

James Fisher and Sons plc

Annual Report 2011

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Overview

We are a leading service provider in all sectors of the marine industry and a specialist supplier of engineering services to the nuclear industry in the UK and abroad.

Strategy

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

Our global presence

**Visit our website
www.james-fisher.co.uk**

Highlights of the year

- Strong organic growth key profit driver
- Strong cash conversion 105%
- Gearing reduced to 75% from 85% in 2010
- Marine Services revenue increased by 23%
- Major contract wins – submarines (URF), oil and gas (Angola), renewables (Walney)

Overview

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Revenue

£307.6m
+15%

Underlying diluted earnings per share*

48.4p
+16%

Statutory profit before tax

£29.8m
+15%

Underlying profit before tax*

£30.0m
+11%

Final dividend per share

10.74p
+11%

Statutory diluted earnings per share

48.0p
+21%

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* Underlying profit throughout this report excludes costs incurred in making acquisitions and the amortisation of acquired intangibles

Operations overview

We are constantly developing the scope of our services to provide the highest quality across the marine sector and in high integrity environments.

Specialist Technical

World leader in fendering, marine equipment and load monitoring services

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

Revenue

£141.5m

2010: £116.6m

Underlying profit

£19.8m

2010: £18.5m

Margin

14.0%

2010: 15.8%

Return on capital

20.3%

2010: 20.4%

Highlights of the year

- Contract in the offshore renewable sector to fit messenger cables to 51 wind turbines in the Irish Sea,
- Contract for radiological detection for the Olympic Delivery Authority,
- New support base at Lyness in the Orkney Islands and at Great Yarmouth established to support the wave and tidal industry,
- Tension monitoring system supplied to oil platform off the coast of Brazil

Offshore Oil

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

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

Revenue

£71.2m

2010: £58.5m

Underlying profit

£12.8m

2010: £11.0m

Margin

18.0%

2010: 18.8%

Return on capital

11.5%

2010: 13.1%

Highlights of the year

- Weak link oil rig safety devices supplied to Norwegian North Sea oil rigs,
- Further investment in offshore well testing equipment,
- Market for electronic submersible pumps developed further into Far East and South America,
- ScanTech Offshore established in South America, Australia and West Africa

Defence

Providing services to 16 Navies around the world

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

Revenue

£28.1m

2010: £21.3m

Underlying profit

£5.5m

2010: £5.3m

Margin

19.6%

2010: 24.9%

Return on capital

23.2%

2010: 23.8%

Highlights of the year

- Contract worth £11 million to carry out a full refit of the Swedish Navy's rescue submersible,
- Successful completion of exercise Black Carillon 2011 supporting the Royal Australian Navy,
- Launch of the Swimmer Delivery Vehicle at DSEI (Defence and Security Equipment International) exhibition in September 2011

Marine Oil

Coastal delivery of clean petroleum product in North Western Europe

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

Revenue

£66.8m

2010: £71.9m

Underlying profit

£1.1m

2010: £0.7m

Margin

1.7%

2010: 1.0%

Return on capital

2.5%

2010: 1.5%

Highlights of the year

- Increased profitability in tough shipping market,
- Further scaled fleet by three vessels to meet demand,
- Higher returns at Plymouth port

Chairman's statement

Since 2002 the Company has been transformed from a traditional coastal shipping company into the UK's leading marine service business.

Tim Harris, Chairman

“James Fisher made excellent progress in 2011, with double-digit growth rates in both revenue and profit.”

Introduction

James Fisher and Sons plc has had another excellent year in 2011 with the main financial measures improved by between 11% and 16%

Cash conversion was also strong at 105% and net gearing was reduced to 75% at 31 December 2011 from 85% at the previous year end. This was despite an investment of £17.6 million in new equipment to generate further organic growth.

Strategy

Over the last five years James Fisher has pursued a consistent marine service strategy focused on the world's growing regions rather than on the more mature markets of Europe and North America. These marine service skills consist of specialist engineering and operational capabilities which characteristically command net margins in excess of 10% and returns on capital employed of at least 15% pre tax and are cash generative. In 2011 over 60% of the Group's revenue is derived from outside the UK compared to 35% five years ago.

The advantages of our strategy are as follows:

- The growing marine service markets on which we are focused are vast, fast growing and with less mature competition. This is particularly true in the Asia Pacific region.
- We do relatively little business in North America and Continental Europe and have therefore been more sheltered from their economic problems.
- The growing proportion of non UK operations has helped reduce our effective tax rate, now less than 20%, although recent UK tax reductions have also helped.

The Group also benefits from a strong divisional executive team, most of which has been in place for five years. Its entrepreneurial skill, together with the capital and commercial support from the centre, has helped drive strong organic growth. Increasingly Group companies are working together to win larger contracts, mainly overseas, which is an important strategic focus for our management team going forward.

	2011	2010	change
Group revenue	£307.6m	£268.3m	+ 15%
Underlying operating profit	£36.1m	£32.5m	+ 11%
Underlying profit before tax	£30.0m	£27.1m	+ 11%
Underlying diluted earnings per share	48.4p	41.9p	+ 16%
Proposed final dividend	10.74p	9.68p	+ 11%
Statutory profit before tax	£29.8m	£25.9m	+ 15%
Statutory diluted earnings per share	48.0p	39.7p	+ 21%

Underlying diluted earnings per share (p)

11	48.4
10	41.9
09	37.0
08	35.4
07	32.6

Specialist Technical **2011 underlying profit £19.8 million** **(2010: £18.5 million)**

Specialist Technical enjoyed a strong second half with profits up 22%, due to robust organic growth. Annual profit growth was good, up 7%, particularly pleasing considering the strong comparator in the first half of 2010 which experienced an exceptionally strong oil contango market, benefiting our ship to ship oil transfer business. Divisional margins at 14.0% were slightly down on 2010 (15.8%), but this reflected a greater use of chartered-in vessels for specific projects rather than any underlying margin erosion. A good example is the recent BP Angola contract, the award of which we announced in February 2012. We shall be managing the oil offtake operations from an FPSO (floating production, storage and offloading) unit with three chartered tugs, as well as providing a number of related diving and maintenance services. This contract also illustrates how the Group divisions are increasingly working together to win larger contracts. Among the decisive elements in our offer were:

- BP's long relationship with James Fisher and Fendercare,
- The Group's established base in Angola, originally developed for Scan Tech Offshore, and
- James Fisher's long history and experience in operating coastal tankers through James Fisher Everard.

James Fisher Nuclear (JFN) is also included in this division and produced a significantly better result in 2011 with the potential for more improvement to come. JFN is beginning to benefit from the investments made in prior years and from an increasing recognition of its core capabilities of non-destructive testing and remote handling in the complex contracting environment prevalent in the nuclear industry. JFN also worked closely during the year with James Fisher Defence (JFD) and Scan Tech in Norway, primarily using its remote handling skills.

The prospects for further organic growth in this division remain excellent and we shall continue to support it with suitable capital investment.

Case study **Renewable energy services**

To support wind, wave and tidal energy developers we have established a base at Lyness, Orkney Islands and at Great Yarmouth, UK to help improve the processes of build, installation and test as well as ongoing maintenance. In August 2011, James Fisher completed a project off Walney Island, Cumbria, to provide a vessel and diving support services to a wind turbine contractor.

Offshore Oil **2011 underlying profit £12.8 million** **(2010: £11.0 million)**

Divisional revenue for the full year grew by 22% compared with 2010 and divisional profit by 16%. There was a slight reduction in margin reflecting a growing proportion of the business coming from services, as opposed to straight rental which enjoys higher margins owing to its greater use of capital. This strong performance was the result of two positive features – strong organic growth in the new oil provinces of the world and the continued recovery of North Sea markets, supported by the capital investment we have made, and continue to make.

The division's growth into new markets is primarily being led by our Scan Tech Offshore and RMSpumptools brands. Scan Tech Offshore is now an established supplier to the offshore industry in South America, Australia and West Africa and during 2011 RMSpumptools, which sells worldwide, set up an assembly base in Singapore to support its Asian coverage.

The positive trends which helped the 2011 result, appear set to continue, supported by the world's proven demand for oil. Our specialist brands are increasingly winning business and gaining recognition worldwide and we shall continue to support them with further investment.

Chairman's statement continued

Defence 2011 underlying profit £5.5 million (2010: £5.3 million)

While divisional revenue in 2011 grew by over 30% to £28.1 million, the divisional profit remained flat at £5.5 million mainly because of extra expenditure on Subsea business development and sales. James Fisher won a number of significant projects during the year including the modernisation contract for "URF", the Swedish Navy's submarine rescue vehicle – which was announced in May and is now well underway – and the continued development of our "swimmer delivery" vehicle which is well advanced. We revealed the prototype in September at the DSEI (Defence and Security Equipment International) exhibition in London and it attracted much international attention. Our existing submarine rescue contracts in Singapore, Australia and the UK performed well and met their operational and financial targets in 2011.

Developments on the surface ship side were less encouraging in 2011. The Government so far has favoured other priorities to surface ship outsourcing. At Foreland Shipping Limited, we commented at the half year on the uncertainty over the charter rate at which two of its roll on-roll off vessels would be fixed. The vessels were chartered in January 2012 and current market rates are lower than the previous charter. Our share of Foreland's result is likely to reduce by around £1.5 million per year as a consequence.

We have great confidence in the prospects for our Subsea operations which have a growing international reputation and outreach and into which we are investing to ensure they meet their potential. We are less positive about the prospects for surface ship outsourcing. We have the skills needed and will participate if there is a realistic prospect of success.

Marine Oil 2011 underlying profit £1.1 million (2010: £0.7 million)

Marine Oil is the division most exposed to the UK and Europe's current economic problems and this is reflected in the results which were only slightly better than in 2010. There is still overcapacity and a weak spot market in Europe. However, James Fisher Everard, unlike most of world shipping today, is profitable and cash generative although clearly the overall return is still unacceptable. Our policy is to match fleet capacity to our long term customers' contractual requirements which have been declining, particularly to Ireland. To this end, we have sold m.v. Audacity (3,000 tonnes) and negotiated early cessation of the charters for m.v. Pembroke Fisher (15,000 tonnes) and m.v. Chartsman (6,000 tonnes). We now only have 16% of the Group's assets in this business and our target is to reduce this to less than 10%. However, it remains relevant that Tankships is the origin of our marine service skills and is a strong proof point of marine competence, as the BP Angola contract win demonstrated.

Case study Papa Terra, South America

Strainstall Marine and RMSpumptools have secured contracts to supply key technology for a Tension Leg Platform oil field development off the coast of Brazil. Strainstall Marine supplied a Tendon Tension Monitoring System (TTMS) which is safety critical technology with each load cell designed to bear 1,200 tonnes. RMSpumptools is supplying high power reliability penetrators, using its expertise in electrical submersible pumps.

Board and staff

Anthony Cooke retired from the Board and his role as senior non-executive director and chairman of the audit committee on 31 December 2011 after ten years' service. He has been replaced as senior non-executive director by Charles Rice and as chairman of the audit committee by Malcolm Paul. I would like to thank Anthony for his good advice during a very successful period for James Fisher and for the Board.

Simon Hams resigned from the Board and from his role as chairman of James Fisher Defence (JFD) on 13 February 2012 after eight years on the Board. I would like to recognise and thank Simon for his role in building up the JFD team into the world leading organisation it is today.

The Group is growing fast and this throws up challenges and opportunities for many throughout the Group every day. It is gratifying to see us increasing our employment of young people, particularly young graduates when the background economic climate is so uncertain. I would like to recognise and thank all staff for their contribution to the Group's success. In a service company like James Fisher people will always be the key asset which makes the difference.

Financial

The Group continues to receive strong support from its bankers and has been able to renew facilities and obtain new ones on competitive terms. In November it agreed a new facility with DBS Bank of Singapore, reflecting our strong focus on the Asia Pacific region.

The current low interest rate environment is detrimental to the calculation of pension fund deficits because of the low discount rates used to calculate future obligations. During 2011 this effectively meant that, despite £4.5 million of cash contribution during the year, the reported deficits at the year end effectively remained unchanged.

As an export orientated company James Fisher benefits from a strong Dollar. Balance sheet US Dollar exposure is hedged.

Case study

Swimmer Delivery Vehicle

James Fisher Defence is developing a range of specialised underwater vehicles. These vehicles utilise proven technology from our submersible rescue vehicles, in order to provide a cutting edge capability with minimum development risk.

Summary and outlook

Over the last five years James Fisher has pursued a consistent marine service strategy focused on the world's growing regions rather than on the more mature markets of Europe and North America. As a result the Company's growth record has been strong, with organic growth the key component, and we have avoided much of the downside from the economic challenges witnessed since 2008. We have stable and experienced senior and divisional management teams which have been responsible for the successful execution of this strategy.

Our largest divisions, Specialist Technical and Offshore Oil, have strong growth records and will continue to be the prime focus for future investment in new equipment and bolt-on acquisitions.

JFD's Subsea activities are promising and we are investing in more business development expenditure to increase sales and penetration worldwide. They have the potential to become a significantly larger business. The prospects for management of surface ships is less promising, partly due to the protracted and costly bidding process involved. We have indicated a deterioration in Foreland's profit of around £1.5 million in 2012 but would expect to compensate for it elsewhere. The prospects for James Fisher Everard, our tankship business, remain unchanged and dependent, to a large degree, on the state of the UK and European economies. It will improve when the current tonnage overcapacity unwinds but overall this division is of decreasing importance to the Group performance.

Trading for 2012 to date has been to management expectations and we continue to be well placed to provide further growth and value for our shareholders.

Tim Harris
5 March 2012

Review of operations

Marine Services businesses increase revenue by 23%.

Group results

The 15% increase in Group revenue comprised a 23% increase from the Marine Services businesses (Specialist Technical, Offshore Oil and Defence) and a 7% decline at Manne Oil, which operated fewer vessels in 2011. The Group's operating margin declined slightly from 12.1% in 2010 to 11.7%. Each division increased profitability on the previous year but as described in the Interim Report, the Marine Services division is beginning to supply significantly larger contracts which have a higher proportion of sub-contract content. Operating margins within Marine Services reduced from 17.2% to 15.8% in the year but profitability increased by 10%.

	2011	2010	
Revenue (£m)	307.6	268.3	+15%
– Marine Services	240.8	196.4	+23%
– Manne Oil	66.8	71.9	(7)%
Underlying operating profit (£m)	36.1	32.5	+11%
– Marine Services	38.1	34.8	+10%
– Manne Oil	1.1	0.7	+57%
– common costs	(3.1)	(3.0)	+3%
Underlying operating margin (%)	11.7	12.1	
– Marine Services	15.8	17.7	
– Manne Oil	1.6	1.0	

The proportion of the Group's revenue that was derived from outside the UK increased to over 60% in the year and non-UK revenue grew by 20% in the year.

Underlying profit before tax, which excludes costs incurred making acquisitions and the amortisation of acquired intangible assets, increased by 11% to £30.0 million (2010: £27.1 million). Statutory profit before tonnage and income tax was 15% higher at £29.8 million (2010: £25.9 million). Underlying diluted earnings per share increased by 16% to 48.4p per share (2010: 41.9p). Statutory diluted earnings per share was 48.0p, (2010: 39.7p) representing an increase of 21%.

over previous year. The total profit for the year attributable to ordinary shareholders after taxation was £24.1 million (2010: £19.8 million).

	2011	2010	
Underlying profit before tax (£m)	30.0	27.1	+11%
Statutory profit before tax (£m)	29.8	25.9	+15%
Underlying diluted earnings per share (p)	48.4	41.9	+16%
Statutory diluted earnings per share (p)	48.0	39.7	+21%
Dividends per share (p)	16.08	14.72	+9%

In 2011, the Group amended its accounting for defined benefit pension schemes such that the unwinding of the discount on pension liabilities and the return on scheme assets is now shown within finance costs on the income statement rather than within administrative expenses. There is no net impact on reported profit before taxation but comparatives for finance costs and administrative expenses have been restated accordingly.

Interest

Net finance costs increased by £0.7 million in the year to £6.1 million (2010: £5.4 million). Net pension costs were unchanged at £1.4 million. Interest on bank loans increased by £0.4 million as facilities in place prior to 2009 expired and new facilities carry higher margins. The remainder of the increase relates to interest capitalised in 2010 in relation to the Group's Norway property.

Acquisitions

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

On 8 November 2011 the Company acquired 49% of the issued share capital of James Fisher Angola Ltda for a consideration of £54,000. James Fisher Angola meets the criteria for recognition as a subsidiary.

Case study

Submarine rescue project for Swedish Navy (URF)

James Fisher Defence (JFD) is undertaking a comprehensive modernisation of the Swedish Navy's Submarine Rescue Vehicle, known locally as URF, a contract worth around £11 million. JFD is conducting a full refit of the existing vehicle, which includes the design, build and integration of a series of new systems, which will make URF safer and extend its life for a further 12 years.

Group revenue (£m)		Dividends (p)	
11	307.6	11	16.08
10	268.3	10	14.72
09	249.6	09	13.45
08	233.6	08	11.88
07	182.0	07	10.43

on the basis of a shareholder agreement which enables the Group to exercise control over the economic benefits arising from the activities of the company. James Fisher Angola is engaged in the provision of specialist services to the oil production industry in Angola.

Taxation

The effective tax rate on underlying profit before tax was 19.0% (2010 22.7%). After the impact of intangible amortisation, acquisition costs and grossing up for tax incurred by joint ventures and associates, the overall reported tax rate was 19.1% (2010 23.2%).

The rate is lower than standard UK rate of 26.5% mainly due to the proportion of Group profit that is derived from overseas countries which have lower tax rates than the UK. In addition, the Marine Oil division falls under the UK Tonnage Tax regime and does not incur corporation tax.

Dividends

The Board are recommending an 11% increase to the final dividend for the year at 10.74p per share (2010 9.68p), which makes a total for the year of 16.08p per share (2010 14.72p). This represents an increase of 9% on 2010. The final dividend will be paid on 11 May 2012 to shareholders on the register on 13 April 2012. Dividend cover was 3.0 times (2010 2.7 times). Approximately 25% of the Ordinary shares are owned by the Sir John Fisher Foundation and certain associated trusts. The Sir John Fisher Foundation is a charitable grant giving foundation that distributes its income to a variety of charitable causes, including, and with a special emphasis on, causes based in, and benefiting the people of, Barrow and the South Lakes.

Cash flow and borrowings

The Group is focused on achieving a balance between investing for future growth either organically or from investment in new businesses and maximising its cash generation. Net borrowings increased by £1.5 million in the year as £27.1 million was generated from operating activities which was utilised on investing activities (£11.1 million), interest paid (£4.8 million) and dividends to shareholders (£7.5 million). At 31 December 2011, the ratio of net borrowings (including guarantees) earnings before interest, tax, depreciation and amortisation (EBITDA) was 2.1 times (2010 2.5 times).

Case study

Weak Link safety system

The GMC Weak Link system is designed to meet the challenge of operating floating drilling rigs safely during completion, well testing, intervention and work over riser operations. Year round operations in harsh weather conditions increase the need for safety systems like the Weak Link, specifically designed to avoid damage to derrick or oil rig travelling assembly equipment due to drilling string failure or misuse.

Net gearing, the ratio of net debt to equity was 75% (2010 85%).

The majority of James Fisher's borrowing is with a small group of relationship banks that provide bilateral facilities on an unsecured basis over a 3-5 year term. During the year the Group agreed a £20 million 42 month revolving credit facility with DBS Bank of Singapore and renewed a £20 million 49 month facility with Yorkshire Bank.

At 31 December 2011, the Group had £38.6 million (2010 £33.1 million) of undrawn facilities of which £32.3 million (2010 £26.1 million) 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 two defined benefit pension schemes and as a result of its long history in shipping is required to contribute to the Merchant Navy Officers Pension Fund (MNOFF).

The defined benefit schemes comprise the Shore Staff Scheme which closed to further accrual on 31 December 2011 and a small scheme in Norway in relation to GMC Produkt AS. The deficit at 31 December 2011 was £10.8 million (2010 £9.1 million) on the pension schemes and £19.2 million (2010 £20.7 million) in respect of the MNOFF. The Group's annual instalment on pension schemes in 2011 is expected to be £4.8 million (2010 £4.2 million).

Further details are given in note 24 to these accounts.

Risk management framework and review

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 and Three Year Plan. The day to day management of risk is delegated to the executive directors and the management team, who have specific responsibility for ensuring compliance with and implementing policies at corporate, divisional and business unit level. There are strict delegation of authority limits that have been communicated throughout the businesses and are well understood by the management team and business leaders.

Review of operations continued

Principal features of the Group's risk management system

The Group's risk management arrangements and processes are integrated with the management of the businesses and comprise the following elements

- Review at Board level (as a formal agenda item each year plus on an ad hoc basis),
- Review quarterly risk management committee meetings,
- Review of business risk maps at quarterly business reviews,
- Insurance and risk transference strategy,
- Risk mapping and assessment exercises, with a Group risk register identifying risk mitigation actions,
- Business continuity planning,
- Review of litigation by the Board,
- Internal audit programme, and
- Role of audit committee in monitoring financial controls and the reporting of performance

A key aspect of our risk management system is the Company's system of internal control and the processes that have been put in place to manage the associated financial, operational and compliance risks and keep them under review. An important part of the internal control framework is the internal audit service and the role of the audit committee. The internal audit programme involves a series of planned and surprise audits during the year. These have a strong emphasis on financial controls but often include other aspects of business risks and controls. The report of the audit committee, including a description of its role, and the statement on internal control are set out in the corporate governance report on pages 17 to 21.

Principal risks and uncertainties

A list of the principal risks to the business that were discussed by the Board during the year is shown on page 11.

Treasury policies and objectives

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

- Credit risk,
- Liquidity risk, and
- Market risk.

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

Key performance indicators

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

"The Board are recommending a final dividend for the year of 10.74p per share, making a total for the year of 16.08p per share."

