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James Fisher and Sons  
PUBLIC LIMITED COMPANY

# Annual Report and Accounts 2006

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James Fisher and Sons Public Limited Company is a leading provider of Marine Services with its business divided across four divisions. The Group specialises in the provision of technically based, commercially driven services in the marine environment.

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

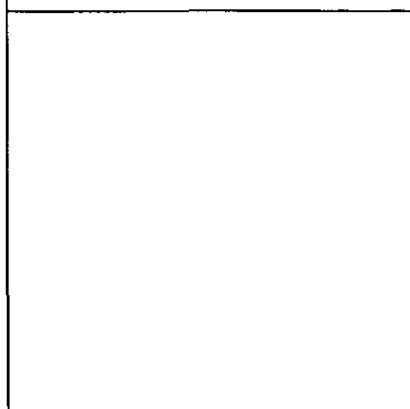
expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Group present and future business strategies and the environment in which the Group will operate in the future. These forward looking statements speak only at the date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

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

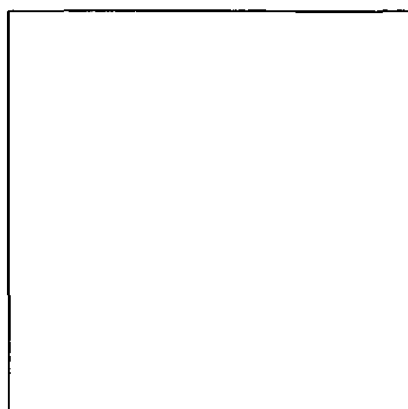
# 2006 Highlights

"2006 was a productive and successful year for James Fisher with strong organic growth the key component of profit growth. Over 70% of the group's segmental profit from continuing operations is now generated by Marine Support activities."

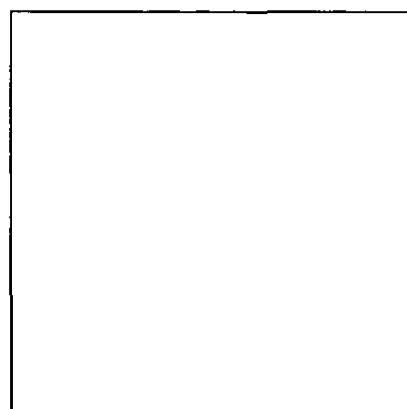
Tim Harris, Chairman



Speciality the first of four new advanced tanker series



JF Nuclear decommissioning control panel



The interior of a JF Rumic rescue submarine

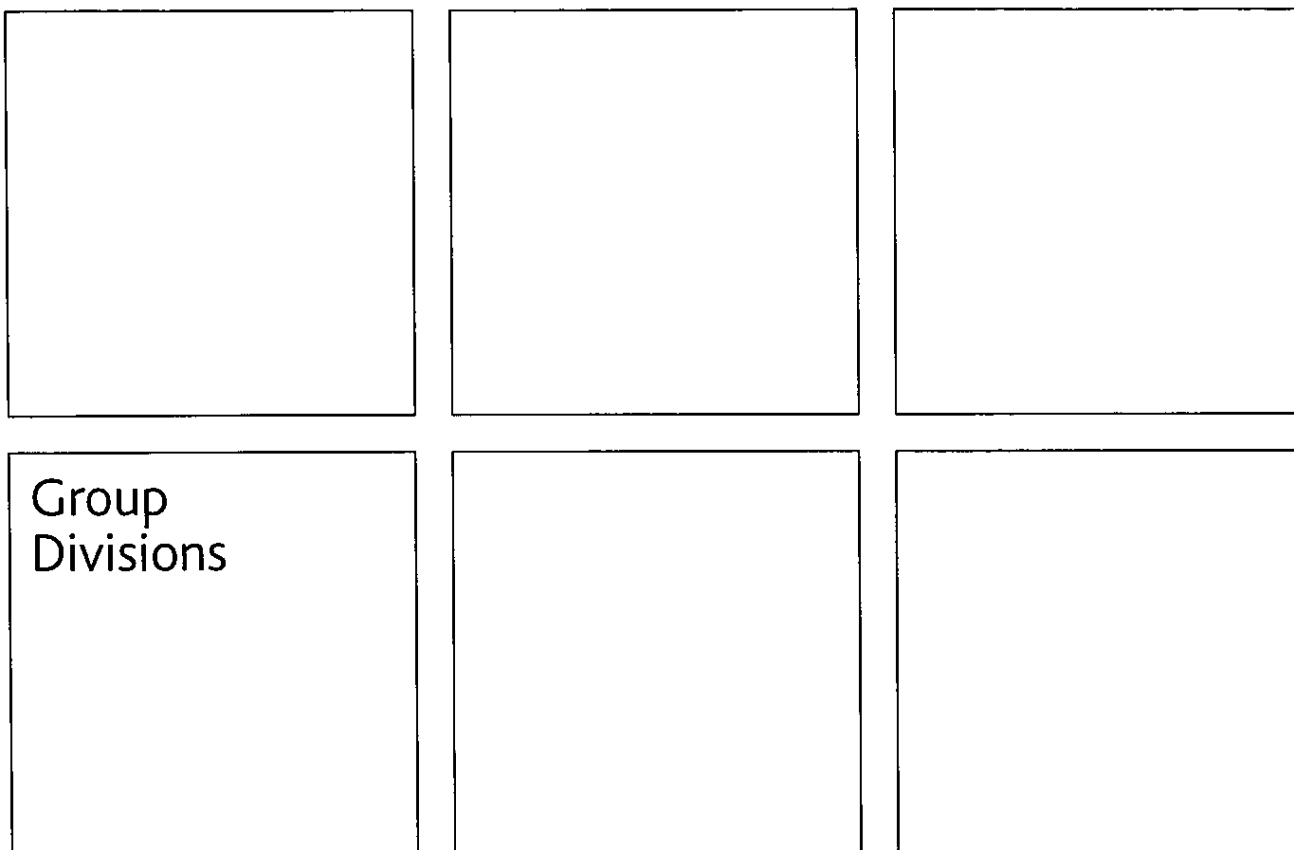
## Financial Highlights

	%	2006	2005
Group Revenue	+29%	£118.1m	£91.4m
Profit from continuing activities before tax*	+42%	£15.9m	£11.2m
Basic earnings/(loss) per share		28.09p	(4.50p)
Basic earnings per share after adjustment for separately disclosed items	+30%	28.30p	21.84p
Final dividend per share	+15%	6.54p	5.69p

\* before separately disclosed items

## Operational Highlights

- Marine Support Services contribution now over 70%
- 65% of profit from organic growth
- 35% of profit from Monyana and Fendercare acquisitions
- Disposal of last cable ship for USD18.25m and £1.94m book profit
- Purchase of Strainstall in October
- Purchase of FT Everard in December



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

**1 Offshore Oil Services**

Operates from Aberdeen and Stavanger, Norway providing specialist equipment and support to the offshore oil and gas industry

**3 Defence**

Provision of submarine rescue services in the international market, commercial support to support ships engaged in defence activities

**2 Specialist Technical Services**

Provision of services to the nuclear decommissioning industry, worldwide offshore ship to ship oil transfer, sale and hire of large pneumatic fenders, design and assembly of electrical penetrators for offshore oil industry and the design and supply of safety and productivity based systems for monitoring and controlling, load measurement, strain and stress in structures and equipment

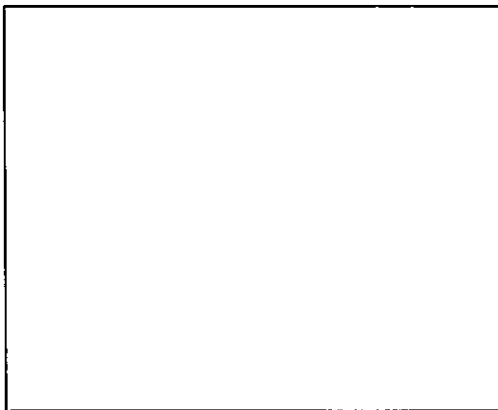
**4 Marine Oil Services**

Distribution of clean petroleum products, on behalf of the oil industry, predominantly in North West Europe

# Chairman's Statement

## Tim Harris

"We are well placed in strong markets with a proven strategy and track record to continue to produce good growth and value for our shareholders"



2006 was a productive and successful year for James Fisher, in particular

- the trading results were good by all relevant measures, revenue up 29%, profit from continuing operations before separately disclosed items and tax up 42%, with strong organic growth the key component of profit growth
- we completed the purchase on 28 December 2006 of F T Everard & Sons Limited (Everard), a long established competitor of our Tankship business, which has a fine operational record and modern fleet, for an enterprise value of £51.7m, which approximated to underlying asset value
- in June the CS Oceanic Princess, the last of the cable ships, was sold for US\$18.25m or £1.94m above her written down value, thus completing our exit from commodity shipping. We have impaired the value of our oldest vessel mt Severn Fisher by £2.9m to £2.1m

### Strategy

Our consistent aim since 2002 has been to become and be recognised as the UK's leading marine service company. The strategy we have followed is to use our core expertise of practical marine engineering and operational skills together with the strong cash flow from our marine oil services division to build the marine support service divisions of offshore oil, specialist technical and defence, both by acquisition and increasingly by

organic growth. We have withdrawn from commodity shipping business such as bulk shipping and cable ships.

