315)**	**(1,172)**	(425)	(1,039)
Australian Dollar	**233**	**(559)**	113	(559)
Malaysian Ringgit	**(40)**	**(124)**	(111)	(8)
	2,603	**(5,517)**	1,442	(6,265)

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	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Fixed rate instruments				
Financial liabilities	**(100)**	(100)	**(100)**	(100)
Variable rate instruments				
Financial assets	**23,982**	18,339	**2,846**	48
Financial liabilities	**(77,949)**	(80,965)	**(94,621)**	(114,880)
	(53,967)	(62,626)	**(91,775)**	(114,832)

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, 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 2013 a general increase of one percentage point would have had the following impact:

	2013		2012	
	Equity £000	**Profit or loss £000**	Equity £000	Profit or loss £000
Variable rate instruments	**-**	**(540)**	-	(626)
Interest rate swap	**-**	**398**	-	453
Cash flow sensitivity	**-**	**(142)**	-	(173)

Notes to the financial statements continued

26 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

	Note	2013 Carrying value £000	2013 Fair value £000	2012 Carrying value £000	2012 Fair value £000
Assets carried at fair value					
Forward exchange contracts - cash flow hedges		**866**	**866**	790	790
		866	**866**	790	790
Assets carried at amortised cost					
Receivables	19	**84,655**	**84,655**	79,970	79,970
Cash and cash equivalents		**23,982**	**23,982**	18,339	18,339
Other investments	16	**1,378**	**1,378**	1,370	1,370
		110,015	**110,015**	99,679	99,679
Liabilities carried at fair value					
Forward exchange contracts - cash flow hedges		**(13)**	**(13)**	-	-
Interest rate swaps - cash flow hedges		**(94)**	**(94)**	(1,686)	(1,686)
Contingent consideration		**(12,082)**	**(12,082)**	-	-
		(12,189)	**(12,189)**	(1,686)	(1,686)
Liabilities carried at amortised cost					
Unsecured bank loans	24	**(77,949)**	**(74,071)**	(80,965)	(81,053)
Trade and other payables	21	**(86,557)**	**(86,557)**	(72,711)	(72,711)
Finance leases	24	**(211)**	**(227)**	(396)	(397)
Preference shares	20	**(100)**	**(100)**	(100)	(100)
		(164,817)	**(160,955)**	(154,172)	(154,261)
Company					
Assets carried at fair value					
Forward exchange contracts - cash flow hedges		**866**	**866**	790	790
		866	**866**	790	790
Assets carried at amortised cost					
Receivables	19	**2,598**	**2,598**	4,635	4,635
Cash and cash equivalents		**2,846**	**2,846**	48	48
Other investments	16	**1,368**	**1,368**	1,368	1,368
		6,812	**6,812**	6,051	6,051
Liabilities carried at fair value					
Forward exchange contracts - cash flow hedges		**(13)**	**(13)**	-	-
Interest rate swaps - cash flow hedges		**(6)**	**(6)**	(1,427)	(1,427)
		(19)	**(19)**	(1,427)	(1,427)
Liabilities carried at amortised cost					
Overdrafts	24	**(16,672)**	**(16,672)**	(33,915)	(33,915)
Unsecured bank loans	24	**(77,949)**	**(74,071)**	(80,965)	(81,053)
Trade and other payables	21	**(15,904)**	**(15,904)**	(21,486)	(21,486)
Preference shares	20	**(100)**	**(100)**	(100)	(100)
		(110,625)	**(106,747)**	(136,466)	(136,554)