Stuart Kilpatrick, Group Finance Director

Operating margin / operating profit

Operating profit is the profit before interest and taxation derived from the normal operations of the business. The Group focuses on underlying operating profit which is defined as profit from operations before costs incurred to acquire businesses and the amortisation of acquired intangibles. Operating margin is the ratio of underlying operating profit to revenue. The Group's underlying operating profit was £36.1 million (2010: £32.5 million) in the year ended 31 December 2011. The Group's operating margin was 11.7% compared to 12.1% in 2010.

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 13.0% (2010: 11.8%) at 31 December 2011.

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 105% in 2011 (2010: 110%).

Debtor days

Debtor days is defined as average trade payables divided by revenue multiplied to the number of days to which the revenue relates. Group debtor days were unchanged at 58 days at 31 December 2011.

Gearing

Gearing is defined as the ratio of net borrowings to net assets. The gearing for the Group at 31 December 2011 was 75% (2010: 85%).

Health and Safety

The Group places significant emphasis on health and safety across its entire operations. Given the naturally hazardous environment in which they conduct their businesses, particular attention is paid to the Marine Oil and Offshore Oil divisions. In 2011 the number of injuries amongst seafarers in the Marine Oil division, which injuries resulted in an individual not being able to continue with their duties for a period of time, expressed as the number of such injuries per 1 million man hours, comprised 0.00 (2010: 0.00).

Employee turnover

The Group recognises that as a service provider a skilled and motivated workforce is central to its success, and as such it monitors employee turnover. The number of employees who have left employment with the Group of their own volition during 2011, expressed as a percentage of the average workforce during such period comprised 11.2% (2010: 13.4%).

Nick Henry
Chief Executive Officer

Stuart Kilpatrick
Group Finance Director

Risks and uncertainties

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

Risk and description	Impact	Mitigation
<p>Contractual The Company is increasingly engaged in large and complex contracts which, if not managed effectively, may result in potentially adverse financial consequences</p>	<p>Contractual disputes may result in adverse reputational risk and litigation</p>	<p>All major contracts are subject to Board approval. The Group uses internal and external expertise to ensure that contract risk is minimised</p>
<p>Recruitment and retention of key staff The success of the Group is dependent, to a significant degree, upon the skills and motivation of its workforce, including its senior management team</p>	<p>The failure to attract or retain personnel of the requisite calibre could have an adverse impact on the business</p>	<p>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</p>
<p>Economic environment A potential 'double dip' recession, and the continued uncertainty over eurozone countries</p>	<p>The implications on the banking markets and the Group's ability to obtain lending on similar terms in the future</p>	<p>The Group maintains relationships with a small key group of banks, monitors events and macro economic developments and reviews the situation at each Board meeting</p>
<p>Reputational risk for operational incidents The Group's businesses are reliant on ensuring that a good reputation is maintained with all customers</p>	<p>An adverse operational incident would damage the Group commercially as well as reputationally</p>	<p>The Group places a particular emphasis on the health, safety and security of its operations which are regularly monitored and reported to the Board</p>
<p>Financial The Group is exposed to interest rate and foreign exchange risk. The loan facilities entered into by the Group also include a number of financial covenants</p>	<p>A covenant breach constitutes a default and could result in borrowings becoming immediately repayable</p>	<p>The Group manages interest rate and foreign exchange rate risks through hedging arrangements where appropriate. It also strives to maintain good relationships with lenders. Higher interest rates and a weakening of the US Dollar would reduce profits and cash flows</p>
<p>Pensions The Group contributes to a number of defined benefit pension schemes including industry wide schemes, principally the Merchant Navy Officers Pension Fund and Merchant Navy Ratings Pension Fund. There is a risk that changes in market conditions for bond yields and equities and in the actuarial assumptions (eg life expectancy), may result in an increase in scheme deficits</p>	<p>The worsening of the funding position of the pension funds would be detrimental to the Group's balance sheet and potentially a drain on the company's cash resources. Industry wide schemes carry the risk that as a deficit grows the liability for the remaining participants increases</p>	<p>The Group liaises closely with the Trustees of its own schemes, works proactively to de-risk liabilities and participates in employer group initiatives in industry wide schemes</p>

Board of directors

Timothy C Harris
Executive Chairman
 (aged 64)

Joined the Board in September 2001 and became Chairman on 1 January 2002. Formerly Chief Executive Officer of P&O's cruise interests and of P&O Nedlloyd Container Line Limited. He was the Non-Executive Chairman of Clarksons plc until 2008. He was also President of the Chamber of Shipping from March 1995 to March 1996. He is also currently a Non-Executive Director of Neptune Orient Line Limited.

Nicholas P Henry
Chief Executive Officer
 (aged 50)

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

Stuart C Kilpatrick
Group Finance Director
 (aged 49)

Joined James Fisher in July 2010 and was appointed to the Board as Group Finance Director on 1 December 2010. Formerly Group Finance Director of Empresana Group Plc, Stuart is a member of 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.

Charles J Rice
Senior Non-Executive Director
Chair of the remuneration and nominations committee
 (aged 58) *†

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

Malcolm Paul
Non-Executive Director
Chair of the audit committee
 (aged 60) **

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 at WSP Group plc between 1987 and 2009. Prior to that he was a Principal at the corporate finance boutique Financial Decisions and an equity partner at Longcrofts, Chartered Accountants. He currently holds a non executive position at IRCA Holdings Pty Limited a mining professional services business based in South Africa.

F Michael Everard
Non-Executive Director
 (aged 63) **

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

* Audit committee

† Remuneration and nominations committee

Maurice Storey
Non-Executive Director
 (aged 68) **†

Joined the Board in December 2003. He is a Chartered Engineer with wide experience in operational management of ships and marine services having been responsible for ships and port operations as main board director for Stena Line UK Limited. For a number of years he held the position of Chief Executive of the Maritime Coastguard Agency. He is currently Honorary

Chairman of Evergreen Marine UK Limited. He was President of the Institute of Marine Engineering, Science and Technology from March 2005 to March 2006 and President of the Chamber of Shipping from March 2006 to March 2007. He is a Trustee of the Historic Dockyard (Chatham) and a member of the RNLI Council and Technical Committee.

Directors' report

The directors present their annual report and the Group audited financial statements for the year ended 31 December 2011. The Chairman's statement, the Review of operations, Board of directors, Corporate governance, Corporate social responsibility, Report on directors' remuneration and Statement of directors' responsibilities sections of this annual report are each incorporated by reference into, and form part of, the Directors' report.

The directors' report constitutes the management report for the purposes of compliance with the UK Listing Authority's Disclosure and Transparency Rules (DTR).

Principal activities, business review and future development

James Fisher and Sons plc is the parent company of a Group whose main activity is the provision of marine and specialist engineering services to a global customer base. The Group's operations are organised into four divisions, Specialist Technical, Offshore Oil, Defence and Marine Oil. The principal operating subsidiaries are listed on pages 89 and 90.

The Chairman's statement and Review of operations on pages 4 to 10 include a review of, and likely future trends and factors that might affect, the development and performance of the Group. A review of the Group's risk management framework as well as principal risks and uncertainties is set out on page 11, and policies on financial risk are set out in note 28. Key performance indicators (KPIs) used by the Board to assess performance against the Group's strategic objectives are described on page 10.

Results and dividends

The Group's profit for the financial year attributable to equity shareholders of the parent was £24.1 million (2010: £19.8 million).

The directors recommend a final dividend of 10.74p per share (2010: 9.68p) making a total of 16.08p per share (2010: 14.72p) for the year. The final dividend, if approved, will be paid on 11 May 2012 to ordinary shareholders who were on the register on 13 April 2012.

Directors

Tim Harris, Anthony Cooke, Michael Everard, Simon Harris, Nick Henry, Stuart Kilpatrick, Malcolm Paul, Charles Rice, and Maurice Storey all served as directors of the Company during the year. Malcolm Paul was appointed to the Board on 1 February 2011. Anthony Cooke, the senior non-executive director, retired from the Board on 31 December 2011 and Charles Rice became senior non-executive director on 1 January 2012. Simon Harris resigned from the Board on 13 February 2012.

More information about the directors is provided on page 12.

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 2011 or date of resignation No.	At 31 December 2010 or date of appointment No.
T C Harris	292,773	280,871
N P Henry	86,831	76,584
S C Kilpatrick	1,500	349
S A Harris ⁽¹⁾	44,224	39,582
A R C B Cooke ⁽²⁾	33,684	33,684
M Storey	–	–
C J Rice	5,000	5,000
F M Everard	–	–
M S Paul	5,000	–

(1) Simon Harris resigned from the Board on 13 February 2012.

(2) Anthony Cooke retired from the Board on 31 December 2011.

Notes

- Between 31 December 2011 and 5 March 2012, there were no changes to the holdings of serving directors other than as noted above.
- No director has an interest in the preference shares of the Company, or in the shares of any subsidiary undertaking.

Mr C J Rice, Mr M Storey and Mr F M Everard retire at the Annual General Meeting (AGM) by rotation and, being eligible, offer themselves for re-election. All executive directors, other than the Chairman who has a six month rolling service contract, have one year rolling service contracts with the Company. The non-executive directors do not have service contracts with either the Company or any Group undertaking. No contract in relation to the Group's business in which the directors of the Company had an interest, existed at 31 December 2011 or at any time during 2011.

Directors' report continued

Share capital

The structure and details of the Company's share capital are set out in note 21 on page 67

Ordinary shares

The Company's issued Ordinary shares are fully paid and rank equally in all respects. Subject to rights attaching to existing shares, any share may be issued with such rights or restrictions as the Company may by advisory resolution determine, or if the Company has not so determined, as the directors may determine. In addition to those rights conferred by law the holders of Ordinary shares of 25p each are entitled to receive dividends when declared, the Company's report and accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. These rights and obligations, are set out in the Company's Articles of Association (Articles), copies of which can be obtained from Companies House in the UK or from the Company Secretary. Other than those specific provisions set out in the Articles, there are no restrictions on the transfer of Ordinary shares in the Company or on the exercise of voting rights attached to them except that

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

Preference shares

The 3.5% cumulative preference shares of £1 each carry a fixed cumulative dividend of 3.5% per annum, payable in priority to any dividend on the Ordinary shares and payable half-yearly in arrears on 30 June and 31 December. The preference shares carry one vote for every £1.00 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.

During the year the Company did not purchase any of its own shares, however, during the year 62,136 Ordinary shares were issued in respect of options exercised under the Executive Share Option Scheme and Savings Related Share Option Scheme.

The James Fisher Employee Share Ownership Trust, holds 329,615 Ordinary shares (2010: 126,698) 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 operates a Long Term Incentive Plan (LTIP), a Savings Related Share Option Scheme (SRSOS) and an Executive Share Option Scheme (ESOS) details of which are set out on pages 73 to 75.

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

The 2011 LTIP was approved by shareholders at last year's AGM and replaced the 2001 LTIP. The 2011 LTIP allows nil cost options over shares to be awarded to nominated employees. Awards have been made to the executive directors and other senior executives during the year under this plan, the awards vest three years from grant only if the growth in diluted earnings per share in the performance period is between the RPI plus 9% and RPI plus 18%.

The SRSOS and ESOS were each approved by shareholders at the 2005 AGM, both schemes are UK HM Revenue & Customs approved. Under SRSOS eligible employees may be invited to apply for options after the announcement of results for any period. The options granted to each individual are related to the monthly sum the individual agrees to save under the contract, not exceeding £250 per month for a period of three, five or seven years. Options are normally exercisable at the end of the related savings contract, but early exercise is permitted in certain circumstances, for example if an individual leaves employment for specific good leaver reasons.

Under the ESOS, the remuneration committee has the discretion to select employees and directors of the Company and its subsidiaries for participation in the scheme each time it is operated. The fair value of the options granted in any year of operation is limited to 100% of an option holder's annual base salary. The options can be exercised following attainment of a performance target linked to the Company's total shareholder return relative to a comparator group over a three year period. Following approval by the shareholders at the 2007 AGM the comparator group was amended to comprise companies forming the FTSE Small Cap index as a whole, excluding investment trusts.

Substantial shareholders

As at 1 March 2012 the Company had been notified in accordance with Rule 5 of the DTR of the following interests in its issued share capital

Shareholder	Ordinary shares		Preference shares	
	No	%	No	%
Rowland Fredenck Hart Jackson ⁽¹⁾	8,895,763	17.82		
Schroder Investment Management ⁽²⁾	7,646,937	15.32		
Therapia Investments Limited	3,539,550	7.08	100,000	100.00
Montanaro Investment Managers	2,964,216	5.94		
M&G Investment Management	2,118,646	4.24		
Legal and General Investment Management	1,800,859	3.61		
Aviva Investors	1,555,438	3.12		
	28,521,409	57.13	100,000	100.00
Total number of shares in issue	49,925,431	100.00	100,000	100.00

(1) Non-beneficial

(2) Includes indirect interest in 1,664,756 shares through Norges Bank.

Auditors

A resolution for the re-appointment of KPMG Audit Plc as auditors of the Company will be proposed at the AGM to be held on 3 May 2012

Each director in office at the date of approval of this directors' report confirms that

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Directors' indemnities

To the extent permitted by section 236 of the Companies Act 2006, and pursuant to the Articles, the directors have been granted Qualifying Third Party Indemnity Provisions by the Company. These indemnities were in place throughout the year and remained in force as at the date of preparation of this annual report. Copies of these indemnities are available for inspection at the Company's registered office during normal business hours. The Company also maintains liability insurance for the directors and officers of the Company and its subsidiaries.

Political and charitable donations

During the year the Group made charitable donations of £597 (2010: £430). No political donations were made in the year (2010: £nil).

Policy on payment of suppliers

It is the Company's and the Group's policy to agree to terms of payment at the start of business with each supplier and to adhere to these, subject to satisfactory performance by the supplier. Where payment terms are not negotiated the Company endeavours to adhere to suppliers' standard terms. At 31 December 2011 the Group and Company had an average number of 43 days and 76 days purchases outstanding in trade creditors respectively (2010: Group 49 days, Company 58 days).

Employment policies

The Group Chief Executive Officer is the Board member responsible for employee matters and he is assisted by the Group Head of Human Resources. The Group values the diverse backgrounds of all its people and works to create an open atmosphere of trust, honesty and respect. Harassment or discrimination, including that involving race, colour, religion, gender, age, disability, sexual orientation or any other similarly protected status, is not acceptable. The Group is committed to providing equal employment opportunities for all of its people and all applicants for employment based on individual qualifications and suitability for the role. It is Group policy to comply with all applicable laws governing employment practices and not to discriminate on the basis of any unlawful criteria. Employment arrangements are intended to be fair, equitable and consistent with the skills and abilities of the employee and the needs of the business. The Group also actively encourages the training of its employees through participation in industry training schemes. Additionally, both in-house and external training is provided for staff. The Group communicates with its employees principally through regular presentations by senior management and by means of publication of a Company newsletter. The Group also operates a number of option schemes and long term incentive plans to encourage employees to participate in the ownership of the Company, details of which are set out in note 25 on pages 73 to 75.

Directors' report continued

Significant agreements

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, its relevant subsidiary, or associated undertaking

- The Shareholders Agreement dated 22 June 2006 in relation to Foreland Shipping Limited, which is responsible for the provision of sealift capability to the Ministry of Defence
- The Singapore Submarine Rescue Service Agreement dated 17 October 2008, made between James Fisher Defence Limited and First Response Marine PTE Ltd
- 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

Environmental policy

The Group recognises its responsibilities towards the protection of the environment by operating a management system that upholds the procedures necessary to ensure high standards and safe practices in all marine operations and to prevent damage to the environment. Further details are included in the corporate social responsibility section of this report on pages 22 and 23

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 review of operations on pages 8 to 11. The Group's sources of funding are a number of bilateral facilities with a core group of banks. These bilateral facilities, totalling £127.5 million (2010 £120.0 million) at 31 December 2011 fall due for renewal over the next four years with approximately £10.0 million falling due for renewal by 31 December 2012. Compliance with banking covenants is reported quarterly and involves tests for net debt, EBITDA, interest cover and fixed charge cover. No breaches in covenants were reported during the year.

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

Additional information for shareholders

The Company's Articles may only be amended by a special resolution at a general meeting of the shareholders. Directors are reappointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a director but anyone so appointed must be elected by an ordinary resolution at the next general meeting. Any director who has held office for more than three years since their last appointment must offer themselves up for re-election at the AGM.

AGM

The AGM of the Company will be held on 3 May 2012. The Notice of AGM is set out on pages 91 to 95.

Authority to allot shares and disapply statutory pre-emption rights

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

Purchase of own shares

At the AGM held on 5 May 2011, the Company was given authority to purchase up to 2,493,164 of its Ordinary shares until the date of its next AGM. No purchases were made during the year by the Company. The directors will be seeking a new authority for the Company to purchase its Ordinary shares at the forthcoming AGM.

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


By Order of the Board

Michael Hoggan
Company Secretary

5 March 2012

Corporate governance

Our approach to corporate governance

The Board is committed to ensuring high standards of corporate governance and collectively responsible for ensuring that the Company complies with the UK Corporate Governance Code (the Code) issued by the Financial Reporting Council in June 2010. The Board confirms that throughout 2011 the Company complied with the Code. This report explains how the Company complied with the relevant provisions of the Code and how it discharges its corporate governance responsibilities.

Leadership

The directors are collectively responsible for the long term success of the Company. The roles of the Executive Chairman and Chief Executive Officer are separate and clearly distinct. Tim Hams, the Executive Chairman is responsible for leadership of the Board and ensuring its effectiveness on all aspects of its role. The Executive Chairman is also responsible for development of policy and strategy and ensuring the effective engagement of all the Board members. Nick Henry, the Chief Executive Officer is responsible for leading the operational management of the Group's businesses. The Board considered and was satisfied that these roles operated effectively.

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

Role of the Board

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

All directors participate in discussing strategy, performance and financial and risk management of the Company and meetings of the Board are structured to allow open discussion. The Board meets at least on a quarterly basis each year and to ensure that the Board is able to discharge its duties, all directors receive appropriate and timely information with comprehensive papers being issued to the Board in advance of the Board meetings including financial and business reports covering the Group's principal activities. The non-executive directors meet with the Executive Chairman on a regular basis without the executive directors present. The non-executive directors also meet at least once a year without the Executive Chairman or executive directors present. The non-executive directors visit major business centres for the Group in order to enhance their knowledge of the services and products offered, which in turn acts to strengthen their contribution to Board debate.

The Board has adopted specific guidelines to address the management of potential and actual conflicts of interest.

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

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

Board committees

Details of the work of the Board's formal committees can be found on page 20. Each committee has formal terms of reference. In 2011 the Board appointed an executive committee consisting of the executive directors which reports to the Board and subject to the Company's Articles, is empowered to take such actions as are necessary relating to affairs of the Company in the normal course of business and of a routine nature and subject to such limits as the Board in its discretion determines from time to time. The executive committee reports into the Board via the Executive 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 number of meetings of the Board and individual attendance by members is shown in the table on page 21.

Size and composition of the Board

The Board currently comprises an Executive Chairman, a Chief Executive Officer, a Group Finance Director and four independent non-executive directors. Biographies of the directors are set on page 12. The Board functions effectively and efficiently and is considered to be of an appropriate size in view of the scale of the Company and the diversity of its businesses. The Board considers that each director demonstrates a range of experience and is of the calibre necessary to support and develop the long term success of the Group, that each director allocates sufficient time to perform his responsibilities effectively and that no individual or small group of individuals dominates the Board's decision making. However, the size and composition of the Board is subject to continuing review and the provisions of the Code including in respect of diversity will be taken into account when considering future Board membership.

This year has seen a number of changes to the Board. Malcolm Paul was appointed to the Board as a non-executive director on 1 February 2011. Malcolm Paul's appointment brings a wealth of financial, accounting, public company and corporate governance experience to the Board. Anthony Cooke retired from the Board on 31 December 2011, whereupon Charles Rice became the senior independent non-executive director. Simon Hams resigned on 13 February 2012.

Corporate governance continued

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 Company's business activities.

The Code requires the Board to determine whether its non-executive members are independent. The Board considers that all non-executive directors are independent for the purposes of the Code. Each non-executive director is expected to commit sufficient time to allow for attendance at Board and committee meetings and to keep in touch with the senior management team, shareholders and other stakeholders.

The senior non-executive director also acts as a sounding board for the Executive Chairman and an intermediary for non-executives where necessary.

Re-election of directors

At each AGM, in accordance with the Articles of Association, one third of the directors will retire and offer themselves for re-election and each director must stand for re-election at least once every three years. The proposed re-election of directors is subject to prior review by the Board. At the AGM held on 5 May 2011, Tim Hams and Nick Henry were re-elected to the Board by rotation, Stuart Kilpatrick and Malcolm Paul were elected for the first time and none of the remaining Board members were put forward for re-election.

The directors standing for re-election at the 2012 AGM are set out on page 13.

Due to its size the Company is not subject to the requirements of the Code relating to the annual election of all directors by shareholders, having reviewed the matter with investors and stakeholders the Board does not consider this requirement is proportionate in relation to the Company, however the Board intends to continue to keep this requirement under review.

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. Malcolm Paul who joined the Board in February 2011 has spent time with the management teams within Offshore Oil and Defence. He has also had discussions with the Company's senior statutory auditor.

Ongoing training and development for directors is available as appropriate and reviewed annually. The Company Secretary advises the directors on any important changes in legislation, regulation and best practice.

Performance evaluation

The Board undertakes a formal and rigorous annual evaluation of its own performance and that of the audit committee and remunerations and nominations committee and each individual director. The formal evaluation is undertaken internally and for the year ending 31 December 2011 was conducted in January 2012.

The formal evaluation requires each director to complete in confidence a detailed questionnaire relating to all aspects of Board performance and performance of the two committees. The results of the evaluation are collated by the Company Secretary and reported to the Board via the Executive 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 Executive Chairman's performance is reviewed by the remuneration committee, the performance of the other executive directors is also reviewed by the remuneration committee with the Executive Chairman in attendance except in the case of his own performance review, the executive directors review the performance of each of the non-executive directors. The performance evaluations are designed to assist the Board in identifying strengths and weaknesses and areas for further improving performance.