The two tables overleaf show the growth in segmental profits since 2002 (Table 1) and the split between organic growth and growth from acquisitions for the marine support divisions of offshore oil, specialist technical and defence which have been the prime focus for growth (Table 2).

Table 1 overleaf, shows that, by 2006, over 70% (£14.5 million) of segmental profits are coming from the marine support divisions with marine oil services' share being reduced to less than 30% (£5.8 million). It is relevant that, during that time the capital employed in marine oil services fell from £67.9m to £48.6m.

Table 2 overleaf, shows that, by 2006, over half of the growth in profits (£7.4 million) in the marine support divisions is coming from organic growth achieved in the years following our acquisition, with the share of profits "bought" at the time of acquisition now falling to less than 50% (£7.1 million).

Prior to the Everard acquisition we had spent approximately £60 million on eleven significant acquisitions since 2002, all in the three marine support services divisions.

### Reasons for the Everard Acquisition

In strategic terms, the acquisition of the Everard fleet should enable James Fisher to repeat the successful formula of the last few years, with the anticipated cash flow benefits from a larger tankships fleet helping fund an even stronger and faster development of the offshore oil, specialist technical and defence divisions.

Specific opportunities arising from this acquisition include:

- the ability to offer our customers a wider choice of modern, double-hulled vessels
- the opportunity to increase the profitability of the combined fleet at least to James Fisher levels
- the introduction of the Everard vessels into the tonnage tax regime thereby reducing the taxation payable on profits to a nominal amount

**Table 1** Segmental profit from operations before separately disclosed items

	2002 £m	2003 £m	2004 £m	2005 £m	2006 £m
Marine Support Services					
Offshore oil		•	2.9	4.0	7.3
Specialist Technical Services		•	0.9	2.7	4.3
Defence	•		2.7	2.1	2.9
	1.9	4.8	6.5	8.8	14.5
Year on year growth		+153%	+35%	+34%	+65%
Marine Oil Services	4.7	6.1	6.9	6.7	5.8
Not available					

**Table 2** Constituents of marine support service growth over 2002 base (£1.9 million)

	2003 £m	2004 £m	2005 £m	2006 £m
2002 base profit	1.9	1.9	1.9	1.9
Cumulative growth in profit from acquisitions	1.9	2.9	5.0	7.1
organic	1.2	2.4	3.6	7.4
common costs/Oakleaf*	(0.2)	(0.7)	(1.7)	(1.9)
	4.8	6.5	8.8	14.5

RFA Oakleaf charter to MoD ceased September 2004

- the acquisition, as part of a package deal, of the Cattedown port business whose complementary and highly rated profits will be included in the marine oil division

#### Offshore Oil Services Divisional result £7.3 million (2005 - £4.0 million)

This division enjoyed an excellent result with profits up by 82% over 2005, with 49% from the acquisition of Monyana Engineering Services in the UK and Monyana Eurotech AS in Norway (Monyana) and Gjerde Løfteteknikk AS (Gjerde) in December 2005 and November 2006 respectively and the remaining 51% from organic growth. Margins were up by 6% compared to 2005 reflecting the very strong offshore market.

Our offshore activities consist of the Scan Tech group of companies based in Stavanger, Norway, and Fisher Offshore which was formed this year in Aberdeen from the merger of Monyana with our other UK based activities. Both Scan Tech and Fisher Offshore operate in a similar way but with a slightly different product range. Typically, we customise and rent out specialist equipment and provide specialist labour where this is necessary. Our main products are compressors, power packs, winches, wash down units and the HydroDigger excavation tool.

The offshore market has been and continues to be extremely strong. A major challenge in a period of high demand has been to keep and expand our specialist labour force which gives

us an edge in our niche markets. We have been investing in new equipment so that we can meet our customers' demands, particularly at peak periods.

In November 2006 we bought Gjerde, a privately owned company which specialises in designing and customising lifting equipment for the offshore industry, for £644,400. In the eleven months to 30 November 2006 Gjerde had a turnover of £2.2 million and a pre tax profit of £153,000. We have merged it into our existing Scan Tech operation with which it is complementary.

During the year we concentrated all our Aberdeen operations onto the eleven acre freehold Oldmeldrum site which we acquired with the Monyana acquisition. This enabled us to sell the Bridge of Don premises for £2.2m with a book profit of £1.1m. In Stavanger we have bought a four acre freehold site at Finnstad/Dusavik which we are developing as the centre for all our Norwegian Scan Tech activities.

#### Specialist Technical Services Divisional Result - £4.3 million (2005 - £2.6 million)

This division includes James Fisher's specialist marine services businesses of which FenderCare and the Strainstall group of companies are the largest, and Remote Marine Systems (RMS) plus the nuclear decommissioning businesses. Profits for the year were up by 62% with 70% from organic growth and the remainder from the FenderCare (March 2005) and Strainstall (October 2006) acquisitions. Margins remained stable at around 10% which was commendable, given the decline in the US dollar.

FenderCare had an excellent year demonstrating strong growth in all of its activities. It is the market leader for supplying large-scale pneumatic fenders for shipping, offshore, port, construction and defence projects and is also the largest global operator of ship-to-ship oil transfers.

In October 2006 we bought the privately owned Strainstall Group for a maximum of £7.0 million plus the assumption of £4.2 million of debt. We have put in place earn out arrangements designed to ensure that

payment only takes place against results Straininstall is complementary to FenderCare in that it has for some time undertaken joint marketing of port related products, particularly quick-release mooring systems It also provides a wide variety of load and stress monitoring applications which are relevant in the rail and construction industries

RMS, which designs and produces electrical penetrators for oil wells, had a good year It has long enjoyed a strong niche position in the North Sea and we are now increasing its marketing on a global basis, with some success Conditions in the nuclear decommissioning industry have been less helpful owing to the uncertainty caused by the privatisation of the British Nuclear Group (BNG) leading to disruption to the flow of decommissioning work There has also been some cost escalation in the nuclear industry as contractors, including BNG, have sought staff with specialist skills James Fisher Nuclear had a more difficult year financially but made progress in focusing on core skills of remote handling and plant characterisation We took the opportunity, during the year, to set up a new nuclear company, James Fisher Inspection and Measurement Services (JFIMS) under Dr Paul Read, the former Managing Director of BIL Solutions Ltd, a BNG subsidiary It has already obtained some contracts which give us a base level of work for further development The net cost of this start up was charged against the 2006 results and we anticipate that JFIMS will be profit generative by the end of 2007

**Defence Divisional Result  
including Foreland joint venture -  
£3.0 million (2005 - £2.1 million)**

Our defence operations consist of two parts - submarine rescue and providing commercial skills to support ships engaged in defence and related activities Although, in 2006, segmental profits were up 41% over 2005, this was not the most significant development for this division More importantly, we have won contracts in competitive tenders for the supply of submarine rescue systems to the South Korea and Singapore navies, confirming our world leading position in the specialist submarine rescue market, which was

"Our customers rely on us for an excellent technical and operational service where second best will not do."

highlighted by the rescue of the seven Russian submariners off Kamchatka in July 2005 The key task for this division is now to deliver the two systems on time and to cost, and to build on our leading position in this most specialist of world markets The key submarine rescue contracts we have today are

- the support of the UK Submarine Rescue Service (UKSRS) until at least December 2007 when the new NATO Submarine Rescue Service (NSRS) is now scheduled to enter service
- the operation of NSRS as a sub-contractor to Rolls Royce
- the marketing or sale of the UKSRS vehicle to foreign navies in conjunction with the Ministry of Defence
- the delivery of a purpose built submarine rescue vehicle to the South Korean Navy - this contract is worth £10 million in turnover over three years
- together with our Singapore partners, Singapore Technologies Marine Ltd, the delivery to the Singaporean Navy of a comprehensive

FenderCare had an excellent year demonstrating strong growth in all of its activities. It is the market leader for supplying large-scale pneumatic fenders for shipping, offshore, port, construction and defence projects.