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	
	2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Financial assets measured at fair value								
Forward exchange contracts - cash flow hedges	**-**	-	**866**	790	**-**	-	**866**	790
	-	-	**866**	790	**-**	-	**866**	790
Financial liabilities measured at fair value								
Forward exchange contracts - cash flow hedges	**-**	-	**(13)**	-	**-**	-	**(13)**	-
Interest rate swaps - cash flow hedges	**-**	-	**(94)**	(1,686)	**-**	-	**(94)**	(1,686)
Interest rate caps and collars	**-**	-	**-**	-	**-**	-	**-**	-
Contingent consideration	**-**	-	**-**	-	**(12,082)**	-	**(12,082)**	-
Financial liabilities not measured at fair value								
Unsecured bank loans	**-**	-	**(74,071)**	(81,053)	**-**	-	**(74,071)**	(81,053)
Finance leases	**-**	-	**(227)**	(397)	**-**	-	**(227)**	(397)
	-	-	**(74,405)**	(83,136)	**(12,082)**	-	**(86,487)**	(83,136)
	-	-	**(73,539)**	(82,346)	**(12,082)**	-	**(85,621)**	(82,346)

Company	Level 1		Level 2		Level 3		Total	
	2013 £000	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000	**2013 £000**	2012 £000
Financial assets measured at fair value								
Forward exchange contracts - cash flow hedges	**-**	-	**866**	790	**-**	-	**866**	790
Interest rate swaps - cash flow hedges	**-**	-	**-**	-	**-**	-	**-**	-
	-	-	**866**	790	**-**	-	**866**	790
Financial liabilities measured at fair value								
Forward exchange contracts - cash flow hedges	**-**	-	**(13)**	-	**-**	-	**(13)**	-
Interest rate swaps - cash flow hedges	**-**	-	**(6)**	(1,427)	**-**	-	**(6)**	(1,427)
Financial liabilities not measured at fair value								
Unsecured bank loans	**-**	-	**(74,071)**	(81,053)	**-**	-	**(74,071)**	(81,053)
	-	-	**(74,090)**	(82,480)	**-**	-	**(74,090)**	(82,480)
	-	-	**(73,224)**	(81,690)	**-**	-	**(73,224)**	(81,690)

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.

Hedges - Group and Company

Fair value hedges

At 31 December 2013 and 31 December 2012 the Group did not have any outstanding fair value hedges.

Notes to the financial statements continued

26 Financial instruments continued

Cash flow hedges

At 31 December 2013 the Group and Company held forward currency contracts designated to hedge future commitments in US Dollars and Euro. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £000
Sell			
US$ 27,100,000	**January 2014 - August 2014**	**1.5367**	**866**
Buy			
Eur 3,637,040	**January 2014 - July 2014**	**1.1956**	**(9)**

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	(232)

The foreign exchange contracts have been negotiated to match the expected profile of receipts. At 31 December 2013 these hedges were assessed to be highly effective and an unrealised loss of £347,000 (2012: £2,325,000) 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 a loan secured against the new build property included in its balance sheet. On disposal of this business this 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				Fair value	
	2013 £000	2012 £000	Maturity	Fixed rate %	**2013 £000**	2012 £000
Sterling interest rate swaps	**41,500**	36,500	30 January 2014 to 30 January 2019	1.03% - 3.71%	**(6)**	(1,305)
	NOK000	NOK000				
NOK interest rate swaps	**80,000**	80,000	30 June 2014	3.86%	**(88)**	(259)

Derivative Financial Instruments not qualifying as hedges

At 31 December 2013 and 31 December 2012 the Group did not hold any derivative financial instruments which did not qualify for hedge accounting.

27 Commitments and contingencies

Operating leases

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

	Group		Company	
	2013 £000	2012 £000	**2013 £000**	2012 £000
Within one year	**15,877**	16,374	**56**	67
After one year but not more than five years	**24,392**	28,271	**133**	122
After five years	**12,256**	9,944	**27**	49
	52,525	54,589	**216**	238

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	
	2013 £000	2012 £000	**2013 £000**	2012 £000
	2,439	2,914	**-**	-

The amount in respect of 2013 includes £890,000 in respect of a new warehouse. There were no significant individual items in 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 and Customs under the arrangement.

(c) A guarantee has been issued by the Group and Company 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 2014 and 2016.

(d) Subsidiaries of the Group have issued performance and payment guarantees to third parties with a total value of £6,850,000 (2012: £3,017,000).