Accountability and going concern

The Board is responsible in its reporting for presenting a balanced and understandable assessment of the Group's financial position and prospects and has complied with this main principle of the Code. This includes an assessment of the Group's ability to continue as a going concern. The directors have given this matter due consideration and have concluded that it is appropriate to continue to prepare the Group financial statements on a going concern basis. The two main considerations were the strength of the Group's cash flow and the continued support of the Group's banks. Further details are included in the review of operations on pages 9 and 10.

Risk management and internal controls

The Board is also responsible for determining the nature and extent of the significant risks it is willing to take in achieving its objectives and for maintaining sound risk management and internal control structures. Accordingly, the Board has established an ongoing process in accordance with the guidance of the Turnbull Committee on internal control, for the identification, evaluation and management of the significant risks facing the Group, which operated throughout the year. The internal control systems are designed to provide the Board with reasonable assurance as to the effective and efficient operation of the Group and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable and not absolute assurance.

The Board reviews at least annually the key risks facing the Group and its risk management and internal control systems. No significant failings or weaknesses were identified as part of the review. Details of the principal risks and the Group's approach to managing them are set out on page 11.

In addition the Group's risk committee, which is chaired by the Chief Executive Officer, meets quarterly. The risk committee's terms of reference include the identification and monitoring of operational risks and ensuring those risks are being actively managed. The committee's findings are reported to the Board. This process is under continual review by the Board.

The Board also undertakes a risk assessment before any decision on major projects is made and commercial, legal and financial due diligence are carried out on any potential acquisition.

The Group's internal audit function also plays a key role in the Group's risk management process. The internal audit is a peer group review process, whereby senior managers from within the business conduct audits of non-related areas of the Group's activities in accordance with an annual programme approved by the audit committee, the internal audit reports are presented to the audit committee for review whereupon recommendations are made and actioned as necessary.

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

Control environment

The Board has put in place a documented organisational structure with defined lines of authority from the Board to operating units. Each operating unit is required to operate within this control environment and in accordance with established policies and procedures which includes ethical, treasury, employment, health and safety and environmental issues.

Information systems

The Group operates comprehensive annual planning and budgeting processes with a half yearly forecast all of which are approved by the Board. There is a financial reporting process which compares results with budget and the previous year on a monthly basis to identify any significant deviation from approved plans. A cash flow statement projected for a rolling 12 months is prepared on a quarterly basis and is used in determining that the Group has adequate funding for its future needs. The actual cash flow is monitored on a monthly basis and compared to forecast. Financial reviews of the major operating units are undertaken on a quarterly basis and a rolling forecast for the year is also updated on a monthly basis.

Main control procedures

The Board has adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, investment, financial, organisational and compliance issues. Controls and procedures have been implemented which include defined procedures for seeking and obtaining approval for major transactions or organisational change. This schedule is subject to review by the Board on an annual basis.

Monitoring

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

Whistle-blowing policy

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 confidence in the first instance with the Company Secretary.

Anti-bribery and corruption

In compliance with the UK Bribery Act which came into effect on 1 July 2011, 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 Board has adopted a formal anti-bribery and corruption statement and policy and will not tolerate or condone bribery or corruption in any of the Group's business dealings.

Relations with shareholders

The Company communicates with shareholders through the annual report, interim report, preliminary announcements, interim management statements and the Company website. 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 stockbrokers, is circulated to the Board.

The non-executive directors are available to consult with major shareholders in order to develop a balanced understanding of the issues and concerns of major shareholders. In addition the outcome of any meeting by the executives with investors on governance and strategy matters is relayed back to the Board.

Corporate governance continued

Audit committee

The audit committee is appointed by the Board and reports to the Board

The audit committee consists exclusively of independent non-executive directors. Anthony Cooke was chairman of the audit committee up to his retirement on 31 December 2011 whereupon Malcolm Paul was appointed chairman. Both have recent and relevant financial experience. Its other members during 2011 were Maurice Storey, Charles Rice and Michael Everard. The committee met three times during the year. The Executive Chairman, Chief Executive Officer, Group Finance Director, a representative of the external auditors and the Company Secretary normally attend the meetings. Attendance by members is shown in the table on page 21.

The committee is formally constituted with written terms of reference, which include all matters referred to in the Code. These terms are reviewed annually by the Board. In summary these include:

- Monitoring the integrity of financial statements of the Company, including the annual report, monitoring and reviewing the Group's internal controls and risk management systems including the effectiveness of the Group's internal audit function,
- Overseeing the relationship with external auditors including making recommendations to the Board regarding their appointment, approving their remuneration and terms of engagement,
- Monitoring the independence and objectivity of the external auditor, and
- Monitoring the audit process, reviewing the auditor's findings and addressing any issues arising therefrom

Auditor independence and audit fees

It is the Group's policy to manage its relationship with the external auditors so that the independence and objectivity of the auditors is maintained and conflicts of interest are avoided. During the year the Company adopted a formal policy on the payment of non-audit fees to the auditors. This policy is designed to maintain the auditor's independence and objectivity and sets limits on the type and scale of non-audit services that can be provided by the auditors without approval of the audit committee. This policy is reviewed annually by the Board.

Details of fees paid for audit and non-audit work are shown in note 5 of the financial statements.

The audit committee reviews annually the external auditor's performance (including a review of audit and non-audit fees and services) and the effectiveness of the audit process. For the year ended 31 December 2011 the audit committee concluded that no conflicts of interest exist between KPMG audit and non-audit work and that KPMG's involvement in non-audit matters was the most effective way of conducting the Group's business during the year.

Remuneration and nominations committee

Members of the remuneration and nominations committee are appointed by the Board and the committee reports to the Board. All committee members are independent non-executive directors.

The number of meetings of the committee and individual attendance by members is shown in the table on page 21.

During the year the committee was chaired by Anthony Cooke. Following Anthony Cooke's retirement on 31 December 2011, Charles Rice became the senior independent non-executive director and chairman of the committee.

The committee is formally constituted with written terms of reference. In summary, the committee's terms of reference include:

With regard to nominations the committee is responsible in conjunction with the Board for:

- Regularly reviewing the structure, size and composition of the Board (including skills, knowledge and experience) and recommending changes,
- Succession planning for directors and senior executives, and
- Identifying and nominating for approval of the Board, candidates to fill vacancies when they arise

With regard to remuneration, the committee:

- Determines and agrees with the Board the Board policy for remuneration of the executive directors and other senior executives,
- Reviews the appropriateness and relevance of the remuneration policy, and
- Ensures that the provisions of the Code are fulfilled

The report on directors' remuneration is on pages 24 to 29.

The committee's work this year included the appointment of an additional non-executive director. The committee engaged an independent firm of recruitment consultants to conduct an executive search for a suitable new non-executive director with substantial and recent relevant financial experience to be considered for the role of audit committee chairman upon Anthony Cooke's retirement. Following this process the committee recommended that Malcolm Paul be appointed to the position. Malcolm Paul's appointment to the Board was formally approved by shareholders at the AGM held on 5 May 2011.

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

Attendance at meetings

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

	Board	Audit committee	Remuneration and nominations committee
Number of meetings	5	3	2
Executive Chairman			
Tim Hams	5/5	n/a	n/a
Executive directors			
Nick Henry	5/5	n/a	n/a
Stuart Kilpatrick	5/5	n/a	n/a
Simon Hams	5/5	n/a	n/a
Non-executive directors			
Anthony Cooke	5/5	3/3	2/2
Michael Everard	5/5	3/3	2/2
Maunce Storey	5/5	3/3	2/2
Malcolm Paul ⁽¹⁾	4/5	3/3	1/2
Charles Rice	5/5	3/3	2/2

(1) Malcolm Paul was appointed to the Board with effect from 1 February 2011

Whilst not formally required, Tim Hams, Nick Henry and Stuart Kilpatrick attended a number of audit committee, remuneration and nominations committee meetings by invitation as and when appropriate

Corporate social responsibility

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

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

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

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

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

Ethical code of conduct

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

- Respect the rule of law and comply with legislation and recognised industry standards,
- Do not participate in or condone corrupt or unacceptable business practices,
- Avoid any conflicts of interest both at a corporate and individual level,
- Promote a strong culture of health and safety and environmental awareness for the benefit of customers, suppliers, employees and third parties,
- Aim to provide continuous improvement in the services the Group offers, and
- Respect the confidentiality of each customer's business and activities

Human resources

The Group holds its employees in high regard and recognises that their skills, knowledge and expertise fundamentally contribute to the Group's success. The Group operates an equal opportunities policy which provides that it will not discriminate against employees, and any complaints of discrimination will be viewed seriously and dealt with according to the Group's disciplinary procedures. The Group will also not tolerate sexual, physical or mental harassment of employees.

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

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

Stakeholders

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

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

The Group believes that long term relationships are based on:

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

Health, safety and environment

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

Health and safety

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

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

To ensure that high standards are achieved the Group has established and maintains an efficient and effective quality assurance programme. The Group's quality assurance system complies with and exceeds the requirements of the quality standard ISO9000, the International Safety Management (ISM) Code and the Oil Companies International Marine Forum Ship to Ship Transfer Guide.

The Group is fully committed to providing services in accordance with the international quality standard ISO9001:2000. The system encompasses the Group's business from head office functions to its offshore operations and is designed to continuously improve performance, reliability and safety whilst providing a service that fully meets our customers' requirements.

The objectives of the Safety Management System are

- Continuously develop and improve the awareness and management of safety of all personnel in the Group,
- Provide a continuously safe working environment. Operations and activities are subject to appropriate controls that include the application of safe working practices, complying with relevant legislation and the employment of appropriately trained and competent personnel,
- Review accidents and incidents with a view to ascertaining and publishing the root cause to improve personnel awareness. Evaluate existing controls following an incident to determine how these controls may be improved upon, to reduce the possibility of recurrence, and
- Prevent damage to property and the marine environment by employing best practice and complying with all applicable rules and regulations.

Environment

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

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

Report on directors' remuneration

The directors' remuneration report has been prepared on behalf of and approved by the Board and signed on its behalf by Charles Rice the chairman of the remuneration committee. The report will be submitted to shareholders for approval at the AGM to be held on 3 May 2012.

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

Information not subject to audit

Remuneration committee

Five independent non-executive directors served on the remuneration committee (the committee) during the year. Anthony Cooke (the senior independent non-executive director) chaired the committee until his retirement on 31 December 2011. Following his retirement Charles Rice became chairman of the committee. Malcolm Paul served on the committee from the date of his appointment on 1 February 2011.

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

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

The committee met twice in the period under review and all members were in attendance at both meetings with the exception of Malcolm Paul who was not appointed until 1 February 2011. During the year the committee has considered the level and make up of the executive directors' remuneration packages, the grant of share-based incentive awards, the vesting of share-based incentive awards subject to performance conditions being met and the basis of performance related bonuses. Tim Harris, as Executive Chairman of the Board, also attended committee meetings, at the invitation of the chairman of the committee and is consulted on matters relating to the other executive directors who report to him.

Advisers to the remuneration committee

The committee had access to advice from inside and outside the Group from the Executive Chairman and AON Hewitt Consultants.

AON Hewitt Consultants are the principal independent advisers to the remuneration committee. During the year AON Hewitt Consultants provided the Company with advice on the 2011 LTIP and on executive remuneration at operating board and Group board level.

Remuneration policy for executive directors

Main principles

James Fisher and Sons plc operates in a highly competitive international environment. For the Company to continue to compete successfully, it is essential that the level of remuneration and benefits offered achieves the objectives of attracting, retaining, motivating and rewarding the necessary high calibre of individuals at all levels across the Company. The Company therefore sets out to provide competitive remuneration to all its employees, appropriate to the business environment in those countries in which it operates. For executive directors, the remuneration package is based upon the following principles:

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

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

The Company also seeks to align the interests of shareholders and employees at all levels by giving employees opportunities and encouragement to build up a shareholding interest in the Company. Through a series of share plan initiatives, under the SRSOS, the majority of employees of the Company, and its wholly owned subsidiaries, have the opportunity to take up a shareholding interest. Additionally in 2011 further awards were made under the LTIP to certain senior executives.

Details of key elements of executive remuneration packages are set out below. Details of directors' interests in share schemes are set out on pages 28 and 29 of this report and directors' shareholdings are set out in the directors' report on page 13.

Service contracts

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

Details of the contracts are set out below

	Contract date	Unexpired term/notice period
Tim Hams	1 December 2006	6 months
Nick Henry	1 December 2006	12 months
Stuart Kilpatrick	1 July 2010	12 months
Simon Harris (resigned 13 February 2012)	4 December 2006	12 months

Elements of remuneration package

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

Fixed elements

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

Other benefits comprise the provision of a company car or cash alternative, life assurance and membership of the Group's healthcare insurance scheme. These benefits do not form part of pensionable earnings.

Executive directors are eligible to join the Group's defined contribution scheme or receive an equivalent company contribution into a personal pension scheme. Further details are on page 29.

Variable elements

A performance related bonus is recommended by the committee on the basis of annual financial and operational targets established at the beginning of each financial year.

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

The maximum level of bonus that could be earned by an executive director in 2011 was 70% of base salary. Bonuses for the year to 31 December 2011 are shown in the table on page 27. In the case of the executive directors the financial targets forming part of the bonus structure have been achieved, and therefore that element of the bonus has been paid in full. Other senior executives also achieved a cash bonus for last year.

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

Executive Chairman's remuneration package

In 2011 Tim Hams, Executive Chairman had an annual salary of £383,250. He was entitled to participate in the annual bonus scheme and awarded conditional shares under the LTIP together with options under the ESOS. The Executive Chairman is not in the Company's pension scheme but he is a member of the Company's health scheme and he receives a cash sum in lieu of a company car.

Share option and share incentive schemes

The Group currently operates three share-based incentive schemes, the LTIP, the ESOS and an SRSOS. The awards held by directors during the year are shown in the tables on pages 28 and 29.

LTIP

Longer term business performance improvement is rewarded under the LTIP, which was approved by shareholders at the AGM held on 12 May 2011. The LTIP allows the committee to award nil cost options over shares annually up to a maximum of 100% of annual salary to main board directors and senior executives, subject to the achievement of a performance target, over a three year performance period. In 2011 the committee set award levels for main board directors under the LTIP at 75% of annual salary. Under the performance target, which utilises a sliding scale, one third of the award vests where growth of diluted earnings per share of RPI plus 9% is achieved over the three year performance period, to full vesting where growth of RPI plus 18% is achieved over the same period.

ESOS

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

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

Report on directors' remuneration continued

Share option and share incentive schemes continued

ESOS continued

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

SRSOS

All eligible employees including executive directors have the opportunity to participate in the James Fisher and Sons plc SRSOS which is a HM Revenue & Customs approved all-employee share plan. HM Revenue & Customs does not permit performance conditions to be attached to the exercise of options. Under the SRSOS, participants are granted options over the Company's Ordinary shares. Each participant may save up to £250 per month over a three, five or seven year savings period to purchase the Company's Ordinary shares.

Remuneration policy for non-executive directors

Fees for non-executive directors are determined by the Board as a whole, based on independent surveys of fees paid to non-executive directors of comparable companies within the restrictions contained in the Company's Articles of Association. The non-executive directors do not take part in discussions on their own remuneration. Remuneration comprises an annual fee for acting as a non-executive director of the Company. Non-executive directors receive no other pay or benefits (with the exception of reimbursement of expenses properly incurred in connection with their directorship of the Company), do not participate in the Company's option schemes, bonus schemes or LTIP and are not eligible for pension scheme membership.

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

Details of the letters are set out below.

	Date of appointment	Letter of appointment	Expiry date
Maurice Storey	1 December 2003	1 January 2012	31 December 2012
Charles Rice	1 April 2004	1 January 2012	31 December 2012
Michael Everard	28 December 2006	1 January 2012	31 December 2012
Malcolm Paul	1 February 2011	1 January 2012	31 December 2012

Performance graph

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

TSR

Information subject to audit
Details of directors' remuneration

	Salary and fees £000	Annual performance cash bonuses £000	Benefits in kind £000	2011 Aggregate emoluments excluding pension contributions £000	2010 Aggregate emoluments excluding pension contributions £000
Executive					
T C Hams	383	268	16	667	637
N P Henry	256	179	14	449	409
S C Kilpatrick	171	120	10	301	25
S A Hams ⁽¹⁾	147	103	10	260	248
M J Shields ⁽²⁾	–	–	–	–	289
Non-executive					
A R C B Cooke ⁽³⁾	52	–	–	52	50
C J Rice	45	–	–	45	44
M Storey	45	–	–	45	44
F M Everard	45	–	–	45	44
M S Paul ⁽⁴⁾	41	–	–	41	–
Aggregate emoluments	1,185	670	50	1,905	1,790

(1) Simon Harris resigned from the Board on 13 February 2012

(2) To date of retirement 30 November 2010

(3) Anthony Cooke retired from the Board on 31 December 2011

(4) From date of appointment 1 February 2011

Benefits in kind principally comprise car allowances and health insurance. Details of the directors' pension entitlements are set out on page 29.

External directorships

The executive directors are permitted to serve as non-executive directors of other companies, provided the appointment is first approved by the remuneration and nominations committee. Directors are allowed to retain their fees from such appointments. During the year Tim Hams earned £110,098 (2010: £55,045) for non-executive services to other companies.

Report on directors' remuneration continued

Executive directors' share option and saving related option schemes

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire Ordinary shares in the Company granted to or held by the directors

Details of the options held under the 1995 Scheme, ESOS and SRSOS were as follows

	Number of share options				31 December 2011 Number	Exercise price	Date from which exercisable	Expiry date
	1 January 2011 Number	Granted during year Number	Exercised during year Number	Cancelled during year Number				
T C Hams	130,282	–	–	–	130,282	142p*	10 03 06	10 03 13
	67,278	–	–	–	67,278	327p**	22 06 08	22 06 15
	49,359	–	–	–	49,359	468p**	23 03 09	23 03 16
	26,823	–	–	–	26,823	596p**	02 04 10	02 04 17
	2,803	–	–	–	2,803	584p†	05 01 12	05 07 12
	48,581	–	–	(48,581)	–	623p**	25 03 11	25 03 18
	103,107	–	–	–	103,107	354p**	20 03 12	20 03 19
	88,953	–	–	–	88,953	410p**	19 03 13	19 03 20
	–	73,466	–	–	73,466	522p**	30 03 14	30 03 21
	517,186	73,466	–	(48,581)	542,071			
N P Henry	40,367	–	–	–	40,367	327p**	22 06 08	22 06 15
	29,615	–	–	–	29,615	468p**	23 03 09	23 03 16
	17,647	–	–	–	17,647	596p**	02 04 10	02 04 17
	2,803	–	–	–	2,803	584p†	05 01 12	05 07 12
	32,130	–	–	(32,130)	–	623p**	25 03 11	25 03 18
	65,784	–	–	–	65,784	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
	245,099	49,105	–	(32,130)	262,074			
S C Kilpatnck	–	32,808	–	–	32,808	522p**	30 03 14	30 03 21
	–	32,808	–	–	32,808			
S A Hams	14,526	–	–	–	14,526	327p**	22 06 08	22 06 15
	21,368	–	–	–	21,368	468p**	23 03 09	23 03 16
	11,092	–	–	–	11,092	596p**	02 04 10	02 04 17
	18,951	–	–	(18,951)	–	623p**	25 03 11	25 03 18
	39,470	–	–	–	39,470	354p**	20 03 12	20 03 19
	34,052	–	–	–	34,052	410p**	19 03 13	19 03 20
	–	28,124	–	–	28,124	522p**	30 03 14	30 03 21
	139,459	28,124	–	(18,951)	148,632			
Total	901,744	183,503	–	(99,662)	985,585			

* 1995 ESOS

** 2005 ESOS

† 2005 SRSOS

There were no gains by the executive directors on exercise of options under these schemes in 2011 (2010 £nil)

The interest of directors other than those noted above, to subscribe for, or acquire, Ordinary shares under the ESOS and SRSOS have not changed since the year end, except that as on 13 February 2012, Simon Hams forfeited 34,052 and 28,124 share options under the ESOS exercisable on 19 March 2013 and 30 March 2014 respectively

LTIP

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

	1 January 2011 Number	Granted during year Number	Vested during year Number	Cancelled during year Number	31 December 2011 Number	End of performance period
T C Hams	24,291*	–	(24,291)	–	–	25 March 2011
	71,747	–	–	–	71,747	31 March 2012
	65,988	–	–	–	65,988	30 March 2013
	–	52,979	–	–	52,979	30 March 2014
	162,026	52,979	(24,291)	–	190,714	
N P Henry	16,060*	–	(16,060)	–	–	25 March 2011
	45,775	–	–	–	45,775	31 March 2012
	42,101	–	–	–	42,101	30 March 2013
	–	35,411	–	–	35,411	30 March 2014
	103,936	35,411	(16,060)	–	123,287	
S C Kilpatrick	–	23,659	–	–	23,659	30 March 2014
	–	23,659	–	–	23,659	
S A Hams	9,475*	–	(9,475)	–	–	25 March 2011
	27,465	–	–	–	27,465	31 March 2012
	25,261	–	–	–	25,261	30 March 2013
	–	20,281	–	–	20,281	30 March 2014
	62,201	20,281	(9,475)	–	73,007	
Total	328,163	132,330	(49,826)	–	410,667	

The scheme is unapproved for HM Revenue & Customs purposes

On 25 March 2011 49,826 shares audited above vested following the attainment of the necessary performance conditions of the 2008 LTIP

At the date of publication of this report, the interest of directors to subscribe for, or acquire, Ordinary shares under the LTIP have not changed since the year end, except that on 13 February 2012, Simon Hams forfeited 25,261 and 20,281 share options under the LTIP exercisable on 30 March 2013 and 30 March 2014 respectively

Pension schemes

Nick Henry and Simon Harris were members of the Group's defined contribution scheme. The Company's contribution was 13% of base salary amounting to £38,222 for Nick Henry (2010 £30,274) and £19,072 for Simon Harris (2010 £20,679). Stuart Kilpatrick received a Company contribution of 13% which is paid into a personal SIPP, and amounted to £22,249 (2010 £1,766)

Interest in shares

The director's interests in the issued shares of the Company are shown in the directors' report on page 13

Sourcing of shares and dilution

The remuneration committee has regard to ABI limits on dilution and reviews the number of shares committed under share incentive schemes in any rolling ten 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 on the open market 256,685 (2010 nil) Ordinary shares. At 31 December 2011 the Trust held 329,615 (2010 126,698) Ordinary shares to satisfy the Group's obligations under the plan.