12 miles off the Suffolk coast an Aframax tanker transfers 95 000 tons of Crude Oil to a 311 000 dwt Very Large Crude Carrier (VLCC). A Fendercare Marine Superintendent has berthed the vessels utilising the pneumatic fenders and mooring

equipment supplied by the Company and will supervise the transfer operation (STS) until completion scheduled to take about 24 hours. All in a day's work for Fendercare who co-ordinated hundreds of similar operations worldwide in 2006

#### Marine Oil Services Divisional Result £5.8 million (2005 - £6.7 million)

The second half result for marine oil services was disappointing and the result of three main factors

- i difficult dry-docks for two vessels each of which were out of service for two months
- ii the termination of a remunerative Ministry of Defence contract for mt Severn Fisher in the Falklands which we had anticipated would last longer
- iii persistent gales in November and December which significantly increased voyage times

Despite these adverse factors, James Fisher Tankships still earned an effectively tax free return of capital of 12.0% in 2006

Severn Fisher which is approaching 25 years of age, is the last of the James Fisher "old ladies" which is not double-hulled and as a result of the loss of the Falklands contract we have concluded that we should write down her book value by £2.9 million to £2.1 million

The reasons for the Everard acquisition have been elaborated already. In future our marine oil services division will operate under the James Fisher Everard name. The merger is on track and considerable progress has been made in bringing the Everard's operation together with James Fisher Tankships. In January the commercial and chartering departments were amalgamated and it is planned that the technical management will be fully merged into one team based in Barrow before the end of June 2007. The three oldest Everard vessels, mt Allurity, mt Activity and mt Arduity, have been sold for cash by Everard at prices consistent with the share purchase agreement and over fifty seafarers made redundant. Delivery from the Chinese yard of the third Everard newbuild, mt Superiority, took place in February 2007, about a month later than originally anticipated. There have also been delays to the fourth newbuild, mt Supremity, which is now scheduled for late Summer 2007. In some ways, the key integration risk is operational in that our customers rely on us for an excellent technical and operational service where second best will not do. The merger must not be allowed to disrupt this.

submarine rescue system, including a mother ship and submersible, by the end of 2008. The annual financial effect of this contract is anticipated to be approximately equivalent to that of UKSRS and it lasts for 20 years from delivery.

The South Korean and Singapore vehicles share a similar design and there should be some synergy in their joint construction. These developments confirm our leading position globally in the specialist submarine rescue market. We shall seek to build further on them in 2007.

The surface ship market has been quieter in 2006 although we are engaged on a number of long-term projects. The excellent results from Foreland confirm the potential of such projects if realised, although its 2006 result included £188,000 of exceptional tax write-back. We consider that there is further potential for the management of specialist surface ships, including defence ships, because there are now few remaining UK companies with the necessary skills and track record.

### Directors and Employees

I would like to welcome Michael Everard and William Everard to the Board, Michael as a Non-executive Director and Chairman of Cattedown Wharves and William as Technical Director of the Fleet. For many years Everard enjoyed a first rate operational reputation with our customers and we look forward to their contribution at James Fisher.

Maurice Storey, who is one of the most experienced marine managers in the UK, is helping facilitate the integration of Everard with James Fisher. For these services, he will receive an additional fee of £50,000 in the first half of 2007. Maurice is a Non-executive Director but it would be a waste of his experience and talent if this were to bar him from providing such a useful contribution. This is an excellent example of the value a non-executive director can bring.

Ian Serjent stood down as Marine and Technical Services Director at the last AGM and again I would like to thank him for his outstanding career with, and contribution to, the Company.

With the Everard acquisition, James Fisher now employs well over 1,000 people. Irrespective of the long-term benefits, mergers are never easy for the people involved and I would like to recognise the inconvenience and stress that it inevitably brings to employees. Their patience is much appreciated and I would like to thank them for their hard work and goodwill in 2006 and as the merger goes forward in 2007.

### Outlook

In the early part of 2007, James Fisher's first priority is to complete the integration of Everard and draw in full the potential synergies. This process is underway but it is important that it is completed without disruption to our service to our customers. The potential for profit improvement in the medium to longer term is significant as, for a variety of reasons, Everards' profitability was well below that of James Fisher. The second task, which is already in process, is to complete the refinancing of three of the Everard newbuilds as bareboat charters. It is anticipated that the full integration of Everard will be completed by the end of the first half from

which time we shall begin to benefit financially from the acquisition.

The offshore oil and specialist technical divisions experienced strongly favourable market conditions in 2006. To date there has been no change in circumstances, for example the number of rigs forecast to be operational in the Norwegian sector of the North Sea is rising over the next three years. Our businesses are well positioned and well led but it would be unrealistic to expect the same rate of organic growth as achieved in 2006 to be achieved every year. We shall continue to make complementary acquisitions and to strengthen their performance and growth in their markets. We shall also encourage acquired companies further to market their skills on an international basis.

The defence division has achieved a strong strategic position in international submarine rescue and its prime task in 2007 and 2008 will be to deliver the Korean and Singaporean contracts on time and with the estimated profit.

James Fisher increased the scale of its activities significantly in 2006. Trading for 2007 to date is to management expectations. We are well placed in strong markets with a proven strategy and track record to continue to produce good growth and value for our shareholders.

### Timothy C.Harris Chairman

# Review of Operations



**Nick Henry**  
Chief Executive  
Officer

**Michael Shields**  
Group Finance  
Director

## Principal Group activities

James Fisher is a leading service provider in the marine industry and a specialist supplier of engineering services to the nuclear industry. Its principal activities comprise the provision of specialist equipment to the offshore oil industry, the provision of services to the nuclear decommissioning industry, ship to ship oil transfer, sale and hire of large scale pneumatic fenders, design and assembly of electrical penetrators for the offshore oil industry, design and supply of systems for monitoring strains and stress in structures and equipment, the provision of submarine rescue services, the provision of commercial support to ships engaged in defence support activities and the distribution by sea of clean petroleum products.

## Group results

Group revenue increased to £118.1m in 2006, up by 29% on 2005 (£91.4m), and this generated a profit from continuing operations before taxation and separately disclosed items of £15.9m, compared to a 2005 profit on the same basis of £11.2m. The increase of 42% reflects the strong performance of the Marine Support Services businesses.

The Group Income Statement for 2006 details the separately disclosed items and discontinued operations, the combined effect of these items is a profit of £0.2m. The total is made up of a profit on

the sale of the freehold Bridge of Don property in Aberdeen of £1.1m, the impairment of the Severn Fisher, loss £2.9m, and the profit from the discontinued cable ship operations, £2.0m. Adjusted earnings per share are 28.30p per share (2005 – 21.84p per share) an increase of 30%.

The total profit for the year attributable to ordinary shareholders after taxation is £13.8m (2005 – loss £2.2m).

## Segmental Reporting

The breakdown of the Group profit over its four trading activities is provided in the Chairman's Statement on page 4. This shows continued strong growth particularly in the Offshore Oil and Specialist Technical Services divisions, with the former enjoying an 82% increase in profits and the latter a 62% increase in profits, in each case compared to 2005.

Details of Segmental revenue, margin and return on capital employed are shown in the table overleaf.

## Joint Ventures

Profit derived from joint ventures during the year comprised £0.3m in respect of Fender Care Nigeria Limited (2005 £0.1m) and £1.9m in respect of Foreland Shipping Limited (2005 £1.3m).

## Strategy

As set out in the Chairman's Statement on page 3, the aim of the Group is to be the UK's leading Marine Services business and the strategy employed to achieve this aim is to use the strong cash flow from our marine oil services division to build the marine support services divisions of offshore oil, specialist technical and defence, where we are able to apply our core expertise of practical marine engineering and operational skills. The Everard acquisition will help fund the development of these marine support service divisions.

## Changes in group

On 6 October 2006 the Group acquired Strainstall Group Limited (Strainstall), a privately owned company, for a maximum consideration of £7.0 million plus the assumption of £4.2 million of debt, payable in a mixture of cash and loan notes. Strainstall designs and supplies safety and productivity based monitoring, control, load

measurement and structural monitoring systems, operating internationally and servicing a wide range of industries including the marine, offshore, nuclear and rail markets. The purchase consideration includes £1.75m of contingent consideration which is linked to the earnings of the Strainstall Group in 2006 and 2007.

On 28 November 2006 the Group acquired Gjerde Løfteteknikk AS (Gjerde), for a total consideration of NOK 8.0 million (£644,400) payable in cash. Gjerde provides specialist equipment to customers in the Norwegian and UK sector of the North Sea, designing and customising lifting equipment and cranes for sale and rental to the offshore rig and subsea market.

On 1 December 2006, the Group acquired 70% of the share capital of Soil Dynamics (Malaysia) Sdn Bhd, a privately owned company specialising in groundwork engineering and pile testing services, for a maximum consideration of £525,000 comprising a cash payment of £325,000 at completion with a further payment of up to £200,000 due in January 2008 subject to certain conditions being met.