(e) The Trustees of the Merchant Navy Officers Pension Fund (MNOPF) have indicated that under the terms of the High Court ruling in 2005 which established the liability of past employers to fund the deficit on the Post 1978 section of the MNOPF, they may make calls for further contributions in the future if additional actuarial deficits arise or if other employers liable for contributions are not able to pay their share. The Group and Company remains jointly and severally liable for any future shortfall in recovery of the deficit.

(f) 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. Further details of this joint venture are given in note 15.

(g) In the normal course of business, the Company and certain subsidiaries have given parental and subsidiary guarantees in support of loan and banking arrangements.

(h) 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.

28 Related party transactions

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 2013 was £92,782,000 (2012: £158,715,000). Amounts owed to subsidiary undertakings by the company at 31 December 2013 totalled £11,077,000 (2012: £13,021,000).

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2012: £nil).

Foreland Shipping Limited

The Group provided payroll and management services to Foreland Shipping Limited, a wholly owned subsidiary of Foreland Holdings Limited. A fee is charged for the provision of this service which is included in Group revenue. The Group disposed of its 25% interest in Foreland Holdings on 19 August 2013.

Group

FCM businesses

As set out in Note 15 the Group has interests of between 30% 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 £1,733,000 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 £115,000 (2012: £118,000). Dividends received or receivable during the period included in the results of the Group are £688,000 (2012: £532,000).

In May 2012 a loan of £325,000 was advanced from James Fisher Angola Limitada to Bouclier Limitada a company controlled by the Group's joint venture partner. This loan which is unsecured and does not carry interest, represents an advance payment in respect of the borrower's future entitlement to dividends from James Fisher Angola Limitada. This amount remains outstanding at 31 December 2013.

Notes to the financial statements continued

28 Related party transactions continued

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	2013	354	-	-	-	-
	2012	485	-	-	35	-
FCM businesses	2013	-	4,159	1,192	474	2,273
	2012	-	1,979	1,086	568	3,005
First Response Marine	2013	2,676	-	5	660	5
	2012	2,375	-	29	662	6
DivexDomeyer	2013	-	397	-	171	-

No provision for bad debts has been made in respect of these balances (2012: £nil). No bad debts arose during the period relating to these transactions (2012: £nil).

The Group through its Divex Limited subsidiary has a 50% stake in DivexDomeyer, an entity which provides in service support and aftermarket services to customers in Germany. Details of equipment sales to this entity are set out in the table above.

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

The Company was 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.

29 Post balance sheet events

On 28 January 2014 the Group acquired the entire issued share capital of Subsea Vision Limited (Subsea), for cash consideration of £2,500,000. Subsea owns and operates remotely operated vehicles providing underwater surveys, inspections and construction support to the oil and gas industry including floating, production, storage and offtake vessels. Subsea will be included in the Group's marine support division reporting into Fendercare.

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.

Group financial record
For the five years ended 31 December

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Revenue					
Marine Support	**171,267**	157,387	117,252	98,750	88,175
Offshore Oil	**99,190**	83,359	71,211	58,540	48,159
Specialist Technical	**81,898**	60,768	52,356	39,202	42,137
Tankships	**61,312**	61,824	66,805	71,857	71,123
	413,667	363,338	307,624	268,349	249,594
Underlying operating profit					
Marine Support	**18,262**	19,341	18,380	17,515	15,819
Offshore Oil	**19,690**	17,131	12,783	11,023	12,589
Specialist Technical	**8,544**	5,473	6,902	6,226	4,747
Tankships	**3,200**	2,405	1,145	725	(1,815)
Common costs	**(3,059)**	(3,201)	(3,077)	(3,006)	(2,444)
	46,637	41,149	36,133	32,483	28,896
Net finance costs	**(5,289)**	(6,160)	(6,128)	(5,355)	(4,121)
Underlying profit before taxation	**41,348**	34,989	30,005	27,128	24,775
Separately disclosed items	**4,875**	11,388	(254)	(1,187)	(33)
Profit before taxation	**46,223**	46,377	29,751	25,941	24,742
Taxation (including tonnage tax)	**(7,475)**	(6,312)	(5,634)	(6,109)	(6,318)
Profit after taxation	**38,748**	40,065	24,117	19,832	18,424
Intangible assets	**113,658**	92,633	93,188	89,274	73,438
Property, plant and equipment	**108,202**	103,484	103,898	104,683	111,086
Investment in associates and joint ventures	**10,845**	13,761	13,904	13,063	10,348
Working capital	**32,749**	49,059	52,824	46,265	38,567
Pension obligations	**(23,141)**	(27,061)	(30,133)	(29,786)	(22,361)
Taxation	**(4,228)**	(4,838)	(3,209)	(5,405)	(5,853)
Assets classified as held for sale	**-**	-	-	-	1,375
Total capital employed	**238,085**	227,038	230,472	218,094	206,600
Net borrowings	**54,278**	63,122	98,793	100,329	99,522
Equity	**183,807**	163,916	131,679	117,765	107,078
	238,085	227,038	230,472	218,094	206,600