The ESOS and SRSOS options are normally satisfied by the issue of Ordinary shares

Share price during the financial year

The middle market price of one Ordinary share in the Company during the financial year was in the range from 440 5p to 574p and at 31 December 2011 was 509p

Charles Rice

Chairman of the remuneration committee

5 March 2012

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the Group and parent company financial statements in accordance with applicable law and regulations

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

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a directors' report, 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.

Responsibility statement of the directors in respect of the Annual Financial Report

We confirm that to the best of our knowledge

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

T C Harris
Chairman

S C Kilpatrick
Group Finance Director

On behalf of the Board of Directors
5 March 2012

Independent auditors' report to the members of James Fisher and Sons plc

We have audited the financial statements of James Fisher and Sons plc for the year ended 31 December 2011 which comprise the consolidated income statement and statement of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the consolidated and parent company statement of movements in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2011 and of the Group's profit for the year then ended,
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU, and
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- The part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006,
- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- Information given in the corporate governance statement set out on pages 17 to 21 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

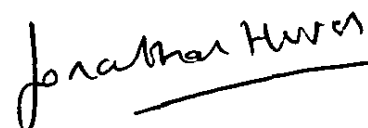
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- The parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns, or
- Certain disclosures of directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit, or
- A corporate governance statement has not been prepared by the Company.

Under the listing rules we are required to review:

- The directors' statement, set out on page 16, in relation to going concern,
- The part of the corporate governance statement on pages 17 to 21 relating to the Company's compliance with the nine provisions of the Code specified for our review, and
- Certain elements of the report to shareholders by the Board on directors' remuneration.

Jonathan Hurst (Senior Statutory Auditor)

for and on behalf of KPMG Audit Plc, Statutory Auditor, Chartered Accountants
St James Square, Manchester, M2 6DS
5 March 2012



Consolidated income statement

For the year ended 31 December 2011

	Notes	Year ended 31 December 2011 £000	Restated (note 4) Year ended 31 December 2010 £000
Revenue	3	307,624	268,349
Cost of sales		(269,051)	(233,052)
Gross profit		38,573	35,297
Administrative expenses		(8,379)	(8,681)
Share of post tax results of joint ventures	15	5,685	4,680
Operating profit	5	35,879	31,296
Analysis of operating profit			
Underlying operating profit		36,133	32,483
Acquisition costs		-	(1,010)
Amortisation of acquired intangibles		(254)	(177)
Finance income	7	322	256
Finance costs	7	(6,450)	(5,611)
Profit before tonnage and income tax		29,751	25,941
Analysis of profit before tonnage and income tax			
Underlying profit before tax		30,005	27,128
Acquisition costs		-	(1,010)
Amortisation of acquired intangibles		(254)	(177)
Tonnage tax		(23)	(24)
Income tax	8	(5,611)	(6,085)
Total tonnage and income tax		(5,634)	(6,109)
Profit for the year		24,117	19,832
Profit attributable to			
Owners of the company		24,091	19,832
Non-controlling interests		26	-
		24,117	19,832
Earnings per share			
		pence	pence
Basic	10	48.4	39.9
Diluted	10	48.0	39.7

Consolidated statement of comprehensive income

For the year ended 31 December 2011

	Notes	Year ended 31 December 2011 £000	Year ended 31 December 2010 £000
Profit for the year		24,117	19,832
Other comprehensive income			
Exchange differences on translation of foreign operations		(809)	3,216
Net loss on hedge of net investment in foreign operations		331	(430)
Exchange gains transferred to income statement on disposal of subsidiary assets		–	2
Effective portion of changes in fair value of cash flow hedges	28	(541)	(1,577)
Effective portion of changes in fair value of cash flow hedges in joint ventures	15	(399)	429
Net changes in fair value of cash flow hedges transferred to profit or loss		128	455
Defined benefit plan actuarial losses	24	(4,127)	(9,749)
Income tax on other comprehensive income	8	2,445	4,125
Other comprehensive income for the year, net of income tax		(2,972)	(3,529)
Total comprehensive income for the year		21,145	16,303
Attributable to			
Owners of the Company		21,119	16,303
Non-controlling interests		26	–
		21,145	16,303

Balance sheets

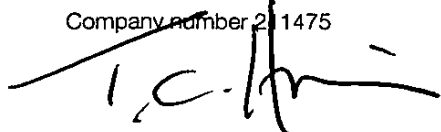
As at 31 December 2011

		Group	Company		
		31 December 2011 £000	31 December 2010 £000	31 December 2011 £000	31 December 2010 £000
	Notes				
Assets					
Non-current assets					
Goodwill and other intangible assets	12,13	93,188	90,011	–	–
Property, plant and equipment	14	103,898	104,683	6,347	6,693
Investment in joint ventures	15	12,534	11,693	–	–
Investment in subsidiaries	16	–	–	212,829	198,297
Available for sale financial assets	16	1,370	1,370	1,368	1,368
Deferred tax assets	9	2,664	3,962	5,153	4,693
		213,654	211,719	225,697	211,051
Current assets					
Inventories	18	33,691	32,583	–	–
Trade and other receivables	19	80,526	61,416	1,609	5,533
Derivative financial instruments	28	218	3	218	3
Corporate tax receivable		–	–	2,679	7,435
Cash and short term deposits	20	13,575	16,590	10	34
		128,010	110,592	4,516	13,005
Total assets		341,664	322,311	230,213	224,056
Equity and liabilities					
Capital and reserves					
Called up share capital	21	12,481	12,466	12,481	12,466
Share premium		24,924	24,700	24,924	24,700
Treasury shares		(1,681)	(579)	(1,681)	(579)
Other reserves		4,742	6,032	(1,338)	(1,024)
Retained earnings		91,304	75,146	46,044	38,050
Equity attributable to owners of the Company		131,770	117,765	80,430	73,613
Non-controlling interests		(91)	–	–	–
Total equity		131,679	117,765	80,430	73,613
Non-current liabilities					
Other payables	23	607	1,841	–	–
Retirement benefit obligations	24	30,133	29,786	20,706	19,747
Cumulative preference shares	21	100	100	100	100
Loans and borrowings	26	103,383	111,573	94,725	101,495
Deferred tax liabilities	9	1,141	604	–	–
		135,364	143,904	115,531	121,342
Current liabilities					
Trade and other payables	23	59,124	45,695	17,328	16,925
Current tax		4,732	8,490	–	–
Derivative financial instruments	28	1,880	1,211	1,643	1,074
Loans and borrowings	26	8,885	5,246	15,281	11,102
		74,621	60,642	34,252	29,101
Total liabilities		209,985	204,546	149,783	150,443
Total equity and liabilities		341,664	322,311	230,213	224,056

These accounts were approved by the Board of Directors on 5 March 2012 and signed on its behalf by

T C Harris
Executive Chairman

Company number 211475



Consolidated cash flow statement

For the year ended 31 December 2011

	Notes	31 December 2011 £000	31 December 2010 £000
Profit before tax		29,751	25,941
Adjustments to reconcile Group profit before tax to net cash flows			
Depreciation and amortisation		13,806	11,336
Acquisition costs and amortisation of acquired intangibles		254	1,187
(Profit)/loss on sale of property, plant and equipment		335	(597)
Finance income		(322)	(256)
Finance costs		6,450	5,611
Exchange gain on loans		218	(50)
Share of post tax results of joint ventures		(5,685)	(4,680)
Share based compensation		1,503	1,309
Increase in trade and other receivables		(19,491)	(6,927)
Increase in inventories		(2,081)	(1,850)
Increase in trade and other payables		12,282	5,914
Defined benefit pension cash contributions less service cost		(5,012)	(3,559)
Cash generated from operations		32,008	33,379
Cash outflow from acquisition costs		-	(1,010)
Income tax payments		(4,865)	(4,261)
Cash flow from operating activities		27,143	28,108
Investing activities			
Dividends from joint venture undertakings		5,913	2,804
Proceeds from the sale of property, plant and equipment		3,989	8,229
Finance income		322	256
Acquisition of subsidiaries, net of cash acquired		(154)	(17,468)
Proceeds from the sale of business	17	459	7,758
Acquisition of property, plant and equipment		(17,624)	(17,789)
Acquisition of investment in joint ventures		(1,220)	(20)
Development expenditure		(2,779)	(1,429)
Cash flows used in investing activities		(11,094)	(17,659)
Financing activities			
Proceeds from the issue of share capital		239	134
Preference dividend paid		(4)	(3)
Finance costs		(4,750)	(4,735)
Purchase less sales of own shares by ESOP		(1,449)	(180)
Capital element of finance lease repayments		(423)	(195)
Proceeds from other non-current borrowings		25,448	33,425
Repayment of borrowings		(30,162)	(38,239)
Dividends paid		(7,479)	(6,879)
Cash flows from financing activities		(18,580)	(16,672)
Net decrease in cash and cash equivalents	27	(2,531)	(6,223)
Cash and cash equivalents at 1 January 2011		16,590	20,563
Net foreign exchange differences		(484)	2,250
Cash and cash equivalents at 31 December 2011	20	13,575	16,590

Company cash flow statement

For the year ended 31 December 2011

	31 December 2011 Notes £000	31 December 2010 £000
Profit before tax	15,045	7,527
Adjustments to reconcile company profit before tax to net cash flows		
Depreciation	646	541
Profit on sale of property, plant and equipment	–	(2)
Finance income	(1,001)	(1,032)
Finance costs	4,286	3,842
Dividends received from subsidiaries	(25,096)	(18,155)
Reduction in provision against investments	(46)	–
Share based compensation	1,020	797
Increase in trade and other receivables	4,000	(2,826)
Decrease in trade and other payables	577	9,204
Additional defined benefit pension scheme contributions	(2,930)	(2,663)
Cash generated from operations	(3,499)	(2,767)
Income tax receipts	7,562	6,776
Cash flow used in operating activities	4,063	4,009
Investing activities		
Dividends from subsidiaries	25,096	18,155
Proceeds from the sale of plant and equipment	–	22
Finance income	1,001	1,032
Acquisition of property, plant and equipment	(300)	(339)
Cash flows from investing activities	25,797	18,870
Financing activities		
Proceeds from the issue of share capital	239	134
Preference dividend paid	(4)	(3)
Finance costs	(4,009)	(4,057)
Net loans advanced to subsidiaries	(14,003)	(19,620)
Proceeds from other non-current borrowings	(26,222)	28,712
Purchase less sales of own shares by ESOP	(1,449)	(180)
Repayment of borrowings	23,043	(21,328)
Dividends paid	(7,479)	(6,879)
Cash flows from financing activities	(29,884)	(23,221)
Net decrease in cash and cash equivalents	27	(24)
Cash and cash equivalents at 1 January 2011		34
Cash and cash equivalents at 31 December 2011	20	34

Consolidated statement of movements in equity

For the year ended 31 December 2011

For the year ended 31 December 2011

	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Total shareholders equity £000	Non-controlling interests £000	Total equity £000
At 1 January 2011	12,466	24,700	75,146	6,032	(579)	117,765	–	117,765
Profit for the period	–	–	24,117	–	–	24,117	–	24,117
Other comprehensive income for the period	–	–	(1,708)	(1,290)	–	(2,998)	26	(2,972)
Contributions by and distributions to owners								
Ordinary dividends paid	–	–	(7,479)	–	–	(7,479)	–	(7,479)
Gain on disposal of interest in joint ventures	–	–	72	–	–	72	–	72
Share-based compensation	–	–	1,503	–	–	1,503	–	1,503
Acquired with subsidiaries	–	–	–	–	–	–	(117)	(117)
Issuing on the issue of shares	15	224	–	–	–	239	–	239
Purchase of shares	–	–	–	–	(1,449)	(1,449)	–	(1,449)
Transactions with shareholders	15	224	(5,904)	–	(1,449)	(7,114)	(117)	(7,231)
Transfer on disposal of shares	–	–	(347)	–	347	–	–	–
At 31 December 2011	12,481	24,924	91,304	4,742	(1,681)	131,770	(91)	131,679

For the year ended 31 December 2010

	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 2010	12,456	24,576	66,877	3,937	(768)	107,078	–	107,078
Profit for the period	–	–	19,832	–	–	19,832	–	19,832
Other comprehensive income for the period	–	–	(5,624)	2,095	–	(3,529)	–	(3,529)
Contributions by and distributions to owners								
Ordinary dividends paid	–	–	(6,879)	–	–	(6,879)	–	(6,879)
Share-based compensation	–	–	1,309	–	–	1,309	–	1,309
Issuing on the issue of shares	10	124	–	–	–	134	–	134
Purchase of shares	–	–	–	–	(180)	(180)	–	(180)
Transactions with shareholders	10	124	(5,570)	–	(180)	(5,616)	–	(5,616)
Transfer on disposal of shares	–	–	(369)	–	369	–	–	–
At 31 December 2010	12,466	24,700	75,146	6,032	(579)	117,765	–	117,765

Other reserve movements

Other reserves	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2010	4,897	(960)	3,937
Other comprehensive income for the period	2,788	(693)	2,095
At 31 December 2010	7,685	(1,653)	6,032
Other comprehensive income for the period	(478)	(812)	(1,290)
At 31 December 2011	7,207	(2,465)	4,742

Company statement of movements in equity

For the year ended 31 December 2011

For the year ended 31 December 2011

	Share capital £000	Share premium £000	Retained earnings £000	Hedging reserves £000	Treasury shares £000	Total equity £000
At 1 January 2011	12,466	24,700	38,050	(1,024)	(579)	73,613
Profit for the period	-	-	16,704	-	-	16,704
Other comprehensive income for the period	-	-	(2,387)	(314)	-	(2,701)
Contributions by and distributions to owners						
Ordinary dividends paid	-	-	(7,479)	-	-	(7,479)
Share-based compensation	-	-	1,503	-	-	1,503
Arising on the issue of shares	15	224	-	-	-	239
Purchase of shares	-	-	-	-	(1,449)	(1,449)
Transactions with shareholders	15	224	(5,976)	-	(1,449)	(7,186)
Transfer on disposal of shares	-	-	(347)	-	347	-
At 31 December 2011	12,481	24,924	46,044	(1,338)	(1,681)	80,430

For the year ended 31 December 2010

	Share capital £000	Share premium £000	Retained earnings £000	Hedging reserves £000	Treasury shares £000	Total equity £000
At 1 January 2010	12,456	24,576	35,664	(99)	(768)	71,829
At acquisition	-	-	-	-	-	-
Profit for the period	-	-	9,080	-	-	9,080
Other comprehensive income for the period	-	-	(755)	(925)	-	(1,680)
Contributions by and distributions to owners						
Ordinary dividends paid	-	-	(6,879)	-	-	(6,879)
Share-based compensation	-	-	1,309	-	-	1,309
Arising on the issue of shares	10	124	-	-	-	134
Purchase of shares	-	-	-	-	(180)	(180)
Transactions with shareholders	10	124	(5,570)	-	(180)	(5,616)
Transfer on disposal of shares	-	-	(369)	-	369	-
At 31 December 2010	12,466	24,700	38,050	(1,024)	(579)	73,613

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 jointly controlled entities (together referred to as the Group), for the year ended 31 December 2011

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 on pages 4 to 7. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the primary statements and in note 26. In addition, note 28 of the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risks

As highlighted in note 28 to the financial statements, the Group meets its day to day working capital requirements through operating cash flows, with borrowings in place to fund acquisitions and capital expenditure. The Group also has £32,350,000 of undrawn committed facilities of which £10,000,000 expire within 12 months. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current banking facilities

The Group and Company present their financial statements under International Financial Reporting Standards, 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 5 March 2012

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 £16,704,000 (2010 £9,080,000)

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 2011 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

IAS 24 Related Party Disclosures (revised 2009)
Improvements to IFRS 2010

Interpretations

IFRIC 14 Prepayments of a Minimum Funding Requirement

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

Following the closure of its principal defined benefit scheme in 2010 the Group has changed its accounting for the cost of defined benefit pension schemes. The charges to the income statement now relate mainly to the unwinding of the discount rate on the scheme liability and the expected return on investments. These elements are more similar to a financing cost than an operating expense in nature and consequently these costs are now included as part of finance costs rather than operating profit where they have previously been reported. The impact of this change is explained in note 4

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

Notes to the financial statements continued

1 Significant accounting policies continued

Significant accounting judgements and estimates continued

Pensions

The Group and its subsidiaries participate in a number of pension schemes, including defined benefit schemes. The nature of these defined benefit arrangements, the volatility of the scheme valuations/deficits from time to time, changes in the market conditions for bond yields and equities, and sensitivity to changes in actuarial assumptions (eg as to life expectancy) mean that it is impossible to predict future contribution liabilities with any degree of certainty. Details of the Group pension schemes and the assumptions underlying their valuations are set out in note 24.

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

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy on page 42. An analysis of the Group's goodwill and the assumptions used to test for impairment together with the sensitivity of the impairment review to changes in the key assumptions is set out in note 12.

Impairment of other assets

The Group reviews the carrying value of all assets for indications of impairment at each balance sheet date. If indicators of impairment exist the carrying value of the asset is subject to further testing to determine whether its carrying value exceeds its recoverable amount. The recoverable amount represents the higher of the asset's fair value less costs to sell and its value in use, which is determined by measuring the discounted cash flows arising from the asset (including ultimate realisation on disposal).

Intangible assets

The measurement of intangible assets other than goodwill on business combinations requires the performance of a review of the acquired business to assess whether such assets exist and can be identified separately and reliably measured. Details of the assets identified in the acquisitions made during the year are set out in note 17.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax risk issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. The Group has entered the UK tonnage tax regime under which tax on its ship owning and operating activities is based on the net tonnage of vessels operated. Income and profits outside this regime are taxed under normal tax rules. This means that it is necessary to make estimates of the allocation of some income and expenses between tonnage and non tonnage tax activities. These estimates are subject to agreement with the relevant tax authorities and may be revised in future periods. 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 15 for details of movements on tangible fixed assets in the year.

Investments

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

The Group holds investments in subsidiaries operating in certain jurisdictions where foreign investors are prohibited from owning a majority of the equity share capital of locally domiciled entities. These investments have been structured so that in the opinion of the directors the Group 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.

Basis of preparation of Group accounts

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the purchase method of accounting.

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

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

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

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

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

Foreign currency

(i) Group

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

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

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

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

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

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

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

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

(ii) Company

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

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

The Company's investments in subsidiaries and joint ventures

In its separate financial statements the Company recognises its investments in subsidiaries and joint ventures at cost. Income is recognised from these investments when its right to receive the dividend is established.

Financial assets

The Group recognises three classes of financial assets:

- Loans and receivables,
- Available for sale financial assets, and
- 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.

Notes to the financial statements continued

1 Significant accounting policies continued

Financial assets continued

(a) Loans and receivables continued

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 12 months of the balance sheet date. After initial recognition available for sale financial assets are measured at fair value with gains and losses being recognised as a separate component of other comprehensive income until the investment is derecognised or deemed to be impaired at which point the cumulative gain or loss previously reported in equity is included in the income statement in the period in which it arises.

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

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

(c) Derivatives

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets acquired as part of a business combination are recorded at cost which represents the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

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

Intangible assets having finite lives are amortised over their useful economic life and are assessed for impairment whenever there is an indication that they are impaired. The amortisation period is reviewed at the end of each accounting period and generally, is not expected to exceed five years.

The principal rates used are

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

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

Goodwill

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

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

Warranty costs

Provision is made for warranties offered with products where it is probable that an obligation to transfer economic benefits to the customer in future will arise. This provision is based on management's assessment of the previous history of claims and probability of future obligations arising on a product by product basis. No provisions for warranty costs are included in the balance sheet at 31 December 2011.

Property, plant and equipment

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

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

The principal rates used are

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

No depreciation is charged on assets under construction.

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

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

Impairment of assets

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

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

Research and development costs

Expenditure undertaken by the Group on research is recognised in the income statement as incurred.

Expenditure on development costs, which represents the application of research to the development of new products or processes, is capitalised provided that specific projects are identifiable, technically feasible, and the Group has sufficient resources to complete development. The useful life of projects meeting the criteria for capitalisation would be 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, and
- Net realisable value is based on estimated selling price less the estimated costs of completion and sale or disposal.

Notes to the financial statements continued

1 Significant accounting policies continued

Long term service contracts

(i) General

Where the outcome of a long term contract can be estimated reliably, revenue and costs relating to the construction contract are recognised in accordance with the stage of completion of the contract, in the period in which the work is performed. The stage of completion is assessed by reference to physical progress, attributable man hours and costs incurred measured against the expected outcome based on the most appropriate method for the specific type of contract. Revenue from the contract is recognised under the percentage of completion method whereby recognition is determined by reference to the stage of completion of the contract.

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

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

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

(ii) Bid costs

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

Taxation

Tonnage tax payable by those Group entities who have entered the tonnage tax regime is provided by reference to net tonnage of qualifying vessels at the current rate.

Corporation tax is provided on taxable profits from activities not qualifying for the tonnage tax regime and is recognised in the income statement except to the extent that it relates to a business combination or items recognised directly in equity, or in other comprehensive income.

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

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

- No provision is made where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination that at the time of the transaction affects neither accounting nor taxable profit,
- No provision is made for deferred tax that would arise on all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future,
- Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences and unused tax losses and credits can be deducted,
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date,
- Deferred tax arising on actuarial gains and losses relating to defined benefit pension funds is recorded in 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, or
- 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), and
- 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 to the income statement. Charges are calculated using the effective interest method, and are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.

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.

Notes to the financial statements continued

1 Significant accounting policies continued

Pension plans

(i) Defined contribution scheme

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

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

(ii) Defined benefit scheme

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

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

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

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

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

The liability represents the present value of the defined benefit obligations at the balance sheet date, less the fair value of the scheme assets.