On 28 December 2006 the Group acquired the entire share capital of FT Everard and Sons Limited (Everard), for a maximum total cash consideration of £23.6 million, including £6m of contingent consideration payable principally following the delivery of two vessels under construction at the time of the acquisition and the assumption of approximately £19.7m of existing debt, net of cash and inclusive of £0.5m of loan notes, and a further debt of £8.0m in relation to the two remaining vessels under construction in China. Everard operates a fleet of tankers, the majority of which it owns, and also owns and operates Cattedown Wharves – a port facility on the River Plym, Plymouth.

Further details of the acquisitions are shown in Note 18.

#### Discontinued Operations

During the year, the Group disposed of its remaining cable ship Oceanic Princess for \$18.25m. This generated a profit of £1.94m over the impaired value.

### Forth Fisher / Napoli salvage operation

The James Fisher Everard vessel "Forth Fisher" supported the salvage operation of the MSC Napoli which was beached under the supervision of the UK Maritime Coastguard Authority (MCA) in Lyme Bay off the UK coast.

Smit Salvage contracted "Forth Fisher" to transfer fuel-oil from MSC Napoli. The vessel remained on station for over 3-weeks and safely offloaded over 3,500 tons of fuel.

#### Taxation

The effective tax rate on continuing operations is 17.04% (2005 – 6.59%). This lower than standard rate reflects the benefit to the Marine Oil Service business of the tonnage tax regime. During the year the Group extended the period of its tonnage tax election to December 2016. Everard will also benefit from participating in the tonnage tax regime. The Group's Marine Support Services activities do not qualify under the tonnage tax regime and are subject to normal corporation tax.

The tonnage tax regime eliminates the need to provide for deferred tax on accelerated capital

Details of segmental revenue, margin and return on capital employed are as follows								
	2006	2005	2006	2005	2006	2005	2006	2005
	Offshore Oil Services		Specialist Technical		Defence		Marine Oil Services	
Continuing Operations Revenue (£m)	£22 0	£14 9	£39 1	£22 3	£11 1	£9 3	£45 9	£44 9
Margin	33 3%	27 0%	10 9%	11 8%	26 8%	27 7%	12 7%	15 0%
Return on Capital Employed	17 9%	15 4%	15 0%	13 6%	27 7%	22 7%	12 0%	13 1%

allowances for activities which fall within tonnage tax. Activities outside tonnage tax continue to provide for deferred tax in full.

#### Dividends and earnings per share

The Board have recommended a final dividend for the year of 6.54p per share, (2005 – 5.69p per share), making a total for the year of 10.01p per share (2005 – 8.79p per share). This represents an increase of 14% on 2005.

Basic earnings per ordinary share from continuing operations in 2006 was 23.93p compared to 21.91p in 2005. Adjusted earnings per share, taking into account separately disclosed items and discontinued business was 28.30p per ordinary share compared to 21.84p in 2005.

#### Cash Flow

Cash generation remains a key focus of the Group. The Group's cash balance remains broadly the same compared to 2005 at £9.7m and demonstrates a continuing strong cash position.

Major funding movements in the year include the receipt of £12.3m from the sale of property, plant and equipment, principally the sale of Oceanic Princess and the freehold property at Aberdeen. A total of £22.2m was paid in consideration of new subsidiary undertakings.

#### Borrowings

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

A substantial portion of the Group's borrowing is now made on an unsecured basis.

Net gearing at 31 December 2006 amounted to 86% (2005 54%). The increase arose principally from the acquisition of Everard. This will be mitigated in 2007 by the planned refinancing of three of the Everard newbuilds as bareboat charters.

#### Treasury

##### Treasury Risk Management

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

All transactions entered into by the Group's treasury operations are required to be in support of, or a consequence of, underlying commercial transactions. During the year, the Group was in a net debt position. The management of foreign exchange risk and interest rate risk is a board agenda item.

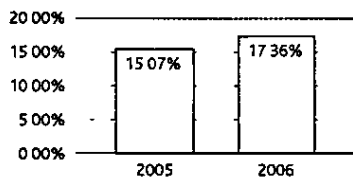
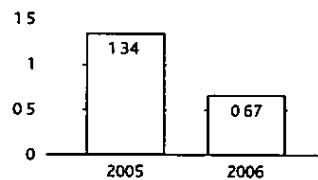
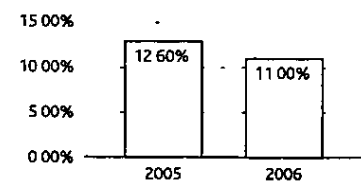
##### Finance and interest rate risk

Where appropriate, the Group manages its exposure to interest rate fluctuations on its borrowings through the use of interest rate swaps, to reduce the impact of adverse variations in the market rates on the Group profit and cash flow. Further details of the use of such instruments are set out at note 29.

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

##### Liquidity risk

The Group has continued to manage its cash in a manner designed to ensure maximum benefit is gained whilst ensuring security of investment sources. The Group's policy on investment of surplus funds is to place deposits at institutions with strong credit ratings. As at 31 December the Group had cash balances of £9.7m and undrawn

**Return on capital****Health and safety****Employee turnover**

committed facilities of £38.75m which are available to provide additional liquidity

**Foreign exchange risk**

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

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

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

**Pensions**

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

The James Fisher Dockworkers Scheme is paid up. The James Fisher Shore Staff Scheme has been closed to new members since 2001 and in 2005, with the agreement of the Trustees, it was decided to phase out the scheme over five years to 2010, with future benefits accrued subject to a cap of 1.5% per annum on pensionable salaries. The deficits of the two schemes at 31 December 2006 were Dockworkers £1.5m and Shorestaff £1.4m. FT Everard and Sons Limited operates a defined benefit scheme, the Everard Group Pension Fund, the fund having been closed to new entrants in

April 2004 and to future accrual from March 2005. The deficit at 31 December 2006 was £0.1m.

In March 2005 a court case established that the Group, as a former employer of members of the Merchant Navy Officers Pension Fund, is jointly and severally liable with other former employers to fund the current deficit in the scheme. As a result of recent calls for further contributions and the acquisition of Everard, the Group's liability is currently estimated at £7.0m. This is being paid by annual instalments ending in March 2014. Further details are given in note 25 to these accounts.

**Key Performance Indicators**

The Group utilises a number of different measures in order to monitor its performance, including segmental revenue and margin and Group cash flow, as detailed on page 10 of this Review of Operations. Further measures employed are set out below.

**Return on Capital Employed**

The Group's return on capital employed, measured as profit as a percentage of net assets and before interest and taxation, after adjusting net assets to take into account only the post-acquisition period relating to businesses acquired during the year, rose to 17.36% (2005: 15.07%).

**Health and Safety**

Health and safety is a matter of paramount concern to the Group across its entire operations. Given the naturally hazardous environment in which it conducts its business, particular attention is paid to the marine oil services division. The table above sets out details of the injuries which have occurred to seafarers employed in this division during the period 1 January 2005 to 31 December 2006, which injuries have resulted in those individuals not being able to continue with their duties for a period of time (so-called "lost time injuries"). The figures are expressed, in accordance with common industry standards, as the number of such injuries per 1 million man hours. The table does not include

Straininstall, part of James Fisher Specialist Technical Services Division, designs and supplies safety and productivity based monitoring, control, load measurement and structural monitoring systems. Services are provided internationally to a wide range of industries including the marine, offshore, nuclear and rail markets.

could affect the business operations and results of the Group

**Competitive pressures**

In common with other markets, our businesses compete with others on price and service, which competition is subject to cycles determined by the balance between supply and demand. There exists a risk that over-tonnaging may occur in the shipping markets in which the Group operates and given the ease with which, for example, shipping assets may be moved from one geographical market to another, no regional or local market can be totally isolated from the influence of over-tonnaging in other markets should it occur. The global supply of tonnage makes it difficult to predict over-tonnaging in any particular local market with any accuracy.

**Reputational risks for operational incidents**

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

statistics from the fleet operated by FT Everard & Sons Limited, owing to the fact that these vessels did not form part of the Group for the great majority of the period under consideration.

**Employee Turnover**

The Group recognises that the growth and retention of a skilled and motivated workforce is central to its success. Employees may leave an organisation for many different reasons, nevertheless the Group considers that a low turnover amongst its workforce provides a broad indication of employee satisfaction and motivation. The table overleaf represents the number of employees who have left employment with the Group of their own volition during the calendar year in question, expressed as a percentage of the average workforce during such period.