	pence	pence	pence	pence	pence
Earnings per share					
Basic	**76.6**	79.1	48.4	39.9	37.1
Diluted	**75.7**	78.5	48.0	39.7	37.0
Underlying basic	**66.3**	55.6	48.8	42.2	37.1
Underlying diluted	**65.6**	55.1	48.4	41.9	37.0
Dividends declared per share	**20.0**	17.7	16.1	14.7	13.5
Key performance indicators					
Operating margin (%)	**11.3%**	11.3%	11.7%	12.1%	11.6%
Return on capital employed (post tax) (%)	**16.9%**	15.3%	13.0%	11.8%	11.5%
Net Gearing (%)	**29.6%**	38.6%	74.9%	85.1%	92.9%
Dividend cover (underlying earnings) (times)	**3.3**	3.1	3.0	2.7	2.7

Separately disclosed items comprise acquisition expenses, amortisation of acquired intangibles , impairment provisions and profits and losses on the disposal of businesses.

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 and Warehousing*	UK
Divex Limited	Marine Services*	UK
Divex Asia Pacific Pty Ltd (Incorporated in Australia)	Marine Services*	Australia
Fender Care Australia Pty Ltd (Incorporated in Australia)	Marine Services*	Australia
Fender Care Limited	Marine Services*	UK
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 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
Osiris Marine Services Limited	Marine Services*	UK
RMSpumptools Limited	Engineering*	UK
Scantech Offshore UK Limited	Marine Services*	UK
Scantech Offshore Limited	Marine Services	UK
Scantech AS (Incorporated in Norway)	Marine Services*	Norway
Scotload Ltd	Marine Services*	UK
Strainstall Malaysia SDN BHD (Incorporated in Malaysia)	Engineering*	Malaysia
Strainstall Singapore Pte Ltd (Incorporated in Singapore)	Engineering*	Singapore

Joint ventures and associated undertakings

Name of company	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
James Fisher Angola (49%)	Marine Services**	Angola
Strainstall Middle East LLC (49%)	Engineering*	Dubai and Abu Dhabi

*held by a subsidiary undertaking
**consolidated as subsidiary undertakings

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 1 May 2014 at 12 noon to consider and, if thought fit, to pass Resolutions 1 to 13 inclusive as ordinary resolutions and Resolutions 14 to 16 inclusive as special resolutions.

Ordinary Business

Resolution 1

To receive the Annual Accounts and the Reports of the Directors and the auditor thereon for the year ended 31 December 2013.

Resolution 2

To approve the Remuneration Policy Report (contained in the Directors' Remuneration report for the year ended 31 December 2013).

Resolution 3

To approve the Directors' Remuneration report (other than the part containing the Remuneration Policy Report) for the year ended 31 December 2013.

Resolution 4

To declare a final dividend for the year ended 31 December 2013 of 13.54p per ordinary share.

Resolution 5

To re-elect Mr C J Rice as a Director of the Company.

Resolution 6

To re-elect Mr N P Henry as a Director of the Company.