The defined benefit obligations represent the estimated amount of future benefits that employees have earned in return for their services in current and prior periods, discounted at a rate representing the yield on a high quality corporate bond at the balance sheet date, denominated in the same currency as the obligations and having the same terms to maturity as the related pension liability, applied to the estimated future cash outflows arising from these obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan.

An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

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

Share based payments

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

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

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 other comprehensive income) over the remaining vesting period with any element of any adjustments relating to prior periods recognised in the current period. No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, (such as the performance of the group relative to a Group or index composed of third party entities). These are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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.

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.

Segmental reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. All operating segments results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess performance where discrete financial information is available.

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

The Group's geographic information is determined by the location of the Group's assets and operations.

Revenue

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

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

Details of the revenue recognition on long term contracts are included on page 51.

Rentals receivable under operating leases are credited to revenue on a straight line basis over the lease term. There are no rental commitments in respect of long term leasing arrangements.

Non-current assets held for sale

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

Cash and cash equivalents

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

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

Intra Group financial instruments

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

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 2011 with an effective date of implementation after the date of these financial statements

International Accounting Standards (IAS/IFRSs)		Effective Date (for Group)
Amendments to IFRS 1	First-time Adoption of International Financial Reporting standards	from 1 January 2012
Amendments to IFRS 7	Financial Instruments Disclosures	from 1 January 2012

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

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

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

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

Inter segmental sales are made using prices determined on an arm's length basis

No individual customer accounted for more than 10% of external revenue in the periods included in the financial statements

Information on operating segments relating to 2010 has been revised to reflect the change in accounting for pension costs referred to in note 1 above. Segmental information has also been revised to transfer certain shipping service activities relating to Marine Oil from Specialist Technical to Marine Oil. The effect for the year ended 31 December 2010 is to increase the segmental profits attributable to Specialist Technical Services by £581,000 and reduce the segmental profits attributable to Marine Oil by the same amount

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 2011 and 2010

Further information on the activities of these segments is included in the Chairman's statement on pages 4 to 7

Year ended 31 December 2011

	Specialist Technical Services £000	Offshore Oil Services £000	Defence £000	Marine Oil £000	Corporate* £000	Total £000
Segmental revenue	146,521	71,580	29,271	66,805	–	314,177
Inter segment sales	(5,077)	(369)	(1,107)	–	–	(6,553)
Group revenue	141,444	71,211	28,164	66,805	–	307,624
Underlying operating profit	19,792	12,783	5,490	1,145	(3,077)	36,133
Amortisation of acquired intangibles	(113)	(141)	–	–	–	(254)
Profit from operations including results of associates and joint ventures	19,679	12,642	5,490	1,145	(3,077)	35,879
Finance income						322
Finance costs						(6,450)
Profit before tonnage and income tax						29,751
Tonnage and income tax						(5,634)
Profit attributable to equity holders						24,117
Share of post tax results of associates and joint ventures	2,086	–	3,599	–	–	5,685
Assets and liabilities						
Segment assets	117,276	120,518	28,994	63,338	(996)	329,130
Investment in joint ventures	7,336	–	5,198	–	–	12,534
Total assets						341,664
Segment liabilities	(25,600)	(10,688)	(10,440)	(17,903)	(145,354)	(209,985)
Other segment information						
Capital expenditure						
Property, plant and equipment	4,146	11,110	192	1,506	181	17,135
Depreciation	2,323	6,201	324	4,412	168	13,428
Amortisation of intangible assets	411	221	–	–	–	632

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

* Corporate liabilities comprise bank loans, pension schemes and corporate and deferred tax liabilities

Notes to the financial statements continued

2 Segmental information continued

Business segments

Year ended 31 December 2010

	Specialist Technical Services £000	Offshore Oil Services £000	Defence £000	Marine Oil £000	Corporate* £000	Total £000
Revenue						
Segmental revenue	120,493	58,729	21,363	71,857	–	272,442
Inter segment sales	(3,826)	(189)	(78)	–	–	(4,093)
Group revenue	116,667	58,540	21,285	71,857	–	268,349
Underlying operating profit	18,478	11,023	5,263	725	(3,006)	32,483
Acquisition costs	(406)	(604)	–	–	–	(1,010)
Amortisation of acquired intangibles	(61)	(116)	–	–	–	(177)
Profit from operations including results of associates and joint ventures	18,011	10,303	5,263	725	(3,006)	31,296
Finance income						256
Finance costs						(5,611)
Profit before tonnage and income tax						25,941
Tonnage and income tax						(6,109)
Profit attributable to equity holders						19,832
Share of post tax results of associates and joint ventures	1,688	–	2,992	–	–	4,680
Assets and liabilities						
Segment assets	108,581	113,551	18,268	68,618	1,600	310,618
Investment in joint ventures	4,017	–	7,676	–	–	11,693
Total assets						322,311
Segment liabilities	(18,742)	(11,807)	(3,839)	(20,436)	(149,722)	(204,546)
Other segment information						
Capital expenditure						
Property, plant and equipment	8,050	19,180	756	1,758	9	29,753
Depreciation	1,911	4,761	320	4,168	176	11,336
Amortisation of intangible assets	61	116	–	–	–	177

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

* Corporate liabilities comprise bank loans, pension schemes and corporate 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 2011 and 2010. 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 & Americas		Asia Pacific		Total	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Revenue										
Segmental revenue	135,388	119,373	80,143	66,589	42,178	40,994	56,468	45,486	314,177	272,442
Inter segment sales	(6,431)	(4,093)	(122)	–	–	–	–	–	(6,553)	(4,093)
Group revenue	128,957	115,280	80,021	66,589	42,178	40,994	56,468	45,486	307,624	268,349
Segment assets	84,250	76,652	28,783	21,885	5,044	5,544	12,597	9,463	130,674	113,544
Investment in joint ventures	3,412	5,319	222	228	6,127	3,269	2,773	2,877	12,534	11,693
Financial assets	1,370	1,370	–	–	–	–	–	–	1,370	1,370
Other non-current assets	144,443	136,929	39,671	45,573	2,743	2,467	10,229	10,735	197,086	195,704
									341,664	322,311

3 Revenue

Revenue disclosed in the income statement is analysed as follows:

	2011 £000	2010 £000
Sale of goods and services	267,567	239,569
Rental income	32,705	28,780
Contract revenue recognised in the period	7,350	–
Total revenue	307,624	268,349

Construction contracts

	2011 £000	2010 £000
Amounts included in the income statement		
Contract revenue recognised in the period	7,350	–
Costs relating to contract revenue recognised in the period	5,910	–
Recognised as profits in the period and to date	1,440	–
Amounts included in the balance sheet		
Amount due from customers included in receivables	7,350	–
Included in accruals and deferred revenue	(542)	–
Amounts included in trade creditors	(4,039)	–
Net investment in contract work in progress	2,769	–

Notes to the financial statements continued

4 Adjustment arising from change in accounting policy

As explained in note 1, the results of earlier years have been restated to include the unwinding of the discount on pension liabilities and expected return on pension assets within finance costs rather than in operating expenses. The impact on operating profit and finance costs for the period concerned is as follows

31 December 2010
£000

Operating profit	
As previously reported	29,928
Adjustment	1,368
Restated	31,296
Net finance costs	
As previously reported	(4,243)
Adjustment	(1,368)
Restated	(5,611)

These adjustments have no impact on profit before tax for the period, cash flow or equity

A balance sheet in respect of earlier periods has not been presented as the accounting policy change does not have any effect on the balance sheet presentation

5 Operating profit

This is stated after charging/(crediting)

	2011 £000	2010 £000
Loss/(profit) on sale of property, plant and equipment	335	(612)
Depreciation of property, plant and equipment		
Ships	4,693	4,325
Other	8,735	7,011
Total depreciation charge	13,428	11,336
Amortisation of intangible assets	632	177
Research and development costs	1,648	1,489
Net foreign currency losses	517	532
Cost of inventories recognised as an expense	106,637	74,188
Operating lease rentals		
Property	3,452	2,944
Ships	10,699	12,721
Other	594	578
	14,745	16,243

Auditor's remuneration comprises the following

	2011 £000	2010 £000
Audit of the financial statements of the parent	165	184
Fees payable to the Company's auditor and its associates for other services		
Local statutory audits of subsidiaries	235	258
	400	442
Taxation services	112	121
Corporate finance services	–	195
Other services	13	–
	525	758

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	
	2011 £000	Restated (note 4) 2010 £000
Wages and salaries	61,703	55,312
Social security costs	5,748	4,920
Pension costs (see note 24)	1,380	2,071
Share based compensation	1,503	1,309
	70,334	63,612

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

	Group	
	2011 Number	2010 Number
Technical and administrative	1,387	1,248
Seafarers	259	272
	1,646	1,520

(b) Directors' emoluments

	2011 £000	2010 £000
Directors' emoluments	1,905	1,790
Aggregate gains made by directors on the exercise of options	–	–
Amounts receivable under long term incentive plans	–	–
Pension contributions to defined contribution schemes	93	53
Number of directors accruing benefits under		
Defined benefit schemes	–	1
Defined contribution schemes	3	3

Full details of the emoluments of directors are set out in the directors' remuneration report on pages 24 to 29

7 Finance income/(costs)

	2011 £000	Restated (note 4) 2010 £000
Bank interest receivable	322	256
Interest payable on		
Bank loans and overdrafts	(4,398)	(4,101)
Amortisation of loan arrangement fees	(551)	(389)
Preference dividend	(4)	(3)
Finance charges payable under finance leases	(66)	(33)
Interest on pension obligations	(1,423)	(1,368)
Other interest	(8)	(1)
	(6,450)	(5,895)
Interest on bank loans capitalised	–	284
	(6,450)	(5,611)

Interest was capitalised in 2010 at the rate applying to the specific funds borrowed in respect of the project or where no specific funds were obtained at a rate consistent with the Group's general borrowing costs. In 2010 rates varied between 3.0% and 4.7%.

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

	2011 £000	2010 £000
Current tax:		
UK corporation tax	(2,700)	(5,135)
Tax overprovided in previous years	935	–
Foreign tax	(2,381)	(1,883)
Total current tax	(4,146)	(7,018)
Deferred tax		
Origination and reversal of temporary differences	(1,465)	933
Total taxation on continuing operations	(5,611)	(6,085)

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

	2011 £000	2010 £000
Income tax expense reported in Group income statement	5,611	6,085
Share of joint ventures' current tax	152	256
Total income tax expense	5,763	6,341

Income tax on comprehensive income

	Group	
	2011 £000	2010 £000
Current tax:		
Current tax on foreign exchange losses/(profits) on internal loans	177	(186)
Current tax on contributions to defined benefit pension schemes	881	539
Current tax on contributions to defined benefit pension schemes – relating to prior year	1,770	–
Deferred tax:		
Deferred tax relating to the actuarial gains and losses on defined benefit pension schemes	(547)	3,426
Deferred tax relating to share based payments	–	9
Deferred tax relating to fair value of derivatives	164	337
	2,445	4,125

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

	2011 £000	2010 £000
Profit before tax from continuing operations	29,751	25,941
Tax arising in interests in joint ventures (note 15)	152	256
	29,903	26,197
At UK statutory tax rate of 26.5% (2010: 28%)	7,924	7,335
Difference due to application of tonnage tax to vessel activities	(248)	583
Expenses not deductible for tax purposes	202	257
(Over)/under provision in previous years		
Current tax	(935)	–
Deferred tax	1,016	(560)
Share based payments	(82)	151
Lower taxes on overseas income	(1,360)	(1,166)
Research and development relief	(151)	(105)
Utilisation of losses brought forward	(6)	(112)
Non taxable income	(411)	–
Impact of change of rate	(270)	(28)
Other	84	(14)
	5,763	6,341

The effective income tax rate on the underlying profit before tax is 19.0% (2010: 22.7%). The effective rate on profit before income and tonnage tax from continuing operations is 19.1% (2010: 23.2%).

Unrecognised tax losses

At 31 December 2011 the Group has unrecognised tax losses of £2,397,000 (2010: £2,337,000). 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 in respect of certain of its ship related activities with effect from 2000. The election had the effect of eliminating 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. There is a contingent liability relating to the FT Everard & Sons Limited fleet which entered tonnage tax in 2006 at 31 December 2011 of £194,000 (2010: £507,000). This assumes that any such ships unsold at 31 December 2011 are sold at the lower of net book value at that date and market value on entry into tonnage tax and that after 2011 no reliefs are available to reduce the balancing charge giving rise to the liability other than the seven year tapering relief provided in the Finance Act 2000.

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

UK corporation tax rates are reducing from 28% to 23% over a period of four years from 2011. The first reduction in the UK corporation tax rate from 28% to 26% was effective from 1 April 2011. The second reduction in the rate to 25% and will be effective from 1 April 2012. This will reduce the Group's future current tax charge accordingly. The deferred tax balance at 31 December 2011 has been calculated based on application of the reduced 25% UK Corporation tax rate from the relevant date and the impact of the remeasurement has been included in profit or loss and other comprehensive income as appropriate. As the reduction to 23% is not substantively enacted at the balance sheet date it has not been accounted for. It has not been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax assets.

Notes to the financial statements continued

9 Deferred tax

Group

Deferred tax at 31 December relates to the following

	Group balance sheet		Group income statement	
	2011 £000	2010 £000	2011 £000	2010 £000
Deferred tax assets				
Retirement benefits	5,886	6,259	(175)	682
Share based payments	692	482	(210)	151
Derivative financial instruments	500	337	–	–
	7,078	7,078		
Deferred tax liabilities				
Property plant and equipment	(4,095)	(3,088)	586	199
Intangible assets	(2,003)	(986)	1,163	(72)
Other items	543	354	101	(27)
	(5,555)	(3,720)		
Deferred income tax charge			1,465	933
Net deferred income tax asset	1,523	3,358		

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

	2011 £000	2010 £000
Balance at 1 January	3,358	(1,147)
Charged to comprehensive income	(383)	3,772
(Charged)/credited to income statement	(1,465)	933
Exchange adjustments	13	9
Acquisition of subsidiaries	–	(462)
Disposal of subsidiaries	–	253
Balance at 31 December	1,523	3,358

At 31 December 2011 the Group has no recognised deferred income tax liability (2010: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. At 31 December 2011 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £19,332,000 (2010: £15,681,000). No deferred income tax liability has been recognised in respect of this temporary timing difference due to the foreign profits exemption, the availability of double taxation relief and the ability to control the remittance of earnings.

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

Company

Deferred tax at 31 December relates to the following

	Company balance sheet	
	2011 £000	2010 £000
Deferred tax assets		
Retirement benefits	3,770	3,831
Temporary differences	368	86
Share based payments	692	482
Accelerated capital allowances for tax purposes	34	57
Derivative financial instruments	290	237
	5,154	4,693

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

	2011 £000	2010 £000
Balance at 1 January	4,693	2,531
Charged to equity in statement of comprehensive income	(68)	1,554
Credited to income statement	529	608
Balance at 31 December	5,154	4,693

At 31 December 2011 the Company has no recognised deferred income tax liability (2010 £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. At 31 December 2011 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £19,332,000 (2010 £15,681,000). No deferred income tax liability has been recognised in respect of this temporary timing difference due to the foreign profits exemption, the availability of double taxation relief and the ability to control the remittance of earnings.

Notes to the financial statements continued

10 Earnings per share

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

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

At 31 December 2011 389,000 options (2010 536,000) were excluded from the diluted weighted average number of Ordinary shares calculation as their effect would have been anti-dilutive

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

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

Weighted average number of shares

	2011 number of shares	2010 number of shares
For basic earnings per Ordinary share*	49,777,165	49,693,215
Potential exercise of share options and LTIPs	425,687	307,411
For diluted earnings per Ordinary share	50,202,852	50,000,626

* Excludes 329,615 (2010 126,698) 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 the costs of any business combinations and amortisation of acquired intangibles

	2011 £000	2010 £000
Profit attributable to owners of the Company	24,091	19,832
Adjustments		
Acquisition expenses	–	1,010
Amortisation of acquired intangibles net of tax	182	127
Adjusted profit attributable to owners of the Company	24,273	20,969
	pence	pence
Basic earnings per share on profit from operations	48.4	39.9
Diluted earnings per share on profit from operations	48.0	39.7
Adjusted basic earnings per share on profit from operations	48.8	42.2
Adjusted diluted earnings per share on profit from operations	48.4	41.9

11 Dividends paid and proposed

	2011 £000	2010 £000
Declared and paid during the year		
Equity dividends on Ordinary shares		
Final dividend for 2010 9.68p per share (2009 8.80p)	4,830	4,385
Interim dividend for 2011 5.34p per share (2010 5.04p)	2,666	2,511
Less dividends on own shares held by ESOP	(17)	(17)
	7,479	6,879

Proposed for approval at Annual General Meeting (not recognised as a liability at 31 December)

Equity dividends on Ordinary shares		
Final dividend for 2011 10.74p per share (2010 9.68p)	5,327	4,815

12 Goodwill Group

	2011 £000	2010 £000
Cost and net book value:		
At 1 January	87,518	73,141
Exchange differences	(232)	349
Acquisition of subsidiaries	65	14,028
At 31 December	87,351	87,518

Goodwill in respect of the prior year has been restated in respect of fair value adjustments relating to the acquisition of Rigcool Limited. Further details are included in note 17.

Impairment of goodwill

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

	2011 £000	2010 £000
Specialist Technical	29,777	29,740
Offshore Oil	41,945	42,149
Defence	5,370	5,370
Manne Oil	10,259	10,259
	87,351	87,518

The recoverable amount of these units has been assessed based on value in use calculations using cash projections based on financial budgets approved by the Board for the next financial year together with projections derived from those budgets for the following four years. A terminal value of cash flows beyond that date has been calculated at a growth rate in line with management's long term expectations for the relevant market.

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

Growth estimates are based on the levels achieved in the current and historic periods adjusted for management expectations of the impact of management actions and the future development of the relevant market. Growth rates for turnover vary between 1% and 31%. 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 3%.

Payroll inflation reflects the fact that the Group provides specialist services in a competitive market. Payroll costs are therefore influenced by the need to retain skilled staff. As a result the initial growth rates for payroll costs range between 2.5% in mature business to up to 25% for specific posts in businesses located in areas where skilled staff are in short supply.

Discount rates reflect management's estimate of the return required from the business to reflect the cost of funds plus an appropriate risk premium. This has been determined with reference to the CGU's weighted average cost of capital (WACC), and adjusting it for risks specific to each CGU's cash flows. The range of pre-tax discount rate used is 9.5% to 11.0% (2010 range of 9.7% to 10.7%). An effective tax rate of 22.5% has been assumed.

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

The key assumptions applied to each CGU are as follows:

- Specialist Technical Services, maximum short term gross profit growth of between 2 and 19% with long term growth of 2%, maximum growth in direct costs of 40% with 2% increase in the long term,
- Offshore Oil Services, maximum short term gross profit growth of between 5 and 19% with long term growth of 2%, maximum growth in direct costs of 28% with 2% increase in the long term,
- Defence, maximum short term gross profit growth of 7% with long term growth of 2%, maximum growth in direct costs of 3% with 2% increase in the long term,
- Manne Oil, maximum short term gross profit growth of 11% with long term growth of 1%, maximum growth in direct costs of 2% with 1% increase in the long term, and
- Long term growth has been assumed at a steady market rate 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 (eg increase in discount rate by 2%, removal of long term growth) and no impairment issues were identified.