**Principal Risks and Uncertainties**

This section sets out a number of the risks which

**Pensions**

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

**Product Liability**

The Group is involved in the design, manufacture and sale or hire of various items such as engineering tools, software and electronics. It is possible that the Group may become liable for

## “Continued strong growth particularly in the Offshore Oil and Specialist Technical Services divisions.”

losses which are incurred by customers and others in the event that any such product does not meet the agreed specifications or other quality requirements. The Group seeks to limit the impact of this risk by negotiating appropriate limits on its liability to customers and also through its insurance programmes.

### **Integration Benefits**

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

### **Recruitment and retention of talent**

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

### **Legislation and regulation**

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

### **Financial**

The Group is exposed to interest rate risk and foreign exchange risk which it seeks to manage, where appropriate, via hedging arrangements. Furthermore the loan facilities entered into by the Group include a number of financial covenants imposing limits upon matters including gearing and interest cover. Breach of these covenants would constitute events of default under such facilities which might result in these borrowings becoming immediately repayable.

**Nick Henry**  
Chief Executive Officer

**Michael Shields**  
Group Finance Director

# Board of directors

1	2	3	4	5
1 Tim Hams 2 Nick Henry 3 Mike Shields 4 Simon Hams 5 William Everard 6 Anthony Cooke 7 Maurice Storey 8 Charles Rice 9 Michael Everard  ♦ Audit Committee ● Remuneration and Nominations Committees	6	7	8	9

## Executive Chairman

### Timothy C.Harris Executive Chairman (aged 59)

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

## Executive Directors

### Nicholas P Henry Chief Executive Officer (aged 45)

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

### Michael J.Shields Group Finance Director (aged 59)

Joined the Group in 1964 and has worked extensively throughout the Group's chartering, ship operations and previous port activities. In 1983 he became group accountant and treasurer, first becoming a main board director in 1986. He was appointed Group Finance Director in 1996.

### Simon A Harris Managing Director James Fisher Defence (aged 46)

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

### William D Everard Technical Director (aged 57)

Joined James Fisher in December 2006 following the acquisition of FT Everard and Sons Limited in which he held the position of Managing Director from 1988 to 2006. He is a naval architect by profession and a director and former chairman of The Shipowners Protection and Indemnity Association (Luxembourg). He is also a past president of the Chamber of Shipping.

## Non Executive Directors

### Anthony R.C.B.Cooke Non-executive director (aged 65) ♦ ●

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

### Maurice Storey Non-executive director (aged 63) ♦ ●

Joined the board in December 2003. He has 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 Hatsu Marine Limited, President of the Chamber of Shipping and he is the immediate past president of the Institute of Marine Engineering, Science and Technology.

### Charles J Rice Non-executive director (aged 53) ♦ ●

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

### F Michael Everard Non-executive director (aged 58) ♦ ●

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

# Report of the Directors

The directors present their report and the Group financial statements of James Fisher and Sons Public Limited Company for the financial year ended 31 December 2006

## Principal group activities, review of operations and results

The Review of Operations on pages 8 to 13 describes the principal activities, operations and the financial position of the Group. The results of the Group are set out in detail on pages 35 to 41 and in the accompanying notes. Further information on the business and future developments of the Group is presented in the Chairman's Statement on pages 3 to 7. The principal subsidiaries and associates are listed on page 91.

## Business Review and Future Developments

A review of the business is presented in the Review of Operations on pages 8 to 13. A consideration of future developments is set out in the Chairman's Statement on page 7.

## Results and dividends

The Group profit for the financial year after taxation amounted to £13,777,000 (2005 loss £2,197,000). The directors recommend a final ordinary dividend of 6.54p per share (2005 5.69p) amounting to £3,212,000 making 10.01p per share and £4,916,000 for the year. Dividends are recognised in the accounts in the year in which they are paid, or in the case of a final dividend, when approved by shareholders, such that the amount recognised in the accounts as described in note 12, is made up of last year's final dividend, and this year's interim. Preference dividends of £3,500 were also paid during the year, which are reflected in finance costs.

The final dividend if approved will be paid on 11 May 2007 to ordinary shareholders whose names were on the register on 10 April 2007.

## Directors and their interests

The current members of the board are listed on page 14.

Mr W D Everard and Mr F M Everard were both appointed as directors on 28 December 2006 upon completion of the acquisition of FT Everard and Sons Limited. In accordance with the regulations of the Company, they will retire at the forthcoming Annual General Meeting and, being eligible, will offer themselves for election.

Mr M J Shields retires by rotation and, being eligible, offers himself for re-election.

Mr A R C B Cooke retires by rotation and, being eligible, offers himself for re-election.

Brief biographical details of all directors are shown on page 14.

The interests of the directors, who held office at the end of the financial year, in the ordinary share capital of the Company, other than with respect to options to acquire ordinary shares (which are detailed in the analysis of options included in the report on directors' remuneration), are as follows:

	Holdings of ordinary shares of 25p each	
	2006 No	2005 or date of appointment No
T C Harris	170,861	110,188
N P Henry	18,562	10,322
M J Shields	210,538	166,256
S A Harris	7,015	5,415
W D Everard	-	-
A R C B Cooke	21,684	21,684
M Storey	-	-
C J Rice	5,000	-
F M Everard	-	-

There has not been any change in these holdings since 31 December 2006.

In addition to the directors listed above, Mr I M Serjent was a director until his retirement on 4 May 2006.

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

All executive directors, other than the Chairman who has a six month rolling service contract, have one year rolling service contracts with the Company. The non-executive directors do not have service contracts with either the Company or any Group undertaking.

No contract in relation to the Group's business in which the directors of the Company had an interest, existed at 31 December 2006 or at any time during 2006.

# Report of the Directors

During the financial year the Company has maintained cover for its directors under a directors' liability insurance policy, as permitted by the Companies Act 1985

## Substantial shareholders

On 26 March 2007 the following were interested in 3 per cent or more of the Company's issued share capital

	Ordinary Shares	
	No	%
Rowland Frederick Hart Jackson (non-beneficial)	8,887,596	17.95
Schroder Investment Management	7,700,186	15.55
Therapia Investments Limited	3,106,815	6.28
M&G Investment Management	2,456,109	4.96
Hermes Pension Management	2,237,529	4.52
Legal and General Investment Management	2,022,761	4.09
	Preference Shares	
	No	%
Therapia Investments Limited	100,000	100

No other person has notified an interest in the ordinary shares of the Company required to be disclosed to the Company in accordance with s198-s208 of the Companies Act 1985

## Research and Development

The Group's Specialist Technical Services division is involved in a number of research and development projects. By way of example these include the development of remote handling systems in the nuclear decommissioning business and the design and development of electrical penetrators for borehole activities in the onshore and offshore drilling industry.

## Financial Instruments

The Group's financial risk management objectives and policies are discussed in the treasury section of the Review of Operations on pages 10 to 11.

## Charitable and political contributions

During the financial year the Group made no political contributions (2005 £nil).

Charitable contributions made during the financial year totalled £525 (2005 £428).

## Events after the balance sheet date

The Group completed the sale of mt *Arduity* and mt *Allurity* on 5 January and 11 January 2007 respectively. The net proceeds from the disposals were £1.5 million.

On 13 February 2007 the Group took delivery of mt *Superiority*.

Under the terms of the acquisition of Strainstall Group on 6 October 2006 contingent consideration of £1,750,000 is payable to the vendors dependent on achieving certain performance conditions for the year ended 31 December 2006 and 31 December 2007. In March 2007 following confirmation that the performance criteria for the year ended 31 December 2006 had been achieved the vendors were paid £1,250,000 in cash and loan notes.

## Employees

It is the policy of the Group to ensure all sections of the community at large have equal opportunities in matters relating to employment. Furthermore, full and fair consideration is given to disabled applicants for employment and career development. The Group also actively encourages the training of its employees through participation in industry training schemes. Additionally, both in-house and external training is provided for administrative staff. The Group communicates with its employees through regular presentations by senior management and by means of publication of a company newsletter.

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

The Savings Related Share Option Scheme was approved by shareholders at the Annual General Meeting in 2005. Under this scheme, which is a UK HM Revenue and Customs approved scheme, eligible employees may be invited to apply for options following 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.

The Company also operates an Executive Share Option Scheme (the ESOS Scheme) which was approved by the shareholders at the Annual General Meeting in 2005. Under this scheme, which is a UK HM Revenue and Customs approved scheme, the remuneration committee has the discretion to select employees and directors of the Company and of its subsidiaries for participation in the plan each time it is operated. The fair value of the options granted in any year of operation of the plan shall not exceed 100% of an option holder's annual base salary. The options can be exercised following attainment of a performance target linked to the Company's total shareholder return ("TSR") relative to a comparator group over a three year period. The comparator group currently comprises a selection of those companies in the FTSE Small Cap Index with revenue at the date of grant ranging between 75% and 125% of that of the Company, however the Company is seeking shareholders' approval at the forthcoming Annual General Meeting to amend this comparator group, as further explained in the circular accompanying this Report and Accounts.