Resolution 7

To re-elect Mr S C Kilpatrick as a Director of the Company.

Resolution 8

To re-elect Mr M S Paul as a Director of the Company.

Resolution 9

To elect Mr D G Moorhouse as a Director of the Company.

Resolution 10

To elect Mr M J L Salter as a Director of the Company.

Resolution 11

To appoint KPMG LLP as auditor of the Company to hold office until the conclusion of the next AGM of the Company.

Resolution 12

To authorise the Directors to determine the auditor's remuneration.

Special Business

Resolution 13

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 £4,174,918 provided that this authority shall expire on the date of the next AGM of the Company or, if earlier, on 30 June 2015, 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 14

Special Resolution

That subject to the passing of Resolution 13, 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 13 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

Notice of Annual General Meeting continued

(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 £626,238;

and shall expire upon the expiry of the general authority conferred by Resolution 13 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 15

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 2,504,951 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 30 June 2015 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 16

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

3 March 2014

Registered office:
Fisher House, PO Box 4, Barrow-in-Furness,
Cumbria, LA14 1HR
Registered in England number: 211475

Notes

1. Any member who has not elected to receive the Annual Report and Accounts for 2013 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 notarially), should be returned to Capita Asset Services, 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 29 April 2014. 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 and 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 Director's 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.

Notice of Annual General Meeting continued

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 29 April 2014 (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 3 March 2014 (being the latest practical date before the publication of this Notice), the Company's issued share capital consists of 50,099,015 ordinary shares, carrying one vote each, and 100,000 preference shares carrying one vote each. Therefore the total voting rights in the Company are 50,199,015. 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 1 – Annual Report

The Companies Act 2006 requires the Directors of a public company to lay its Annual Report before the Company in general meeting, giving shareholders the opportunity to ask questions on the contents. The Annual Report comprises the accounts, the auditor's report, the Directors' report, the Directors' Remuneration report and, for the first time, the Strategic report. The Company proposes, as an ordinary resolution, a resolution on its Annual Report in accordance with the UK Corporate Governance Code.

Resolution 2 – Approval of the Directors' Remuneration Policy

For the first time and in accordance with the Companies Act 2006, the Company proposes an ordinary resolution to approve the Directors' Remuneration Policy contained in the Directors' Remuneration report. The proposed policy is set out on pages 31 to 34 of the Annual Report. The vote on Resolution 2 is a binding vote and, if passed, will mean that the Directors' can only make remuneration payments in accordance with the approved policy. The Company is required to ensure that a vote on its Remuneration Policy takes place annually unless the approved policy remains unchanged, in which case the Company will propose a similar resolution at least every three years.

Resolution 3 – Approval of the Directors' Remuneration Report

In accordance with the Companies Act 2006, the Company proposes an ordinary resolution to approve the Directors' Remuneration report for the financial year ended 31 December 2013. The Directors' Remuneration report is set out on pages 30 to 41 of the Annual Report and, for the purposes of this resolution, does not include the parts of the Directors' Remuneration report containing the Directors' Remuneration Policy which is set out on pages 31 to 34. The vote on this resolution is advisory only and the Directors' entitlement to remuneration is not conditional on its being passed.

Resolution 4 – Declaration of final dividend

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 13.54p per ordinary share in respect of the financial year ended 31 December 2013. If the meeting approves Resolution 4, the final dividend will be paid on 9 May 2014 to ordinary shareholders who are on the register at the close of business on 11 April 2014. It is proposed to pay the dividend.

Resolutions 5 to 10 – Re-election and election of Directors

The Company's Articles of Association require that one third of the Directors will retire each year and that each Director must stand for re-election at least every three years. However the UK Corporate Governance Code provides that all Directors of FTSE 350 companies should be subject to re-election by their shareholders every year.