Notes to the financial statements continued

13 Other intangible assets

Group

	Development costs £000	Intellectual property £000	Customer relationships £000	Total £000
Cost				
At 1 January 2010	–	93	254	347
Additions	1,125	304	–	1,429
Acquisition of subsidiary undertaking	–	–	928	928
Exchange differences	–	–	18	18
At 31 December 2010	1,125	397	1,200	2,722
Additions	3,603	149	230	3,982
Exchange differences	–	(3)	(7)	(10)
At 31 December 2011	4,728	543	1,423	6,694
Amortisation				
At 1 January 2010	–	29	21	50
Charge for the period	–	44	133	177
Exchange differences	–	–	2	2
At 31 December 2010	–	73	156	229
Charge for the period	243	135	254	632
Exchange differences	–	(1)	(3)	(4)
At 31 December 2011	243	207	407	857
Net book value at 31 December 2011	4,485	336	1,016	5,837
Net book value at 1 January 2011	1,125	324	1,044	2,493
Net book value at 1 January 2010	–	64	233	297

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 3 and 20 years. The amortisation charge is included in cost of sales in the income statement

In 2010 the Group recognised intangible assets in respect of the fair value of the customer relationships arising from the acquisition of GMC Produkt AS, Australia Commercial Manne, Rigcool UK and Australia, and Maritime Engineers. These are being amortised over five years. Further details of the acquisitions are set out in note 17

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

The Company has not recognised any intangible assets

14 Property, plant and equipment

	Analysis of ships		Total ships £000	Assets under construction £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
	Ships £000	Refit £000					
Group							
Cost:							
At 1 January 2010	75,377	7,478	82,855	1,493	29,261	44,380	157,989
Additions	91	2,411	2,502	499	7,188	13,234	23,423
Reclassifications	-	-	-	(1,569)	825	744	-
Acquisition of subsidiary undertaking	-	-	-	-	1,408	4,922	6,330
Disposals	(7,288)	(150)	(7,438)	-	(444)	(1,002)	(8,884)
Disposal of subsidiary undertaking	-	-	-	-	(17,467)	-	(17,467)
Exchange differences	229	50	279	-	(384)	653	548
At 31 December 2010	68,409	9,789	78,198	423	20,387	62,931	161,939
Additions	474	965	1,439	1,403	947	13,257	17,046
Reclassifications	-	-	-	(578)	(35)	250	(363)
Acquisition of subsidiary undertaking	-	-	-	-	-	89	89
Disposals	(4,400)	(706)	(5,106)	-	(111)	(1,328)	(6,545)
Exchange differences	(9)	(2)	(11)	-	(3)	(463)	(477)
At 31 December 2011	64,474	10,046	74,520	1,248	21,185	74,736	171,689
Group							
Depreciation and impairment:							
At 1 January 2010	22,803	5,144	27,947	-	1,700	17,256	46,903
Provided during the year	3,048	1,277	4,325	-	513	6,498	11,336
Disposal of subsidiary undertaking	-	-	-	-	(44)	-	(44)
Disposals	(543)	(140)	(683)	-	(49)	(561)	(1,293)
Exchange differences	37	24	61	-	11	282	354
At 31 December 2010	25,345	6,305	31,650	-	2,131	23,475	57,256
Provided during the year	2,938	1,755	4,693	-	533	8,202	13,428
Reclassifications	-	-	-	-	-	(16)	(16)
Disposals	(1,288)	(698)	(1,986)	-	(24)	(560)	(2,570)
Exchange differences	(2)	(1)	(3)	-	(20)	(284)	(307)
At 31 December 2011	26,993	7,361	34,354	-	2,620	30,817	67,791
Net book value at 31 December 2011	37,481	2,685	40,166	1,248	18,565	43,919	103,898
Net book value at 1 January 2011	43,064	3,484	46,548	423	18,256	39,456	104,683
Net book value at 1 January 2010	52,574	2,334	54,908	1,493	27,561	27,124	111,086

Reclassifications represent capital under construction on completion, or assets, originally held for rental, ceased to be rented and are held for resale and have been transferred to inventory

All loans which were secured against property, plant and equipment were repaid in 2010

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2011 was £1,374,000 (2010 £1,506,000). Included in ships are assets with a cost of £5,711,000 (2010 £5,866,000) and accumulated depreciation of £3,687,000 (2010 £3,265,000) which relate to assets held under operating leases. Included in the cost of property, plant and equipment is aggregate interest capitalised of £2,383,000 (2010 £2,383,000)

Notes to the financial statements continued

14 Property, plant and equipment continued

	Ships £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
Company				
Cost:				
At 1 January 2010	8,764	1,899	977	11,640
Additions	339	2	8	349
Disposals	–	–	(30)	(30)
Inter group transfers	–	–	(20)	(20)
At 31 December 2010	9,103	1,901	935	11,939
Additions	115	–	183	298
Disposals	–	–	(17)	(17)
Inter group transfers	–	–	93	93
At 31 December 2011	9,218	1,901	1,194	12,313
Company				
Depreciation:				
At 1 January 2010	3,487	552	686	4,725
Provided during the year	365	77	99	541
Disposals	–	–	(10)	(10)
Inter group transfers	–	–	(10)	(10)
At 31 December 2010	3,852	629	765	5,246
Provided during the year	478	73	96	647
Disposals	–	–	(17)	(17)
Inter group transfers	–	–	90	90
At 31 December 2011	4,330	702	934	5,966
Net book value at 31 December 2011	4,888	1,199	260	6,347
Net book value at 1 January 2011	5,251	1,272	170	6,693
Net book value at 1 January 2010	5,277	1,347	291	6,915

Included in the cost of property, plant and equipment is aggregate interest capitalised of £187,000 (2010 £187,000)

15 Investment in joint ventures

The Group has a 25% equity interest in the Ordinary shares of Foreland Holdings Limited, a shipowning and operating company

On 1 January 2011 the Group acquired an additional 5% equity interest in its Nigerian based joint venture Fender Care Nigeria Limited. Following the acquisition the Group has a 45% equity interest in the Ordinary shares of Fender Care Nigeria Limited, Silvertide Inc, Astena 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 and a 30% equity interest in the Ordinary shares of Fender Care Malaysia SDN BHD. These joint ventures, which are referred to as the FCM businesses, are manne services companies operating ship to ship transfers principally in the West Africa region but also in Northern Europe and Asia.

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

Full details are included in the list of joint ventures and associated undertakings set out on page 90.

The Group's share of the assets, liabilities and trading results of these joint venture entities at 31 December 2011 which are accounted for under the equity accounting method, are as follows:

	2011 £000	2010 £000
Current assets	17,048	18,258
Non-current assets	63,128	65,106
Current liabilities	(9,330)	(12,056)
Non-current liabilities	(60,110)	(61,422)
Loans to associate	1,798	1,807
	12,534	11,693
Revenue	25,370	21,199
Cost of sales	(14,772)	(11,316)
Administrative expenses	(2,008)	(2,084)
Profit from operations	8,590	7,799
Finance costs		
Finance income	9	9
Finance costs	(2,742)	(2,872)
Profit before tonnage and income tax	5,857	4,936
Taxation	(152)	(256)
Profit after tax	5,705	4,680
Non-controlling interests	(20)	–
Net profit attributable to equity holders	5,685	4,680
Movement on investment in joint ventures		
At 1 January	11,693	8,978
Acquisitions	1,226	20
Provision against investments	(6)	(28)
Disposals	72	–
Profit for the period	5,685	4,680
Dividends received	(5,913)	(2,804)
Share of fair value gains on cash flow hedges	(399)	429
Non-controlling interests	20	–
Exchange adjustments	156	418
At 31 December	12,534	11,693

There are no capital commitments or contingent liabilities in respect of the Group's interests in joint ventures.

Notes to the financial statements continued

16 Financial assets

Group

Available for sale

	2011 £000	2010 £000
At 1 January and 31 December 2011	1,370	1,370
Company		
At 1 January and 31 December 2011	1,368	1,368

Available for sale financial assets represents the following items

A 17.2% (2010: 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

A 16.7% (2010: 16.7%) equity interest in Ordinary shares in Cumbria Nuclear Solutions Limited a company established to facilitate the tendering and acquisition of contracts relating to the Group's nuclear decommissioning business. The remaining shares are held equally by five other parties representing other decommissioning businesses offering services complementary to those offered by companies within the Group

An investment in 800 shares in The Baltic Exchange representing 0.2% of the issued share capital

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 2011.

Investments

Company

	Subsidiary undertakings		Total £000
	Shares £000	Loans £000	
Cost			
At 1 January 2010	80,533	98,556	179,089
Exchange adjustments	–	430	430
Additions/increases	512	49,605	50,117
Repayments	–	(30,415)	(30,415)
At 31 December 2010	81,045	118,176	199,221
Exchange adjustments	–	(331)	(331)
Additions/increases	537	42,206	42,743
Transfer to subsidiaries	2,258	(2,258)	–
Repayments	–	(27,926)	(27,926)
At 31 December 2011	83,840	129,867	213,707
Amount provided			
At 1 January 2010 and 31 December 2010	445	479	924
Released	–	(46)	(46)
At 31 December 2011	445	433	878
Net book value at 31 December 2011	83,395	129,434	212,829
Net book value at 31 December 2010	80,600	117,697	198,297

A list of principal subsidiary undertakings is included on pages 89 to 90

17 Business combinations

Year ended 31 December 2011

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

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

Details of the assets and liabilities of James Fisher Angola acquired are shown in the table below.

	Angola book value £000	Fair value adjustments £000	Total £000
Intangible assets			
Customer relationships	–	230	230
Property, plant and equipment	89	–	89
Other debtors	49	–	49
Trade and other payables	(431)	–	(431)
Fair value of net assets acquired	(293)	230	(63)
Non-controlling interests			117
			54
Consideration			
Cash			54

Year ended 31 December 2010

On 1 March 2010 the Group acquired the business and certain assets of Australian Commercial Marine Pty Ltd (ACM), for a cash consideration of £3,185,000 and acquisition costs which were expensed to the income statement of £223,000. ACM provides marine equipment to the commercial shipping, port and offshore industries in Western Australia. The acquisition will enable the Group's Fendercare business to further expand its operations in the Asia Pacific region. The principal assets acquired were long term leases on the offices and warehousing facilities used by ACM and rented to third parties.

On 29 April 2010 the Group acquired the entire issued share capital of GMC Produkt AS (GMC), for a net cash consideration of £10,685,000 plus the assumption of £339,000 of debt and acquisition costs of £321,000. GMC provides lifting equipment, cranes, winches and related services to the Norwegian offshore and oilfield services markets. The acquisition enables the Group to expand its existing Stavanger based businesses serving the Norwegian offshore services sector.

On 23 September 2010 the Group acquired the entire issued share capital of Rigcool Limited and its sister company Rigcool Australia Pty Limited (Rigcool), for a net cash consideration of £1,943,000 and the assumption of £2,165,000 of debt. Acquisition costs expensed in the income statement were £283,000. Rigcool supplies a range of submersible and booster pumps and high tech nozzles plus supporting manpower to drilling rigs for use in well testing operations. The businesses which are based in Aberdeen and Perth, Western Australia will be integrated into the Group's Scan Tech Offshore business.

On 3 December 2010 the Group acquired the entire issued share capital of Maritime Engineering Limited (ME) for a net cash consideration of £1,349,000 plus acquisition expenses of £124,000. ME is a marine engineering consultancy and inspection company. The business which is based in Perth, Australia will be integrated into the Group's Fendercare products business.

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.

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. Cashflow forecasts have been calculated over five years being the expected period over which the Group will benefit from the relationships which have been inherited with the acquisitions. The calculations are based on local management forecasts and have been discounted at rates of between 20% and 30% reflecting the risks associated with these cash flows.

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

Notes to the financial statements continued

17 Business combinations continued

Adjustments to provisional fair values

Adjustments have been made to the balance sheet for the year ended 31 December 2010 to incorporate changes to the provisional fair values relating to the Rigcool acquisition in respect of an adjustment of £738,000 relating to potential litigation. This is net of deferred taxation of £273,000.

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

Deferred consideration of £79,000 has been paid in respect of the acquisition of GMC.

Disposals

Year ended 31 December 2011

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

Year ended 31 December 2010

On 26 June 2010 the Group completed the disposal of Scan Tech Eiendom AS (STE) for a gross consideration of £17,016,000 including internal and external debt. Net consideration excluding the repayment of debt was £712,000 of which £459,000 was payable following finalisation of the completion accounts. This consideration was received in 2011. STE owned the Group's newly constructed Stavanger headquarters and contained the related financial liabilities incurred during construction. The property has been leased back by Scan Tech AS under an operating lease arrangement for a period of 15 years.

18 Inventories

	Group	
	2011 £000	2010 £000
Work in progress	7,111	5,239
Raw materials and consumables	10,830	9,549
Finished goods	15,750	17,795
	33,691	32,583

	Group	
	2011 £000	2010 £000
Inventories stated at net realisable value	22	72
Amount charged to the income statement in the period in respect of inventory write-downs	265	22
Reversal of inventory write-downs	(36)	(7)

19 Trade and other receivables

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade receivables	51,388	44,088	3	2
Amounts owed by group undertakings	-	-	721	4,783
Amounts owed by joint venture undertakings	841	794	32	42
Other non-trade receivables	4,471	5,663	703	572
Prepayments and accrued income	23,826	10,871	150	134
	80,526	61,416	1,609	5,533

Of the above other trade receivables of £5,000 (2010: £16,000) 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 28.

20 Cash and cash equivalents

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

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

21 Share capital
Group and Company
Authorised
Allotted, called up and fully paid

In thousands of shares	25p Ordinary shares		£1 cumulative preference shares	
	2011	2010	2011	2010
In issue at 1 January	49,863	49,823	100	100
Exercise of share options	62	40	–	–
In issue 31 December	49,925	49,863	100	100
	2011 £000	2010 £000	2011 £000	2010 £000
Issued share capital	12,481	12,466	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	2011 £000	2010 £000
329,615 (2010: 126,698) Ordinary shares of 25p	1,681	579

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 2011 was £1,677,740 (2010: £639,825). The trust has not waived its right to receive dividends.

During the year 62,136 (2010: 40,455) Ordinary shares with an aggregate nominal value of £15,534 (2010: £10,114) were issued under the Company's Executive Share Option Scheme (ESOS) and Savings Related Share Option Scheme (SRSOS) at option prices of between 327p and 468p per share, (2010: between 211p and 352p) giving rise to a total consideration of £238,950 (2010: £134,639).

22 Other reserve movements

Other reserves comprise the following

Translation reserve

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

Hedging reserve

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

Notes to the financial statements continued

23 Trade and other payables

Non-current liabilities

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Accruals and deferred income	607	1,841	–	–
	607	1,841	–	–

Current liabilities

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Trade payables	24,631	23,453	1,471	924
Amounts owed to group undertakings	–	–	12,561	13,476
Amounts owed to joint venture undertakings	2,073	–	–	–
Taxation and social security	2,090	1,843	76	238
Other payables	1,627	2,750	441	285
Accruals and deferred income	28,703	17,570	2,779	2,002
Contingent consideration	–	79	–	–
	59,124	45,695	17,328	16,925

24 Retirement benefit assets and obligations

The retirement benefit obligations included in the Group and Company balance sheets relate to The James Fisher and Sons plc Pension Fund for Shore Staff, (Shore staff), together with the Group's obligations to the Merchant Navy Officers Pension Fund (MNOFF), 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 MNOFF scheme, the balance of which relates to its subsidiary, FT Everard & Sons.

The Group has two defined benefit schemes located in Norway. These are included in the table below at their fair value based on an actuarial valuation as at 31 December 2011.

The valuations of the schemes have been updated to 31 December 2010 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 2011 were as follows:

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Shore staff pension scheme	(10,840)	(9,137)	(10,840)	(9,137)
MNOFF pension scheme	(19,219)	(20,662)	(9,866)	(10,610)
GMC pension scheme	(74)	13	–	–
	(30,133)	(29,786)	(20,706)	(19,747)

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 2011.

The scheme closed to future accrual on 31 December 2010. No contributions from employees were made in 2011. In 2010 the Company contributed 14.4% of pensionable pay.

Contributions to the scheme from the Company amounted to £1,196,000 (2010: £1,196,000) in the year. A revised level of contributions of £1,615,000 will be made in 2012 following the agreement of the valuation carried out at 1 August 2010.

In 2005 the Company decided to close the Shore staff scheme to existing members from 31 December 2010. At this time members contributing to the scheme can transfer to a stakeholder scheme option. During the remaining period the scheme remained open to existing members the rate of growth of pensionable salary reduced to 1.5%.

Following the announcement by the Pensions Minister on 8 July 2010 that the government will in future use CPI in place of RPI in determination of pension increases, the Group has obtained legal advice to determine where it can apply the lower CPI measure. As a result inflation in line with CPI rather than RPI, has been applied to the excess revaluation for non-pensioners at 31 December 2010. This was taken to the statement of comprehensive income as a change in assumptions, with no constructive obligation identified.

In 2011 the Shore staff scheme offered pensioners the option of foregoing future increases in pension payments in exchange for a fixed pension entitlement set at a higher level than the previous variable entitlement. Taking into account those pensioners who chose this option and an estimate of the expected take up rate by members eligible in future periods, the actuaries have calculated that this variation has reduced the Company's pension obligation in respect of the Shore staff scheme by £785,000. This amount is included in the administrative expenses in the income statement in the year ended 31 December 2011.

Merchant Navy Officers Pension Fund

In 2005 the High Court established that former, as well as existing employers, are liable to make payments in respect of the funding deficit of the MNOFF. The Company was informed by the Trustees as to the level of annual payments it will be required to make into the fund over a period of ten years commencing October 2005 representing its share of the deficit disclosed in the initial actuarial valuation carried out as at 31 March 2003 of £193,500,000. Since that date further adjustments have been made arising from the acquisition of FT Everard in December 2006, a reallocation of the 2003 deficit arising from an anticipated shortfall of receipts from existing contributors in February 2007 and following the incorporation of the valuation of the scheme as at 31 March 2006 when an additional £164,100,000 liability was recognised.

As stated in note 29 the Trustees have also indicated that they may make calls for further contributions in the future, if new deficits arise or if other employers liable for contributions are not able to pay their share. In April 2010 the Company was notified of the result of the valuation carried out at 31 March 2009 in which an additional £390,000,000 was recognised and further payments requested from the Group commencing September 2010. There have been no further changes in the liability in 2011. The total amount paid by the Group in 2011 to the MNOFF was £3,031,000 (2010: £2,660,000).

Since the Company has no control over the calls for contributions made from the MNOFF, 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 MNOFF as advised by the Trustees is Group 3.3% (2010: 3.3%) and Company 1.7% (2010: 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 MNOFF has been reviewed by the Company's actuaries. The principal assumption in the review is the discount rate on the scheme's liabilities which is 5.05% (2010: 5.75%). The disclosures below relate to the Group's share of the assets and liabilities within the MNOFF. The Group is not liable for future accrual but it is liable for contributions to correct any deficit.

Actuarial assumptions

The last actuarial valuations performed have been updated to 31 December 2011 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:

	2011	2010
Inflation (long term rate after adjustment for short term fluctuations) (%)	3.0	3.4
Rate of general long term increase in salaries – Shore staff (%)	N/A	N/A
Rate of increase of pensions in payment – Shore staff (%)	2.6-3.0	3.0-3.4
Discount rate for scheme liabilities (%)	5.05	5.75
Expected rates of return on assets (%)		
Equities	8.4	8.4
Property	7.4	7.4
Fixed interest bonds	4.2	4.9
Gilts/corporate bonds	4.2/5.8	4.2/5.9
Other assets	4.2	4.2
Post retirement mortality (years)		
Shore staff scheme		
Current pensioner at 65 male	20.3	20.3
Current pensioner at 65 female	23.4	23.3
Future pensioner at 65 male	22.1	22.1
Future pensioner at 65 female	25.2	25.2
GMC Produkt		
Current pensioner at 65 male	20.3	20.7
Current pensioner at 65 female	23.4	23.7
Future pensioner at 65 male	22.1	22.5
Future pensioner at 65 female	25.4	25.8

The post retirement mortality assumptions allow for expected increase in longevity. The "current" disclosures above relate to assumptions based on longevity (in years) following retirement at the balance sheet date, with "future" being that relating to a member who is currently 45.

Notes to the financial statements continued

24 Retirement benefit assets and obligations continued

Investments

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

The expected rate of return on individual categories of scheme assets are determined by reference to gilt yields. The expectation is that the return from equities and corporate bonds will exceed the return from gilts by 4.2% (2010: 3.5%) and 1.6% (2010: 1.0%) per annum respectively.

The assets and liabilities of the schemes at 31 December are

As at 31 December 2011

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

As at 31 December 2010

	Group				Company		
	Shore staff £000	MNOFF £000	GMC £000	Total £000	Shore staff £000	MNOFF £000	Total £000
Equities	20,765	2,572	–	23,337	20,765	1,318	22,083
Gilts/corporate bonds	22,244	30,820	386	53,450	22,244	15,797	38,041
Property	–	3,368	–	3,368	–	1,726	1,726
Other investments	–	24,117	–	24,117	–	12,361	12,361
Cash/net current assets	546	434	–	980	546	223	769
Fair value of scheme assets	43,555	61,311	386	105,252	43,555	31,425	74,980
Present value of scheme liabilities	(52,692)	(81,973)	(373)	(135,038)	(52,692)	(42,035)	(94,727)
Net pension liabilities recognised in the balance sheet	(9,137)	(20,662)	13	(29,786)	(9,137)	(10,610)	(19,747)

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

Year ended 31 December 2011

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

Year ended 31 December 2010

	Group				Company		
	Shore staff £000	MNOFF £000	GMC £000	Total £000	Shore staff £000	MNOFF £000	Total £000
Current service cost	297	–	(1)	296	297	–	297
Interest cost on benefit obligation	3,253	4,248	13	7,514	3,253	2,178	5,431
Expected return on plan assets	(2,690)	(3,443)	(7)	(6,140)	(2,690)	(1,765)	(4,455)
	860	805	5	1,670	860	413	1,273
Actual return on plan assets	4,174	N/A	–		4,174	N/A	

Movements in the benefit liability during the year

Year ended 31 December 2011

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

Year ended 31 December 2010

	Group				Company		
	Shore staff £000	MNOFF £000	GMC £000	Total £000	Shore staff £000	MNOFF £000	Total £000
As at 1 January 2010	14,209	8,152	–	22,361	14,209	4,201	18,410
At date of acquisition	–	–	75	75	–	–	–
Expense recognised in the income statement	860	805	5	1,670	860	413	1,273
Contributions paid to scheme	(1,338)	(2,660)	(71)	(4,069)	(1,338)	(1,325)	(2,663)
Actuarial (gain)/loss	(4,594)	14,365	(22)	9,749	(4,594)	7,321	2,727
	9,137	20,662	(13)	29,786	9,137	10,610	19,747

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

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

Year ended 31 December 2011

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

Notes to the financial statements continued

24 Retirement benefit assets and obligations continued

Investments continued

Year ended 31 December 2010

	Group				Company		
	Shore staff £000	MNOFF £000	GMC £000	Total £000	Shore staff £000	MNOFF £000	Total £000
As at 1 January 2010	55,263	66,020	–	121,283	55,263	33,861	89,124
At date of acquisition	–	–	377	377	–	–	–
Current service cost	297	–	(1)	296	297	–	297
Interest cost	3,253	4,248	13	7,514	3,253	2,178	5,431
Contributions by scheme participants	23	–	–	23	23	–	23
Actuarial losses/(gains) on scheme liabilities	(3,103)	14,365	(13)	11,249	(3,103)	7,321	4,218
Net benefits paid out	(3,041)	(2,660)	(1)	(5,702)	(3,041)	(1,325)	(4,366)
Foreign exchange	–	–	(2)	(2)	–	–	–
	52,692	81,973	373	135,038	52,692	42,035	94,727

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

Year ended 31 December 2011

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

Year ended 31 December 2010

	Group				Company		
	Shore staff £000	MNOFF £000	GMC £000	Total £000	Shore staff £000	MNOFF £000	Total £000
As at 1 January 2010	41,054	57,868	–	98,922	41,054	29,660	70,714
At date of acquisition	–	–	301	301	–	–	–
Expected return on scheme assets	2,690	3,443	7	6,140	2,690	1,765	4,455
Actuarial gains on scheme assets	1,491	–	9	1,500	1,491	–	1,491
Contributions by employer	1,338	2,660	72	4,070	1,338	1,325	2,663
Contributions by scheme participants	23	–	–	23	23	–	23
Net benefits paid out	(3,041)	(2,660)	(1)	(5,702)	(3,041)	(1,325)	(4,366)
Foreign exchange	–	–	(2)	(2)	–	–	–
	43,555	61,311	386	105,252	43,555	31,425	74,980

History of experience gains and losses

Shore staff

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Fair value of scheme assets	44,026	43,555	41,054	38,648	49,051
Defined benefit obligation	(54,866)	(52,692)	(55,263)	(47,963)	(57,746)
Deficit in scheme	(10,840)	(9,137)	(14,209)	(9,315)	(8,695)
Experience gains/(losses) on scheme assets	(490)	1,484	783	(12,911)	(1,735)
Experience gains/(losses) on scheme liabilities	26	1,752	(437)	(10,486)	101

GMC

	2011 £000	2010 £000
Fair value of scheme assets	432	386
Defined benefit obligation	(506)	(373)
(Deficit)/surplus in scheme	(74)	13

MNOPF

Group	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Fair value of scheme assets	64,835	61,311	57,868	54,234	51,260
Defined benefit obligation	(84,054)	(81,973)	(66,020)	(63,567)	(62,248)
Deficit in scheme	(19,219)	(20,662)	(8,152)	(9,333)	(10,988)

MNOPF

Company	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Fair value of scheme assets	33,231	31,425	29,660	27,797	26,273
Defined benefit obligation	(43,097)	(42,035)	(33,861)	(32,607)	(31,935)
Deficit in scheme	(9,866)	(10,610)	(4,201)	(4,810)	(5,662)

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 £34,651,000 (2010 £30,524,000). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £12,800,000 in the Group and Company is attributable to actuarial gains and losses since inception of those pension schemes. Consequently the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group and Company statements of comprehensive income before January 2004.