#### **Special business at the Annual General Meeting**

At the Annual General Meeting on 3 May 2007 resolutions 9 to 14 inclusive will be special business. The special business covers the approval of a change to the ESOS Scheme, approval of an increase in the limit on aggregate fees payable to directors, approval for the directors authority to allot shares, the partial disapplication of pre-emption rights, the Company's authority to purchase its own shares and approval of a change to the Articles of Association of the Company.

Details of the resolutions are set out in the Notice of Annual General Meeting on pages 93 to 94 and the explanatory Notes on page 95 and the letter from the Chairman accompanying this Report and Accounts.

In the opinion of the directors, the passing of these resolutions is in the best interests of the shareholders.

#### **Supplier payment terms**

It is the Company's policy to comply with the terms of payment agreed with its suppliers. Where payment terms are not negotiated the Company endeavours to adhere to suppliers' standard terms.

At 31 December 2006 the Group and Company had an average number of 55 days and 77 days purchases outstanding in trade creditors respectively (2005 Group 46 days, Company 36 days).

#### **Environmental policy**

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

#### **Auditors**

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and their re-appointment as auditors in accordance with section 385 of the Companies Act 1985 will be proposed at the Annual General Meeting.

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

The directors who were members of the board at the time of approving the directors' report are listed on page 14. Having made enquiries of fellow directors and of the Company's auditors each of these directors confirms that:

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

By Order of the Board

J J B Tyler  
Secretary

26 March 2007



# Corporate Governance Statement

The Company is committed to high standards of corporate governance. The board is accountable to the Company's shareholders for good governance. This statement describes how the principles of corporate governance are applied to the Company and the Company's compliance with the provisions set out in the revised Combined Code issued by the Financial Reporting Council in July 2003 (the code)

## Statement of compliance with the code

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

## Board of directors

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

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

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

## Board balance and independence

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

The board considers the non-executive directors combine broad business and commercial experience to bring independent and objective judgement to bear on issues of strategy, performance, resource and standards of conduct. The balance between non-executive and executive directors enables the board to provide clear and effective leadership and maintain the highest standards of integrity across the Company's business activities. The names and biographies of all board members are set out on page 14.

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

In addition to his role as a non-executive director, Mr FM Everard acts as Chairman of Cattedown Wharves Limited, a subsidiary of FT Everard and Sons Limited which was acquired as part of the acquisition of that group which completed on 28 December 2006. Furthermore Mr FM Everard has close family ties with Mr WD Everard, an executive director of the Company. Mr FM Everard has acted as Chairman of Cattedown Wharves Limited since 1988 and in the light of his extensive experience of this business, it was considered to be commercially desirable for at least an interim period, that he should maintain the Chairmanship at that company. Mr FM Everard is paid an annual fee of £60,000 by the Company, which includes £32,500 for his services as a non-executive director and £27,500 in respect of his role as Chairman of Cattedown Wharves Limited. The board believes that notwithstanding these factors, Mr FM Everard is independent in character and judgement.

In view of his being one of the UK's most experienced shipping managers and former head of the Maritime Coastguard Agency, Mr M Storey has been engaged by the Company, with effect from 1 January 2007, to provide consultancy services in connection with the integration of the fleet of FT Everard & Sons Limited into the Group. It is envisaged that such services will be provided only for the integration period. In consideration for the exceptional provision of such services, Mr M Storey is to be paid a fee of £50,000, which fee is in addition to the fee he receives for the provision of his services as a non-executive director of the Company. Given the short-term and specific nature of this consultancy arrangement, the board considers that Mr M Storey remains independent in character and judgment.

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

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

**Re-election of directors**

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

The names of the directors standing for re-election at the 2007 Annual General Meeting are contained on page 93.

**Information, induction and professional development**

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

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

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

**Performance evaluation**

A performance evaluation of the board and its committees during 2006 was conducted in January 2007. The evaluation was conducted internally on a confidential basis and was led by the senior independent non-executive director in conjunction with the Executive Chairman. The performance evaluation included amongst other matters a review of the conduct of, and processes for, board and committee meetings, information received, corporate governance issues and overall performance as well as an assessment of the contribution of individual directors. The non-executive directors have met to discuss the performance of the Executive Chairman. The performance evaluation was designed to assist the board in further improving performance. A performance review is conducted on an annual basis.

**Board committees**

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

***Audit committee***

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

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

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

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

***Remuneration and nomination committees***

Membership of the remuneration and nomination committees comprises the four non-executive directors with attendance by the Executive Chairman. The remuneration committee is chaired by Mr A R C B Cooke, the senior independent non-executive director, and is responsible for formulating and reviewing the Group's executive remuneration policy and making recommendations to the board on the remuneration arrangements for directors. The Executive Chairman is not present when his own terms and conditions are discussed. The report on directors' remuneration is shown on pages 24 to 32.

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

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

# Corporate Governance Statement

## Meetings

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

	Board	Audit	Remuneration and nominations
Total number of meetings	5	2	3
Number of meetings attended in 2006			
Mr T C Harris	5	*	*
Mr N P Henry	5	*	—
Mr M J Shields	5	*	—
Mr S A Harris	4	—	—
Mr W D Everard	—	—	—
Mr I M Serjent	2	—	—
Mr A R C B Cooke	5	2	3
Mr M Storey	5	1	2
Mr C J Rice	5	2	3
Mr F M Everard	—	—	—

\* attends by invitation

Mr W D Everard and Mr F M Everard were appointed on 28 December 2006 and they were not eligible to attend any of the meetings during the year Mr I M Serjent retired on 4 May 2006 and attended all meetings for which he was eligible

## Relations with shareholders

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

## Internal control

The board of directors is responsible for the Group's (excluding joint ventures) system of internal control that is designed to provide them with reasonable assurance to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable and not absolute assurance.

The board has established an ongoing process in accordance with the guidance of the Turnbull Committee on internal control, for the identification, evaluation and management of the significant risks facing the Group, which operated throughout the year. Risk management is included as an agenda item at board meetings where there is an opportunity to discuss risk management and internal control issues and to determine a control strategy for the significant risks.

Furthermore, the risk committee which is chaired by the chief executive officer meets at least four times a year, with representation from across the Group. The risk committee's terms of reference include the identification and monitoring of risks and ensuring the risks are being actively managed. The committee's findings are reported to the board. This process is under continual review by the board.

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

The Internal Auditor's work includes appropriate compliance testing and he reports to the audit committee twice a year.

The directors have reviewed the effectiveness of the Group's system of internal control as it operated throughout the year. The key features of the internal control system that operated throughout the year are as follows:

### Control environment

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

### Information systems

The Group operates comprehensive annual planning and budgeting systems with a half yearly forecast all of which are approved by the board. There is a financial reporting system which compares results with budget and the previous year on a monthly basis to identify any

significant deviation from approved plans. A cash flow statement projected for a rolling twelve months is prepared on a quarterly basis and is used in determining that the Group has adequate funding for its future needs. The actual cash flow is monitored on a monthly basis and compared to forecast. Financial reviews of the major operating units are undertaken on a monthly basis and a rolling forecast for the year is also updated on a monthly basis.

***Main control procedures***

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

***Monitoring***

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

***Whistle-blowing policy***

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

# Corporate Social Responsibility Statement

As a leading provider of marine services in the United Kingdom, the Group is committed and determined to conduct its affairs in an equitable manner recognising its responsibilities with regard to social and ethical conduct, human resources, health and safety and the environment collectively known as Corporate Social Responsibility ("CSR") and to communicate with all shareholders, customers and staff. 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 on Corporate Social Responsibility ("CSR") has been compiled to include elements of guidelines drawn from the Association of British Insurers (ABI) and guidelines issued by the Government/CBI initiative to promote environmental reporting.

The 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, 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 continual improvement in the services the Group offers
- Respect the confidentiality of each customer's business and activities

## **Human resources**

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

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

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

## **Stakeholders**

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

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

The Group believes that long-term relationships are based on:

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

### Health, safety and environment

The 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
- Conducting world wide Ship to Ship (STS) Transfer Operations
- Avoiding injuries to personnel and loss of life
- Conserving and protecting the environment
- Protecting owners' assets that are entrusted to the Group
- Complying with statutory and classification rules and requirements
- Applying recognised industry standards
- Continual development of skills and systems
- Preparing for emergencies

The Group understands the impact that its operations could have on the environment and has developed a policy and has systems in place which seek to define, eliminate or mitigate environmental risks and effects

It is the policy of the Group to

- Comply with all legal requirements
- Set high environmental standards
- Complete reviews of any environmental impacts and establish practices and procedures
- Provide training to employees on environmental matters
- Investigate environmental incidents

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 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.