In accordance with this provision of the UK Corporate Governance Code, the Board has decided that all Directors shall retire at the AGM and offer themselves for re-election. David Moorhouse and Michael Salter who each joined the Company on 1 August 2013 as Non-Executive Directors will be proposed for election for the first time at this year's AGM. Following performance reviews the Chairman and the Board believe that each of the Directors standing for re-election or election continue to perform effectively and with commitment to their role including commitment of time for Board and Committee meetings and other duties. The Board also considers that each of the Non-Executive Directors is independent in character and judgement. Each of Resolutions 5 to 10 shall be proposed as ordinary resolutions. Biographical details of each of our Directors appear on page 22 of the Annual Report.

Resolutions 11 and 12 – Appointment of auditor/auditor's remuneration

These resolutions propose the appointment of the Company's auditor and authorise the Directors to agree the auditor's remuneration.

The Company is required to appoint an auditor at each general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting. KPMG Audit Plc has notified the Company that it is instigating a wind down of its business. It is proposed that KPMG LLP be appointed as auditor of the Company to hold office from the conclusion of the AGM until the conclusion of the next general meeting at which accounts are laid before the Company, and that the auditor's remuneration be fixed by the Directors.

In connection with the resignation of KPMG Audit Plc, the Company is required as a matter of law to send you a copy of the statement of circumstances connected with the resignation of the Company's auditor. This statement is delivered to shareholders with the Annual Report.

Special Business Explanatory Notes

Resolution 13 – Authority to allot shares

Authority is given 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 £4,174,918 (16,699,672 ordinary shares) representing approximately 33% of the nominal value of the Company's total issued ordinary share capital as at 3 March 2014 being the latest practical date before publication of this Notice. The authority will expire at the conclusion of the AGM to be held in 2015, or, if earlier, on 30 June 2015 and replaces an authority granted on 2 May 2013 which expires at the conclusion of the forthcoming AGM.

The Directors have no present intention to exercise this authority.

At 3 March 2014 the Company does not hold any treasury shares.

Resolution 14 - Permission to allot a limited number of shares other than to existing shareholders

This resolution 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 £626,838 (representing 2,504,951 ordinary shares) which represents approximately 5% of the Company's issued equity share capital as at 3 March 2014, 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 30 June 2015, whichever is the earlier and replaces the authority granted on 2 May 2013 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 issues 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 15 – Authority to purchase own shares

This special resolution, gives the Company authority to purchase in the market up to 2,504,951 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 2015, or on 30 June 2015, whichever is earlier, and replaces a similar authority granted on 2 May 2013 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. As at 3 March 2014, being the latest practical date before publication of this Notice, there were options over ordinary shares in the capital of the Company representing 2.75% 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 2.89% 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 16 – Authority to hold general meetings (other than annual AGMs) on 14 clear days' notice

This special resolution renews an authority given at last year's AGM and is required as a result of section 307A of the 2006 Act coming into force. 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 16, 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.

Recommendation

The Directors consider that the proposed resolutions set out in the Notice of AGM are in the best interests of the Company and to its shareholders as a whole and they unanimously recommend that you vote in favour of them, as the Directors intend to do in respect of their own holdings of shares in the Company.

Investor information

Registered Office and Advisers

Company Secretary and registered office

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Stockbrokers

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N+1 Singer
Earl Grey House
75-85 Grey Street
NE1 6EF

Financial Calendar

9 April 2014
Ex dividend date for 2013 final dividend

11 April 2014
Record date

1 May 2014
Annual General Meeting

9 May 2014
Payment of 2013 final dividend

August 2014
Announcement of 2014 interim results

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Our ref db/hm

18 March 2014

Dear Sirs

Statement to James Fisher & Sons Plc (no. 00211475) on ceasing to hold office as auditors pursuant to section 519 of the Companies Act 2006

The circumstances connected with our ceasing to hold office are that our company, KPMG Audit Plc, has instigated an orderly wind down of business. KPMG LLP, an intermediate parent, will immediately be seeking appointment as statutory auditor.

We request that any correspondence in relation to this statement be sent to our registered office 15 Canada Square, London, E14 5GL marked for the attention of the Audit Regulation Department.

Yours faithfully,

KPMG Audit Plc

KPMG Audit Plc