Defined contribution schemes

Following closure of the Shore staff scheme active members have transferred to the Group's defined contribution scheme. During the current period the Group has sought to reduce the number of external schemes into which contributions are paid by extending the Group offering to staff at most of its UK subsidiaries. The pension charge for the year for these arrangements is equal to the contributions paid and was £1,840,000 (2010 £532,000).

Defined contribution schemes operated by or on behalf of other Group entities

Other defined contribution schemes exist in the Group. The total charge for the year for these schemes amounted to £261,000 (2010 £1,242,000).

25 Share based payments

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

Executive share option scheme 1995 ("1995 Scheme")

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.

Notes to the financial statements continued

25 Share based payments continued

Executive share option scheme 2005 ("2005 ESOS")

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

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

Awards were made under this scheme on 30 March 2011.

All-employee Savings Related Share Option Scheme ("SRSOS")

All employees, subject to the discretion of the remuneration committee, may apply for share options under an employee save as you earn plan which may from time to time be offered by the Company. In order to comply with HM Revenue & Customs' requirements an individual's participation is limited so that the aggregate price payable for shares under option at any time does not exceed the statutory limit. Options granted under the plans will normally be exercisable if the employee remains in employment and any other conditions set by the remuneration committee have been satisfied. Options are normally exercisable at the end of the related savings contract but early exercise is permitted in certain limited circumstances. The performance period will not normally be less than three and a half years or greater than seven and a half years.

Awards were made under the SRSOS on 27 April 2011.

LTIP

Share options up to a maximum of 100% of base salary may be awarded to main board directors and senior executives. The exercise price of the option is £nil. In respect of awards granted up to 31 December 2008, the options vest if the increase in the Company's diluted earnings per Ordinary share over the performance period is at least equal to the rate of inflation plus 9%. A failure to meet this target increase during the performance period causes the options to lapse. The contractual life of each option granted is three years. There are no cash settlement alternatives.

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

Awards were made under this scheme on 30 March 2011.

The expense recognised for share based payments relating to equity settled share based payments transactions is £1,503,000 (2010: £1,309,000).

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 AGM) over 735,204 (2010: 662,522) Ordinary shares of 25p each.

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

Group	2011		2010		"Nil" options	
	No	WAEPS	No	WAEPS	2011 No	2010 No
Outstanding at 1 January	1,263,388	£4.18	1,138,154	£4.32	628,557	477,764
Granted during the year	249,120	£5.24	336,761	£4.17	232,175	281,355
Forfeited during the year	(169,079)	£5.99	(149,840)	£5.25	(29,515)	(58,751)
Exercised	(61,936)	£3.85 [†]	(40,820)	£3.33 [*]	(96,013)	(71,811)
Expired during the year	-	-	(20,867)	-	-	-
Outstanding at 31 December	1,281,493	£4.16	1,263,388	£4.18	735,204	628,557
Exercisable at 31 December	429,473	£3.52	484,054	£3.53	-	-

[†] The weighted average share price at the date of exercise for the options exercised was £5.47.

^{*} The weighted average share price at the date of exercise for the options exercised was £4.31.

For the share options outstanding at 31 December 2011, the weighted average remaining contractual life is 4 years and 5 months (2010: 5 years and 3 months).

The weighted average fair value of options granted during the year was £3.25 (2010: £2.47). The range of exercise prices for options outstanding at the end of the year was £1.42 – £6.73 (2010: £1.42 – £6.73).

Company

	2011		2010		*Nil* options	
	No	WAEP	No	WAEP	2011 No	2010 No
Outstanding at 1 January	975,373	£3.96	842,406	£4.02	333,684	279,997
Granted during the year	189,584	£5.22	247,137	£4.12	132,330	175,021
Forfeited during the year	(118,971)	£6.15	(92,832)	£4.89	–	–
Exercised	(57,547)	£3.87 [†]	(13,706)	£3.39 [*]	(51,593)	(62,583)
Expired during the year	–	–	(7,632)	£5.84	–	(58,751)
Outstanding at 31 December	988,439	£3.94	975,373	£3.96	414,421	333,684
Exercisable at 31 December	440,504	£3.53	440,504	£3.53	–	–

[†] The weighted average share price at the date of exercise for the options exercised was £5.47

^{*} The weighted average share price at the date of exercise for the options exercised was £4.19

For the share options outstanding at 31 December 2011, the weighted average remaining contractual life is 5 years and 11 months (2010 6 years and 5 months)

The weighted average fair value of options granted during the year was £3.02 (2010 £2.37). The range of exercise prices for options outstanding at the end of the year was £1.42-£6.73 (2010 £1.42-£6.73)

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

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

	2011	2010
LTIP		
Dividend yield (%)	3.00%	3.00%
Expected life of option (years)	3	3
Share price at date of grant	£5.48	£4.18
2005 ESOS		
Dividend yield (%)	3.00%	3.00%
Expected life of option (years)	6.5	6.5
Share price at date of grant	£5.48	£4.31
Expected share price volatility (%)	40%	40%
SRSOS		
Dividend yield (%)	3.00%	3.00%
Expected life of option (years)	3.26-7.26	3.26-7.26
Share price at date of grant	£5.50	£4.27
Expected share price volatility (%)	40%	40%
Risk free interest rate (%)	1.76%-3.16%	2.13%-3.69%

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

26 Loans and borrowings

Non-current liabilities

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Bank loans	102,984	110,776	94,725	101,495
Finance leases	399	797	–	–
	103,383	111,573	94,725	101,495

Current liabilities

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Overdrafts	–	–	7,640	6,606
Bank loans	8,489	4,823	7,641	4,496
Finance leases	396	423	–	–
	8,885	5,246	15,281	11,102

Notes to the financial statements continued

26 Loans and borrowings continued

Bank loans

Loans analysed by currency are repayable as follows

Year ended 31 December 2011

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

Year ended 31 December 2010

Currency	Group				Company		
	GBP	USD	NOK	Total	GBP	USD	Total
Due within one year	4,496	–	327	4,823	4,496	–	4,496
Due between one and two years	33,621	4,314	3,347	41,282	33,621	4,314	37,935
Due between two and five years	59,089	4,471	3,237	66,797	59,089	4,471	63,560
Due after more than five years	–	–	2,697	2,697	–	–	–
	97,206	8,785	9,608	115,599	97,206	8,785	105,991

The interest rates during the year ranged from 1.5% to 3.5% (2010: 1.5% to 3.5%)

There were no loans secured against the assets of the Group or Company (2010: None)

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	
	2011 £000	2010 £000
Future minimum payments due:		
Within one year	434	490
Within two to five years	419	856
	853	1,346
Less: finance charges allocated to future periods	(58)	(126)
	795	1,220
Present value of minimum lease payments is analysed as follows		
Within one year	396	423
Within two to five years	399	797
	795	1,220

Company

The Company does not have any outstanding finance lease commitments

27 Reconciliation of net debt

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

Group

	1 January 2010 £000	Acquisitions £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2010 £000
Cash in hand and at bank	20,563	–	(6,223)	–	2,250	16,590
Cash and cash equivalents	20,563	–	(6,223)	–	2,250	16,590
Debt due after 1 year	(109,501)	–	–	(1,147)	(228)	(110,876)
Debt due within 1 year	(10,421)	(1,278)	4,814	1,992	70	(4,823)
	(119,922)	(1,278)	4,814	845	(158)	(115,699)
Finance leases	(163)	(1,226)	195	–	(26)	(1,220)
Net debt	(99,522)	(2,504)	(1,214)	845	2,066	(100,329)

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

Company

	1 January 2010 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2010 £000
Cash in hand and at bank	376	(342)	–	–	34
Cash and cash equivalents	376	(342)	–	–	34
Debt due after 1 year	(98,643)	–	(2,724)	(228)	(101,595)
Debt due within 1 year	(7,321)	(7,384)	3,533	70	(11,102)
	(105,964)	(7,384)	809	(158)	(112,697)
Net debt	(105,588)	(7,726)	809	(158)	(112,663)

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

28 Financial instruments

Capital management

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

The Group meets its day to day working capital requirements through operating cash flows, with borrowings in place to fund acquisitions and capital expenditure. At 31 December the Group had £32,350,000 (2010 £26,100,000) of undrawn committed facilities of which £10,000,000 expires within 12 months. The current economic conditions create uncertainty particularly over a) the exchange rate currency between Sterling and the US Dollar and the consequences for the net cash Dollar surplus and b) the exchange rate between Sterling and the Euro and thus the consequences on seafarer payroll costs

Notes to the financial statements continued

28 Financial instruments continued

Capital management continued

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 2011. The directors have prepared forecasts of the cash flows for the subsequent 18 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 limits total indebtedness to £150,000,000 (2010 £141,700,000).

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

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

	2011 £000	2010 £000
Interest bearing loans and borrowings	112,268	116,819
Less cash and cash equivalents	(13,575)	(16,590)
Net debt	98,693	100,229
Equity attributable to the owners of the Company	131,770	117,765
Gearing ratio	75%	85%

The reasons for the change in gearing over the previous year are discussed in the Chairman's statement on pages 4 to 7.

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

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

Details of the Group's risk management objectives, strategies and policies are set out on pages 9 and 10 of the review of operations.

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

Credit risk

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

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

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

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Available for sale financial assets	1,370	1,370	1,368	1,368
Receivables	58,756	44,882	1,624	840
Cash and cash equivalents	13,575	16,590	10	34
Forward exchange contracts used for hedging				
Assets	218	3	218	3
	73,919	62,845	3,220	2,245

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 21% of Group revenue (2010 31%). No single customer accounted for more than 5% (2010 7%) of revenue.

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

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

	Group				Company			
	2011		2010		2011		2010	
	Gross £000	Allowance £000	Gross £000	Allowance £000	Gross £000	Allowance £000	Gross £000	Allowance £000
Not past due	39,863	–	35,674	–	3	–	2	–
Past due	12,957	1,432	9,510	1,096	–	–	–	–
	52,820	1,432	45,184	1,096	3	–	2	–

Movement on the allowance for impairment of trade receivables was as follows

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Balance at 1 January 2011	1,096	860	–	–
Exchange differences	(1)	39	–	–
Acquired with subsidiaries	–	44	–	–
Additional provisions	401	334	–	–
Recoveries	(45)	(163)	–	–
Write offs	(19)	(18)	–	–
	1,432	1,096	–	–

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

No other receivables are considered to be past due.

Liquidity risk

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

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

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

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

At 31 December 2011, the Group has available £32,348,000 of undrawn committed bank facilities (2010: £26,100,000).

Notes to the financial statements continued

28 Financial instruments continued

Liquidity risk continued

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

Group

31 December 2011

	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1 – 2 years £000	2 – 5 years £000	More than 5 years £000
Non-derivative financial liabilities						
Unsecured bank loans	111,473	(121,108)	(12,562)	(15,616)	(91,282)	(1,648)
Finance lease liabilities	795	(854)	(435)	(320)	(99)	–
Trade and other payables	57,985	(57,985)	(57,985)	–	–	–
Derivative financial liabilities						
Interest rate swaps used for hedging*	(1,541)	(1,953)	(522)	(504)	(577)	(350)
Forward exchange contracts used for hedging						
Outflow	338	20,001	20,001	–	–	–
Inflow	(218)	4,998	4,998	–	–	–
	168,832	(156,901)	(46,505)	(16,440)	(91,958)	(1,998)

* 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 2010

	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	115,599	(124,168)	(8,593)	(44,276)	(68,446)	(2,853)
Finance lease liabilities	1,220	(1,346)	(490)	(436)	(320)	(100)
Trade and other payables	23,532	(23,532)	(23,532)	–	–	–
Derivative financial liabilities						
Interest rate swaps used for hedging	(1,029)	(2,833)	(2,833)	–	–	–
Forward exchange contracts used for hedging						
Outflow	182	8,993	8,993	–	–	–
Inflow	(3)	–	–	–	–	–
	139,501	(142,886)	(26,455)	(44,712)	(68,766)	(2,953)

Company

31 December 2011

	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1 – 2 years £000	2 – 5 years £000	More than 5 years £000
Non-derivative financial liabilities						
Unsecured bank loans	110,006	(118,428)	(18,934)	(11,826)	(87,667)	–
Trade and other payables	17,506	(17,506)	(17,506)	–	–	–
Derivative financial liabilities						
Interest rate swaps used for hedging*	(1,305)	(1,680)	(412)	(395)	(523)	(350)
Forward exchange contracts used for hedging						
Outflow	338	20,001	20,001	–	–	–
Inflow	(218)	4,998	4,998	–	–	–
	126,327	(112,615)	(11,853)	(12,221)	(88,190)	(350)

* 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 2010

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	112,597	(119,638)	(14,430)	(40,598)	(64,610)	–
Trade and other payables	16,882	(16,882)	(16,882)	–	–	–
Derivative financial liabilities						
Interest rate swaps used for hedging	(892)	(2,450)	(2,450)	–	–	–
Forward exchange contracts used for hedging						
Outflow	182	8,993	8,993	–	–	–
Inflow	(3)	–	–	–	–	–
	128,766	(129,977)	(24,769)	(40,598)	(64,610)	–

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 review of operations on page 11, the Group's objectives in managing its structural currency exposures are to maintain a low cost of borrowings and to minimise the risk of adverse currency movements to its cash flow.

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

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

	31 December 2011						31 December 2010					
	USD 000	Euro 000	NOK 000	SGD 000	AUD 000	SEK 000	USD 000	Euro 000	NOK 000	SGD 000	AUD 000	SEK 000
Trade receivables	24,454	1,762	52,942	3,634	2,897	501	21,336	2,124	41,490	3,009	1,042	–
Cash at bank and in hand	5,507	2,211	45,741	1,815	1,396	–	7,682	1,438	15,074	2,823	1,975	–
Unsecured bank loans	(16,500)	–	(84,473)	–	–	–	(13,755)	–	(87,427)	–	–	–
Trade payables	(5,534)	(1,953)	(16,615)	(1,272)	(463)	(341)	(5,339)	(1,588)	(14,435)	(954)	(1,218)	(201)
Gross balance sheet exposure	7,927	2,020	(2,405)	4,177	3,830	160	9,924	1,974	(45,298)	4,878	1,799	(201)
Forecast sales	28,267	–	36,000	–	–	109,000	6,871	1,309	18,193	2,304	–	–
Forecast purchases	(2,137)	(4,882)	(5,675)	(158)	–	(39,000)	(900)	(779)	(2,874)	(216)	–	–
Gross exposure	34,057	(2,862)	27,920	4,019	3,830	70,160	15,895	2,504	(29,979)	6,966	1,799	(201)
Forward exchange contracts	(32,111)	501	–	–	–	(52,209)	(14,400)	(75)	–	–	–	–
Net exposure	1,946	(2,361)	27,920	4,019	3,830	17,951	1,495	2,429	(29,979)	6,966	1,799	(201)

Secured bank loan denominated in NOK were secured against tangible fixed assets also denominated in NOK.

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

Changes in the level of exchange rates will have an impact on consolidated earnings. The following table shows the impact on earnings of a 5% strengthening in the exchange rate in the Group's key currencies against pound Sterling. The obverse movements would be of the same magnitude. These amounts have been calculated by applying changes in exchange rates to the Group's estimated foreign currency revenues and costs and its net investment in entities which do not use Sterling as their base currency and include the impact of forward exchange contracts.

Notes to the financial statements continued

28 Financial instruments continued Foreign exchange risk continued

	2011		2010	
	Equity £000	Profit or loss £000	Equity £000	Profit or loss £000
US Dollar	(290)	(1,272)	(142)	(2,615)
Norwegian Kroner	(589)	(220)	(470)	(175)
Euro	724	(585)	132	(254)
UAE Dirham	(64)	(395)	(179)	(81)
Singapore Dollar	(185)	(1,181)	(499)	(419)
Australian Dollar	145	(500)	22	(67)
Malaysian Ringgit	(79)	(23)	(42)	(5)
	(338)	(4,176)	(1,178)	(3,616)

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	
	2011 £000	2010 £000	2011 £000	2010 £000
Fixed rate instruments				
Financial liabilities	(100)	(100)	(100)	(100)
Variable rate instruments				
Financial assets	13,575	16,590	10	34
Financial liabilities	(111,473)	(115,599)	(110,006)	(112,597)
	(97,898)	(99,009)	(109,996)	(112,563)

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 which were entered into during 2009 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 2011 a general increase of one percentage point would have had the following impact:

	2011		2010	
	Equity £000	Profit or loss £000	Equity £000	Profit or loss £000
Variable rate instruments	–	(979)	–	(990)
Interest rate swap	–	263	–	388
Cash flow sensitivity	–	(716)	–	(602)

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

	Note	2011		2010	
		Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Group					
Assets carried at fair value					
Forward exchange contracts – cash flow hedges		218	218	3	3
		218	218	3	3
Assets carried at amortised cost					
Receivables	19	58,756	58,756	44,882	44,882
Cash and cash equivalents	20	13,575	13,575	16,590	16,590
Other investments	16	1,370	1,370	1,370	1,370
		73,701	73,701	62,842	62,842
Liabilities carried at fair value					
Forward exchange contracts – cash flow hedges		(339)	(339)	(182)	(182)
Interest rate swaps – cash flow hedges		(1,541)	(1,541)	(1,029)	(1,029)
		(1,880)	(1,880)	(1,211)	(1,211)
Liabilities carried at amortised cost					
Unsecured bank loans	26	(111,473)	(107,789)	(115,599)	(112,671)
Trade and other payables	23	(57,985)	(57,985)	(23,532)	(23,532)
Finance leases	26	(795)	(808)	(1,220)	(1,262)
Preference shares	21	(100)	(100)	(100)	(100)
		(170,353)	(166,682)	(140,451)	(137,565)
Company					
Assets carried at fair value					
Forward exchange contracts – cash flow hedges		218	218	3	3
		218	218	3	3
Assets carried at amortised cost					
Receivables	19	1,624	1,624	840	840
Cash and cash equivalents	20	10	10	34	34
Other investments	16	1,368	1,368	1,368	1,368
		3,002	3,002	2,242	2,242
Liabilities carried at fair value					
Forward exchange contracts – cash flow hedges		(339)	(339)	(182)	(182)
Interest rate swaps – cash flow hedges		(1,305)	(1,305)	(892)	(892)
		(1,644)	(1,644)	(1,074)	(1,074)
Liabilities carried at amortised cost					
Overdrafts	26	(7,640)	(7,640)	(6,606)	(6,606)
Unsecured bank loans	26	(102,366)	(99,652)	(105,991)	(104,219)
Trade and other payables	23	(17,506)	(17,506)	(16,882)	(16,882)
Preference shares	21	(100)	(100)	(100)	(100)
		(127,612)	(124,898)	(129,579)	(127,807)

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

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

Notes to the financial statements continued

28 Financial instruments continued

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 (ie, as prices) or indirectly (ie, 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	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Derivative financial assets								
Forward exchange contracts – cash flow hedges	–	–	218	3	–	–	218	3
	–	–	218	3	–	–	218	3
Derivative financial liabilities								
Forward exchange contracts – cash flow hedges	–	–	(339)	(182)	–	–	(339)	(182)
Interest rate swaps – cash flow hedges	–	–	(1,541)	(1,029)	–	–	(1,541)	(1,029)
	–	–	(1,880)	(1,211)	–	–	(1,880)	(1,211)
	–	–	(1,662)	(1,208)	–	–	(1,662)	(1,208)
Company								
Derivative financial assets								
Forward exchange contracts – cash flow hedges	–	–	218	3	–	–	218	3
	–	–	218	3	–	–	218	3
Derivative financial liabilities								
Forward exchange contracts – cash flow hedges	–	–	(339)	(182)	–	–	(339)	(182)
Interest rate swaps – cash flow hedges	–	–	(1,305)	(892)	–	–	(1,305)	(892)
	–	–	(1,644)	(1,074)	–	–	(1,644)	(1,074)
	–	–	(1,426)	(1,071)	–	–	(1,426)	(1,071)

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 2011 and 31 December 2010 the Group did not have any outstanding fair value hedges.

Cash flow hedges

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

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

At 31 December 2010 the Group and Company held forward currency contracts designated to hedge future commitments in Euro and US Dollars. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £000
Buy			
€ 74,920	30 April 2011	1.2174	3
Sell			
US\$ 14,400,000	January – December 2011	1.5903	(156)

The foreign exchange contracts have been negotiated to match the expected profile of receipts. At 31 December 2011 these hedges were assessed to be highly effective and an unrealised loss of £2,465,000 (2010: £1,161,000) relating to the hedging instruments is included in equity.