The Group is fully committed to providing services in accordance with Safety Management System, approved by the Maritime Coastguard Agency (MCA), to the international quality standard ISO9001 2000. The system encompasses all aspects of the Group's business from head office functions to its offshore operations and is designed to continuously improve performance, reliability and safety whilst providing a service that fully meets our customers' requirements.

The objectives of the Safety Management System are

- Continuously develop and improve the awareness and management of safety of all personnel in the Group
- Provide a continuously safe working environment. Operations and activities are subject to appropriate controls that include the application of safe working practices, complying with relevant legislation and the employment of appropriately trained and competent personnel
- Review accidents and incidents with a view to ascertaining and publishing the root cause to improve personnel awareness. Evaluate existing controls following an incident to determine how these controls may be improved upon, to reduce the possibility of recurrence
- Prevent damage to property and the marine environment by employing best practice and complying with all applicable rules and regulations
- Conduct STS Operations in line with recognised industry standards and in compliance with applicable national and international regulations
- Design and operate ships taking into consideration the efficient use of energy and materials, the minimisation of any adverse environmental impact and waste generation and the safe and responsible disposal of residual wastes
- Make use of recycling facilities whenever possible and appropriate

The management system ensures compliance with all statutory requirements and where appropriate industry codes, standards and guidance to working practices and operations

# Report on directors' remuneration

The report on directors' remuneration covers all directors, both executive and non-executive, and is set out on pages 24 to 32

The report has been approved by the board and signed on its behalf by the chairman of the remuneration committee. A resolution to approve this report will be proposed at the Company's Annual General Meeting to be held on 3 May 2007

## Information not subject to audit

### Remuneration committee and advisers

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

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

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

Mr M Storey

Mr C J Rice

Mr F M Everard (from 28 December 2006)

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

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

	Number of Meetings held	Number of Meetings attended
Mr A R C B Cooke (chairman)	3	3
Mr M Storey	3	2
Mr C J Rice	3	3
Mr F M Everard	3	–

The committee met three times in the period under review. Mr F M Everard only joined the committee on 28 December 2006 and therefore was not eligible to attend the meetings. Mr T C Harris, as executive chairman of the board, also attended committee meetings, at the invitation of the chairman of the committee

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

## Remuneration policy for executive directors

### Main principles

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

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

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

The Company also seeks to align the interests of shareholders and employees at all levels by giving employees opportunities and encouragement to build up a shareholding interest in the Company. Through a series of share plan initiatives, under the UK Savings Related Share Option Scheme, the majority of employees of the Company, and its wholly owned subsidiaries, have the opportunity to take up a shareholding interest. In December 2006 an offer was made to all eligible staff.

#### **Elements of remuneration**

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

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

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

#### **Base salary**

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

#### **Benefits in kind**

These principally comprise car benefits, life assurance and membership of the Group's healthcare insurance scheme. These benefits do not form part of pensionable earnings.

#### **Annual cash bonus**

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

The maximum level of bonus that could be earned by an executive director in 2006 was 70% of base salary.

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

In 2005 the Share Matching Scheme was suspended, details of the awards under this scheme are shown on page 31. Under the Share Matching Scheme, executive directors and senior management could elect to invest up to a maximum of 100% of bonus in ordinary shares to be held by the Employee Benefits Trust, provided that the shares lodged are held in the Trust for three years, the participant will receive the original shares, plus additional shares equal in number to the original shares. The committee does not intend to make further awards under the Share Matching Scheme.

Bonuses for the year to 31 December 2006 are shown in the table on page 28. Other senior executives also achieved a cash bonus for last year.

#### **Long Term Incentive Plan**

Longer-term business performance improvement is rewarded under the Long Term Incentive Plan (LTIP), which was approved by shareholders in 2001. The committee may award shares annually up to a maximum of 100% of annual salary to main board directors and senior executives, subject to the achievement of a performance target, over a three year performance period. In normal circumstances the committee would expect to maintain award levels under the Long Term Incentive Plan (LTIP) at 50% of salary annually unless option grants were reduced or unavailable. Under the current performance target, no award vests unless the increase in the Company's diluted earnings per ordinary share over the performance period, at least equals the rate of inflation plus 9%. Earnings per share was selected as a performance condition as an appropriate measure of profitable growth to generate shareholder value. The committee has agreed that this measure should continue to apply for awards made in 2007.

#### **Executive Share Option Scheme**

The Company has for some time operated an Executive Share Option Scheme (the "1995 Scheme"). Under the 1995 Scheme options to acquire ordinary shares at an exercise price no lower than the market value (as determined in accordance with the Scheme rules) of a share at the date of grant could be awarded at the discretion of the committee subject to an overall limit of four times base salary. Details of options held by directors under the 1995 Scheme are set out on pages 28 to 29. The options may be exercised following the attainment of a

# Report on directors' remuneration

performance condition measured over a continuous period of three years and which demonstrates the increase in diluted earnings per share achieved exceeds inflation and is at least 9%

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

Options under the ESOS will be granted subject to a performance target which must be achieved before exercise. The committee has changed the performance measure previously used for options. It believes that it is no longer appropriate to use the same earnings per share performance measure for both the LTIP and the ESOS, and has introduced instead a measure for the ESOS that reflects both returns received by shareholders and the Company's relative performance against a comparator group.

Therefore, for grants under the ESOS, the committee has determined that vesting will be based on the total shareholder return (TSR) performance of the Company relative to a comparator group. The committee firmly believes that the use of relative TSR as a performance measure is an appropriately objective measure of the Company's success that will both reflect relative management performance and align the interests of shareholders and executives.

The comparator group currently comprises quoted companies of a comparable size in the FTSE Small Cap Index with turnover at the date of grant ranging between 75% and 125% of that of the Company. This comparator group has been significantly eroded since the ESOS was established, and the committee is concerned that this erosion, should it continue, might lead to significant volatility in the performance of the comparator group owing to the diminished number of companies which it would contain. Accordingly it is proposed that the comparator group be amended to comprise companies forming the FTSE Small Cap Index as a whole, excluding investment trusts, and the approval of shareholders to this amendment is to be sought at the forthcoming Annual General Meeting. Further details are set out in the circular to shareholders accompanying these Report and Accounts.

If at the end of a performance period, usually three years, the Company ranks in the upper quartile of the comparator group, all of the options will vest. If the ranking is at the median level, 40% of the options will vest. No options will vest for performance below median. For intermediate rankings between upper quartile and median, a proportionate number of options will vest reducing on a straight-line basis. Options which do not vest at the end of the performance period will lapse. Details of awards made to directors under the ESOS are on pages 28 to 29.

## ***Savings Related Share Option Scheme***

All eligible employees including executive directors have the opportunity to participate in the James Fisher Savings Related Share Option Scheme. This is a HM Revenue and Customs approved all-employee share plan. HM Revenue and Customs does not permit performance conditions to be attached to the exercise of options. Under the Scheme, participants are granted options over James Fisher and Sons Public Limited Company ordinary shares. Each participant may save up to £250 per month over a three, five or seven year savings period to purchase the Company's shares. For the 2006 invitation to participate, the exercise price was at market value of an ordinary share at the time the invitations to subscribe for options were issued.

## ***Executive chairman's remuneration package***

Mr Tim Harris, executive chairman has an agreed annual salary of £231,000 per year. In 2006 he was entitled to participate in the annual bonus scheme and awarded LTIP shares. The executive chairman is not in the Company's pension scheme but he is a member of the Company's health scheme and he receives a cash sum in lieu of a Company car. Details of the executive chairman and other directors' emoluments are set out on page 28.