Interest rate swaps

The Group and Company entered into interest rate swap contracts in respect of Sterling denominated debt to swap a variable rate liability for a fixed rate liability. A subsidiary company, James Fisher Norway AS, has entered into an interest rate swap in respect of the loan secured against the new build property included in its balance sheet. On disposal of this business 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	Maturity	Fixed rate %	Fair value 2011 £000	2010 £000
£6,750,000	30 January 2012	2.4000	(24)	(106)
£6,750,000	30 January 2012	2.3600	(23)	(124)
£1,250,000	30 January 2014	2.9100	(51)	(41)
£4,000,000	30 January 2014	2.9250	(166)	(156)
£5,250,000	30 January 2014	2.9900	(226)	(216)
£3,000,000	30 January 2019	3.4900	(385)	(100)
£3,000,000	30 January 2019	3.7100	(430)	(149)
£30,000,000			(1,305)	(892)
80,000,000 NOK	30 June 2014	3.8600	(236)	(137)

Net investment in foreign operations

The Company funded the acquisition of the goodwill arising on acquisition Scan Tech Holdings AS and Air Supply AS by means of an interest-bearing loan to its Norwegian Holding company of NOK 160,000,000 (2010: NOK 160,000,000). The net investment arising on these acquisitions is treated as being an asset of the Company and is denominated in Sterling. This acts as a hedge against movements in the net investment in these businesses.

Derivative financial instruments not qualifying as hedges

The Group held the following derivative financial instruments which did not qualify for hedge accounting at 31 December 2011:

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

2010

	Maturity	Exchange rate	Fair value £000
Sell			
SEK 2,000,000	10 February 2011	10.9505	(9)
SEK 3,779,541	1 April 2011	10.4184	(17)
			(26)

Notes to the financial statements continued

29 Commitments and contingencies

Operating leases

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

	Group		Company	
	2011 £000	2010 £000	2011 £000	2010 £000
Within one year	13,409	14,195	81	164
After one year but not more than five years	37,199	43,723	116	216
After five years	12,520	16,925	71	92
	63,128	74,843	268	472

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	
	2011 £000	2010 £000	2011 £000	2010 £000
	890	616	–	11

There are no significant individual items in 2010 or 2011.

Contingent liabilities

- (a) In the ordinary course of the Company's business, counter indemnities have been given to bankers in respect of custom bonds, foreign exchange commitments and bank guarantees.
- (b) A Group VAT registration is operated by the Company and 27 group undertakings in respect of which the Company is jointly and severally liable for all amounts due to HM Revenue & Customs under the arrangement.
- (c) The Group has issued a guarantee and indemnity to HSBC Bank plc in respect of the loan facility of Foreland Shipping Limited, the total guarantee at 31 December 2011 was £1,966,000 (2010 £2,117,000). Further details of this joint venture are included in note 15.
- (d) A guarantee has been issued by the Group to HSBC Bank plc in respect of the obligations of a subsidiary, James Fisher Everard Limited, in relation to bareboat charters relating to the mt Chatsman and mt Steersman. The total guarantee at 31 December 2011 was £740,000 (2010 £734,000).
- (e) A guarantee has been issued by the Group to charter parties in respect of obligations of a subsidiary, James Fisher Everard Limited, in respect of charters relating to seven vessels. The charters expire between 2012 and 2016.
- (f) Subsidiaries of the Group have issued performance and payment guarantees to third parties with a total value of £1,807,000 (2010 £1,745,000).
- (g) As referred to in note 24, the Trustees of the Merchant Navy Officers Pension Fund (MNOFF) have indicated that under the terms of the High Court ruling in 2005 which established the liability of past employers to fund the deficit on the Post 1978 section of the MNOFF, they may make calls for further contributions in the future if additional actuarial deficits arise or if other employers liable for contributions are not able to pay their share. The Group remains jointly and severally liable for any future shortfall in recovery of the deficit.
- (h) The Group has given an unlimited guarantee to the Singapore Navy in respect of the performance of First Response Marine Pte Ltd, its Singapore joint venture, in relation to the provision of submarine rescue and related activities. Further details of this joint venture are given in note 15.
- (i) In the normal course of business, the Company and certain subsidiaries have given parental and subsidiary guarantees in support of loan and banking arrangements.

30 Related party transactions

Compensation of key management to the Group

	2011 £000	2010 £000
Short-term employee benefits	1,905	1,790
Post-employment benefits	-	100
Share based payments	884	921
	2,789	2,811

Key management personnel comprise the Board of directors of the Company. Details of the directors' interests in the ESOS, LTIP and the SRSOS are included in the directors' remuneration report on pages 24 to 29.

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 2011 was £130,588,000 (2010 £122,959,000). Amounts owed to subsidiary undertakings by the Company at 31 December 2011 totalled £12,561,000 (2010 £13,476,000).

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2010 £nil).

Foreland Shipping Limited

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

FCM businesses

As set out in note 15 the Group has interests of between 25% and 50% in several joint ventures providing ship to ship transfer services in West Africa, Northern Europe and Asia through its wholly owned subsidiary, Fender Care Marine Services Limited.

First Response Marine

The Group holds through its James Fisher Marine Services subsidiary (JFMS) a 50% interest in First Response Marine Pte Ltd (FRM). FRM provides submersible 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 submersible rescue vessel acquired by FRM from JFMS. FRM subcontracts part of the provision of the submersible rescue service to JFMS and its subsidiary James Fisher Singapore Pte Ltd. JFMS has also provided a loan to FRM of £1,798,000 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 £104,000 (2010 £111,000). Dividends received or receivable during the period included in the results of the Group are £746,000 (2010 £438,000).

Details of the transactions carried out with related parties are shown in the table below.

		Services to related parties £000	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Foreland Shipping Limited	2011	490	-	-	32	-
	2010	491	-	-	42	-
FCM businesses	2011	-	2,559	684	146	2,067
	2010	-	1,904	-	361	222
Everard Insurance Brokers	2011	34	-	-	-	-
	2010	93	-	1	7	-
First Response Marine	2011	2,328	-	15	663	6
	2010	2,677	-	26	614	-

No provision for bad debts has been made in respect of these balances (2010 £nil). No bad debts arose during the period relating to these transactions (2010 £nil).

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

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

Notes to the financial statements continued

Group financial record

For the five years ended 31 December

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Revenue					
Manne Support services*	240,819	196,492	178,471	152,819	106,114
Manne Oil	66,805	71,857	71,123	80,759	75,932
	307,624	268,349	249,594	233,578	182,046
Underlying operating profit					
Manne Support services*	38,065	34,764	33,155	27,159	17,622
Manne Oil	1,145	725	(1,815)	5,075	8,555
Common costs	(3,077)	(3,006)	(2,444)	(2,697)	(2,632)
	36,133	32,483	28,896	29,537	23,545
Adjusting items*	(254)	(1,187)	(33)	–	–
Net finance costs	(6,128)	(5,355)	(4,121)	(5,970)	(4,445)
Underlying profit before taxation	30,005	27,128	24,775	23,567	19,100
Adjusting items*	(254)	(1,187)	(33)	–	–
Profit before taxation	29,751	25,941	24,742	23,567	19,100
Taxation (including tonnage tax)	(5,634)	(6,109)	(6,318)	(5,277)	(2,959)
Profit after taxation	24,117	19,832	18,424	18,290	16,141
Intangible assets	93,188	89,274	73,438	70,069	67,266
Property, plant and equipment	103,898	104,683	111,086	102,018	92,311
Investment in associates and joint ventures	13,904	13,063	10,348	5,917	5,587
Working capital	52,824	46,265	38,567	33,069	21,187
Pension obligations	(30,133)	(29,786)	(22,361)	(18,648)	(19,683)
Taxation	(3,209)	(5,405)	(5,853)	(5,870)	(2,783)
Assets classified as held for sale	–	–	1,375	–	1,172
Total capital employed	230,472	218,094	206,600	186,555	165,057
Net borrowings	98,793	100,329	99,522	91,505	77,948
Equity	131,679	117,765	107,078	95,050	87,109
	230,472	218,094	206,600	186,555	165,057

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

Adjusting items comprise acquisition expenses and amortisation of acquired intangibles

Prior years have been restated for the treatment of pension interest and shipping management fees as described in note 2

	pence	pence	pence	pence	pence
Earnings per share					
Basic	48.4	39.9	37.1	36.9	32.7
Diluted	48.0	39.7	37.0	36.7	32.4
Underlying basic	48.8	42.2	37.1	35.5	32.9
Underlying diluted	48.4	41.9	37.0	35.4	32.6
Other key performance indicators					
Operating margin (%)	11.7%	12.1%	11.6%	12.4%	13.0%
Return on capital employed (post tax) (%)	13.0%	11.8%	11.5%	13.5%	11.7%
Net gearing (%)	74.9%	85.1%	92.9%	96.2%	89.5%
Dividend cover (times)	3.0	2.7	2.7	2.8	2.9

Subsidiary undertakings

Details of the major companies in which the Group and the Company (unless indicated) holds 20% or more of the nominal value of any class of share capital are as set out below. Except in relation to joint ventures and associated undertakings, all such companies are wholly owned by the Group.

Name of company (Incorporated in Great Britain unless otherwise stated)	Principal activities	Place of business
Buchan Technical Services Limited	Engineering	UK
Cattedown Wharves Limited	Wharfage & Warehousing*	UK
Everard (Guernsey) Limited (Incorporated in Guernsey)	Crewing Agents*	Guernsey
FenderCare Australia Pty Ltd (Incorporated in Australia)	Marine Services*	Australia
Fender Care Limited	Marine Services*	UK
Fender Care (Changshu) Ltd (Incorporated in China)	Marine Services*	China
Fender Care do Brasil LTDA (90%) (Incorporated in Brazil)	Marine Services*	Brazil
Fender Care Manne Limited	Marine Services*	UK
Fender Care Manne (Asia Pacific) Pte Ltd (Incorporated in Singapore)	Marine Services*	UK
Fender Care Manne Products (Asia Pacific) Pte Ltd (Incorporated in Singapore)	Marine Services*	UK
Fender Care Manne Services Group Limited	Marine Services*	UK
Fender Care Manne Solutions Limited	Marine Services*	UK
Fender Care Norway AS	Marine Services*	Norway
FT Everard and Sons Limited	Management Services	UK
FT Everard Shipping Limited	Ship Owning*	UK
James Fisher (Aberdeen) Limited	Investment	UK
James Fisher Australia Holdings Pty Ltd (Incorporated in Australia)	Investment*	Australia
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 Fender Care Limited	Investment	UK
James Fisher (Guernsey) Limited (Incorporated in Guernsey)	Crewing Agents	Guernsey
James Fisher Manne Services Limited	Marine Services	UK
James Fisher (New Zealand) Limited (Incorporated in New Zealand)	Crewing Agents	New Zealand
James Fisher Norway AS	Investment	Norway
James Fisher Nuclear Limited	Engineering*	UK
James Fisher Nuclear Holdings Limited	Investment	UK
James Fisher Offshore Limited	Engineering	UK
James Fisher (Ro-Ro) Limited	Investment	UK
James Fisher Scan Tech AS (Incorporated in Norway)	Engineering*	Norway
James Fisher (Shipping Services) Limited	Ship Operators	UK
James Fisher Singapore Pte Ltd (Incorporated in Singapore)	Provision of subsea services and support*	Singapore
James Fisher Tankships Holdings Limited	Investment	UK
Mantime Engineers Pty Ltd (Incorporated in Australia)	Engineering*	Australia
Mantime Engineers (Asia Pacific) Pte Ltd (Incorporated in Singapore)	Engineering*	Singapore
Prolec Limited	Engineering*	UK
RigCool Limited	Engineering*	UK
RigCool Australia Pty Ltd (Incorporated in Australia)	Engineering*	Australia
RMSpumptools Limited	Engineering*	UK
RMSpumptools Pte Ltd (Incorporated in Singapore)	Engineering*	Singapore

Subsidiary undertakings continued

Name of company (Incorporated in Great Britain unless otherwise stated)	Principal activities	Place of business
Scan Tech Air Supply UK Limited	Engineering	UK
Scan Tech Produkt AS	Engineering*	Norway
Scotload Ltd	Marine Services*	UK
Strainstall Malaysia SDN BHD (Incorporated in Malaysia)	Engineering*	Malaysia
Strainstall AS (Incorporated in Norway)	Engineering*	Norway
Strainstall Group Limited	Engineering	UK
Strainstall Singapore Pte Ltd (Incorporated in Singapore)	Engineering*	Singapore
Strainstall UK Limited	Engineering*	UK
The Railway Engineering Company Limited	Engineering*	UK

* Held by a subsidiary undertaking

Joint ventures and associated undertakings

Name of company	Principal activities	Place of business
Active Load Limited (20%)	Engineering*	UK
Astena Navigation Inc (45%)	Marine Services*	West Africa
Cumbria Nuclear Solutions Limited (17%)	Engineering*	UK
FCN Limited (45%)	Marine Services*	West Africa
Fendercare Manne Agency Pte Ltd (50%)	Marine Services*	Indonesia
Fendercare Nigera Limited (45%)	Marine Services*	West Africa
Fender Care Benelux BV (50%)	Marine Services*	Europe
Fender Care East Africa (36%)	Marine Services*	East Africa
Fender Care (Malaysia) SDN BHD (30%)	Marine Services*	Malaysia
Fendercare Manne LLC (49%)	Marine Services*	Fujairah
Fender Care Manne Omega Limited (50%)	Marine Services*	India
Fender Care Middle East LLC (49%)	Marine Services*	Dubai
First Response Marine Pte Ltd (50%)	Marine Services*	Singapore
Foreland Holdings Limited (25%)	Ship Owning*	UK
James Fisher Angola Limitada (49%)	Marine Services*	Angola
Silvertide Inc (45%)	Marine Services*	West Africa
Strainstall Middle East LLC (49%)	Engineering*	Dubai & Abu Dhabi

* Held by a subsidiary undertaking

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (AGM) of James Fisher and Sons plc will be held at the Abbey House Hotel, Abbey Road, Barrow-in-Furness LA13 0PA on Thursday 3 May 2012 at 12 noon to consider and, if thought fit, to pass Resolutions 1 to 8 inclusive as ordinary resolutions and Resolutions 9 to 11 inclusive as special resolutions

Ordinary business

Resolution 1

To receive the accounts and the reports of the directors and the auditors thereon for the year ended 31 December 2011

Resolution 2

To receive and approve the report on directors' remuneration (as set out on pages 24 to 29 of the Annual Report and Accounts) for the year ended 31 December 2011

Resolution 3

To declare a final dividend for the year ended 31 December 2011 of 10 74p per Ordinary share

Resolution 4

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

Resolution 5

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

Resolution 6

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

Resolution 7

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

Special business

Resolution 8

That the directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, and convert any security into, shares in the Company (Rights) up to an aggregate nominal amount of £4,160,452 provided that this authority shall expire on the date of the next AGM of the Company or, if earlier, on 3 August 2013, 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 all authorities previously granted to the directors to allot shares and grant Rights that remain unexercised at the commencement of this meeting be and are hereby revoked

Resolution 9

Special Resolution

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

- (a) The allotment of equity securities in connection with an offer of securities in favour of the holders of Ordinary shares on the register of members at such record date as the directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary shares held or deemed to be held by them on any such record date, subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and
- (b) The allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £624,067,

and shall expire upon the expiry of the general authority conferred by Resolution 8 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired

Notice of Annual General Meeting continued

Resolution 10

Special Resolution

The Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange of up to a maximum aggregate of 2,496,271 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 3 August 2013 save that the Company may purchase Ordinary shares at any later date where such purchase is pursuant to any contract or contracts made by the Company before the expiry of this authority

Resolution 11

Special Resolution

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

By order of the Board

Michael Hoggan
Company Secretary
5 March 2012

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 2011 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 Plus 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 notorally), should be returned to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Alternatively you may submit your proxy form online by accessing the Shareholder portal at www.capitashareportal.com, logging in and selecting the "proxy voting" link. If you have not previously registered for electronic communications, you will first be asked to register as a new user, for which you will require your investor code (which can be found on your proxy card, share certificate or dividend tax voucher), family name and post code (if resident in the UK). In each case your proxy instruction must be received no later than 12 noon on 1 May 2012. If you are a CREST member, see note 4 below. The deadline for receipt of proxy appointments also applies in relation to amended instructions, and any attempt to amend a proxy appointment after the relevant deadline will be disregarded. Where two or more valid proxy appointments are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
- 3 The right to appoint a proxy cannot be exercised by persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a Nominated Person): they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
- 4 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number – RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 5 Voting by corporate representatives. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact our Registrar if you need any further guidance on this.
- 6 Copies of the directors' service contracts, the terms and conditions of appointment of the non-executive directors, together with a copy of the Company's Articles of Association are available for inspection at the registered office of the Company during usual business hours and will also be available at the place of the AGM from 11.30am 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.

Notice of Annual General Meeting continued

Notes continued

- 8 Members' questions The Company must cause to be answered at the meeting any question relating to the business being dealt with at the meeting which is put by a member attending the meeting, except where (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information (b) the answer has already been given on a website in the form of an answer to a question or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered
- 9 A copy of this notice, and other information required by section 311A of the Act, can be found at www.james-fisher.co.uk. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communication with the Company for any purpose in relation to the meeting other than as expressly stated in it
- 10 Only persons entered on the register of members of the Company at 6 00pm on 1 May 2012 (or, if the meeting is adjourned, at 6 00pm on the date which is two days prior to the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting
- 11 As at 5 March 2012 (being the latest practical date before the publication of this Notice), the Company's issued share capital consists of 49,925,431 Ordinary shares, carrying one vote each, and 100,000 preference shares carrying one vote each. Therefore the total voting rights in the Company are 50,025,431. There are no shares in treasury
- 12 As soon as practicable following the AGM, the results of the voting at the meeting and the number of votes cast for and against and the number of votes withheld in respect of each resolution will be announced via a Regulatory Information Service and also placed on the Company's website at www.james-fisher.co.uk

Ordinary business explanatory notes

Resolution 3. A final dividend can only be paid after it has been approved by the shareholders in general meeting and may not exceed the amount recommended by the Board. The directors recommend a final dividend of 10 74p per Ordinary share in respect of the financial year ended 31 December 2011. If the meeting approves Resolution 3, the final dividend will be paid on 11 May 2012 to ordinary shareholders who are on the register at the close of business on 13 April 2011. It is proposed to pay the dividend.

Resolutions 4, 5 and 6. In accordance with the Company's Articles of Association Charles Rice, Maunce Storey and Michael Everard will retire by rotation at this year's AGM. Following performance reviews the Chairman and the Board believe that each of Charles Rice, Maunce Storey and Michael Everard continues to perform effectively and with commitment to his role. Further information about each of Charles Rice, Maunce Storey and Michael Everard is given on page 12 of the 2011 Annual Report and Accounts.

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

Special business explanatory notes

Resolution 8 gives authority to the directors to allot shares in the Company and to grant rights to subscribe for, and convert any security into shares in the Company up to a total nominal amount of £4,160,452 (16,641,810 Ordinary shares) representing approximately 33% of the nominal value of the Company's total issued Ordinary share capital as at 5 March 2012 being the latest practical date before publication of this Notice. The authority will expire at the conclusion of the AGM to be held in 2013, or, if earlier, on 3 August 2013 and replaces an authority granted on 5 May 2011 which expires at the conclusion of the forthcoming AGM.

The directors have no present intention to exercise this authority.

At 5 March 2012 the Company does not hold any treasury shares.

Resolution 9, which will be proposed as a special resolution, seeks to renew the authority conferred on the directors at last year's AGM to issue equity securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. Other than in connection with a rights or other similar issue or scrip dividend (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) the authority contained in this resolution will be limited to an aggregate nominal value of £624,067 (representing 2,496,271 Ordinary shares) which represents approximately 5% of the Company's issued equity share capital as at 5 March 2012 (being the latest practicable date prior to the publication of this notice). The renewed authority will remain in force until the date of the next AGM or 15 months after the passing of the resolution, whichever is the earlier. It is a standard resolution for most UK listed companies each year.

In line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last three years and the directors confirm their intention to follow the best practice set out in the Pre-Emption Group's Statement of Principles which provides that companies should not issue shares for cash representing more than 7.5% of the Company's issued share capital in any rolling three-year period, other than to existing shareholders, without prior consultation with shareholders.

The directors have no present intention to exercise this authority.

Resolution 10, a special resolution, gives the Company authority to purchase in the market up to £2,496,271 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 2013, or if earlier 3 August 2013 and replaces a similar authority granted on 5 May 2011 which expires at the conclusion of the forthcoming AGM.

If any Ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares then such shares would be immediately cancelled in which event the number of Ordinary shares in issue would be reduced. On 5 March 2012, being the latest practical date before publication of this Notice, there were options over Ordinary shares in the capital of the Company representing 3.82% 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 4.02% of the Company's total issued share capital. The directors have no present intention to exercise this authority and in reaching their decision to purchase Ordinary shares will take into account, amongst other things the Company's cash resources and capital requirements, the effect of any purchase on earnings per share and whether it is in the best interests of shareholders generally.

Resolution 11. The Companies Act 2006 requires the notice period for general meetings of the Company to be at least 21 days. The Company is currently able to call general meetings (other than an AGM) on 14 clear days' notice. In order to be able to preserve this ability, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 11, which is proposed as a special resolution, seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

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

Investor information

Registered office and advisers Company Secretary and registered office

M J Hoggan
James Fisher and Sons plc
Fisher House, PO Box 4
Barrow-in-Furness
Cumbria LA14 1HR

Registered no 211475

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA

Auditors

KPMG Audit Plc
St James Square
Manchester
M2 6DS

Bankers

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

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

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7AE

Sparebanken 1 SR-Bank ASA
Postboks 250
4066 Stavanger
Norway

Yorkshire Bank
The Chancery
58 Spring Gardens
Manchester
M2 1YB

Merchant bankers

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

Stockbrokers

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

Brewin Dolphin
Time Central
Gallowgate
Newcastle upon Tyne
NE1 4SR

Financial calendar

11 April 2012

Ex dividend date for 2011 final dividend

13 April 2012

Record date

3 May 2012

Annual General Meeting

11 May 2012

Payment of 2011 final dividend

August 2012

Announcement of 2012 interim results

Designed by luminous.co.uk

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

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