## ***Service contracts***

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

	Contract date	Unexpired term/ Notice period
T C Harris	01 12 06	6 months
N P Henry	01 12 06	12 months
M J Shields	04 12 06	12 months
S A Harris	04 12 06	12 months
W D Everard	28 12 06	12 months

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

	Contract date	Expiry date
A R C B Cooke	01 01 07	31 12 2007
M Storey	01 01 07	31 12 2007
C J Rice	01 01 07	31 12 2007
F M Everard	28 12 06	31 12 2007

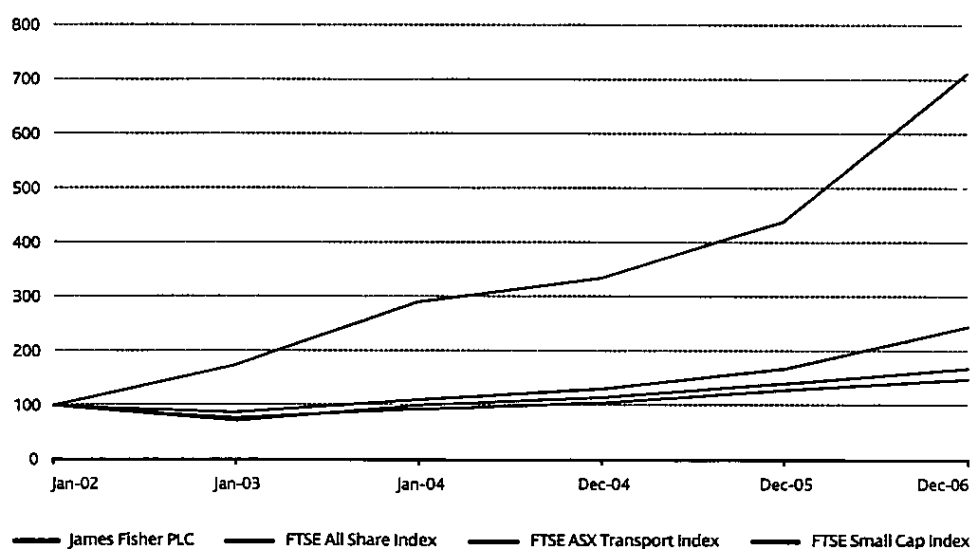
#### Remuneration policy for non-executive directors

Fees for non-executive directors are determined by the board as a whole, based on independent surveys of fees paid to non-executive directors of comparable companies within the restrictions contained within the Articles of Association. The non-executive directors do not take part in discussions on their own remuneration. Remuneration comprises an annual fee for acting as a non-executive director of the Company. Save as set out on page 18 in respect of Mr F M Everard and Mr M Storey, non-executive directors receive no other pay or benefits (with the exception of reimbursement of expenses incurred in connection with their directorship of the Company), do not participate in the Company's option schemes, bonus schemes or long-term incentive plans and are not eligible for pension scheme membership.

#### Performance graph

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

The James Fisher PLC Total Return Index vs FTSE All Share Index vs FTSE ASX Transport Index vs. FTSE Small Cap Index for the period 1 January 2002 to 31 December 2006 (rebased 1 January 2002)



# Report on directors' remuneration

## Information subject to audit

### Details of directors' remuneration

	Salary and fees £000	Annual performance bonuses £000	Benefits in kind £000	Cash in lieu of benefits £000	2006 Total £000	2005 Total £000
<b>Executive</b>						
T C Harris	231	162	2	16	411	392
N P Henry	139	97	-	13	249	237
M J Shields	113	79	9	-	201	170
S A Harris	100	70	2	10	182	50
W D Everard +	-	-	-	-	-	-
I M Serjent ++	53	37	4	33	127	162
<b>Non-executive</b>						
A R C B Cooke	30	-	-	-	30	29
M Storey	27	-	-	-	27	26
C J Rice	27	-	-	-	27	26
F M Everard +	-	-	-	-	-	-
<b>Aggregate emoluments</b>	<b>720</b>	<b>445</b>	<b>17</b>	<b>72</b>	<b>1,254</b>	<b>1,092</b>

+ from date of appointment, 28 December 2006

++ to date of retirement, 4 May 2006

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

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

### External directorships

The executive directors are permitted to serve as non-executive directors of other companies, provided the appointment is first approved by the remuneration committee. Directors are allowed to retain their fees from such appointments. During the year Mr T C Harris earned £125,000, (2005 £114,000) under this arrangement.

### Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors. Details of the options are as follows:

	1 January 2006 or date of appointment No	Granted No	Exercised No	Cancelled No	31 December 2006 No	Gains on exercise 2006 £000
T C Harris	197,560	49,359	-	-	246,919	-
N P Henry	44,739	29,615	(4,372)	-	69,982	16
M J Shields	136,857	24,231	(18,060)	-	143,028	67
S A Harris	19,099	21,368	-	-	40,467	-
W D Everard	-	-	-	-	-	-
I M Serjent	129,368	-	(95,423)	(23,312)	10,633	306
<b>Total</b>	<b>527,623</b>	<b>124,573</b>	<b>(117,855)</b>	<b>(23,312)</b>	<b>511,029</b>	<b>389</b>

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

	1 January 2006 or date of appointment No	Number of share options			31 December 2006 No	Exercise price	Date from which exercisable	Expiry date
		Granted during year No	Exercised during year No	Cancelled during year No				
T C Harris	130,282	-	-	-	130,282	142p*	10 03 06	10 03 13
	67,278	-	-	-	67,278	327p**	22 06 08	22 06 15
	-	49,359	-	-	49,359	468p*	23 03 09	23 03 16
	197,560	49,359	-	-	246,919			
N P Henry	4,372	-	(4,372)	-	-	211p+	01 12 06	01 06 07
	40,367	-	-	-	40,367	327p*	22 06 08	22 06 15
	-	29,615	-	-	29,615	468p**	23 03 09	23 03 16
	44,739	29,615	(4,372)	-	69,982			
M J Shields	35,000	-	(15,000)	-	20,000	122p*	17 10 00	17 10 07
	3,445	-	-	-	3,445	143p+	01 11 07	01 05 08
	62,324	-	-	-	62,324	142p*	10 03 06	10 03 13
	3,060	-	(3,060)	-	-	211p+	01 12 06	01 06 07
	33,028	-	-	-	33,028	327p**	22 06 08	22 06 15
	-	24,231	-	-	24,231	468p**	23 03 09	23 03 16
	136,857	24,231	(18,060)	-	143,028			
S A Harris	14,526	-	-	-	14,526	327p**	22 06 08	22 06 15
	4,573	-	-	-	4,573	352p++	01 12 10	01 06 11
	-	21,368	-	-	21,368	468p**	23 03 09	23 03 16
	19,099	21,368	-	-	40,467			
WD Everard	-	-	-	-	-			
I M Serjent	25,000	-	(25,000)	-	-	122p*	17 10 00	17 10 07
	70,423	-	(70,423)	-	-	142p*	10 03 06	10 03 13
	33,945	-	-	(23,312)	10,633	327p**	22 06 08	22 06 15
	129,368	-	(95,423)	(23,312)	10,633			

\* 1995 Executive Share Option Scheme

\*\* 2005 Executive Share Option Scheme

+ 1995 Savings Related Share Option Scheme

++ 2005 Savings Related Share Option Scheme

Following the retirement of Mr I M Serjent on 4 May 2006, the 2005 award under the Executive Share Option Scheme was reduced pro rata in accordance with the scheme rules. This resulted in options over 23,312 ordinary shares being cancelled.

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

The options under the 2005 scheme are exercised following the attainment of a performance target linked to the Company's total shareholder return (TSR) relative to a comparator group over a three year period. The comparator group is those companies in the FTSE Small Cap index with revenue at the date of grant ranging between 75% and 125% of that of the Company, however as explained on page 26, shareholder approval is to be sought at the forthcoming Annual General Meeting to amend the comparator group.

The market value of the 25p ordinary share at 31 December 2006 was 605p having ranged between 367p and 605p during the financial year.

Further details of share options exercised are as follows:

- (i) On 9 January 2006 Mr I M Serjent exercised options over 25,000 shares under the Executive Share Option Scheme (1995) with an exercise price of 122p per share. The market price at the exercise date was 382p.
- (ii) On 15 March 2006 Mr I M Serjent exercised options over 70,423 shares under the Executive Share Option Scheme (1995) with an exercise price of 142p per share. The market price at the exercise date was 484.25p.
- (iii) On 4 April 2006 Mr M J Shields exercised options over 15,000 shares under the Executive Share Option Scheme (1995) with an exercise price of 122p per share. The market price at the exercise date was 494.25p.
- (iv) On 19 December 2006, Mr M J Shields exercised options over 3,060 shares under the 1995 Savings Related Share Option Scheme with an exercise price of 211p per share. The market price at the exercise date was 587p.

# Report on directors' remuneration

(v) On 19 December 2006, Mr N P Henry exercised options over 4,372 shares under the 1995 Savings Related Share Option Scheme with an exercise price of 211p per share. The market price at the exercise date was 587p.

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

Mr T C Harris, Mr N P Henry and Mr M J Shields have been granted options over 2,803, 2,803 and 1,132 ordinary shares respectively under the Savings Related Share Option Scheme on 5 January 2007 at a price of 584p.

## Long Term Incentive Plan (LTIP)

There is a conditional award of share options to directors following the introduction of a Long Term Incentive Plan. Interests in the share options awarded become vested in the directors after a period of three years provided the increase in diluted earnings per ordinary share in the three year period at least equals the rate of inflation plus 9%.

At 1 January 2006 and 31 December 2006 the number of shares under conditional share option awards held were as follows

	1 January 2006 or date of appointment No	Granted No	Vested/ exercisable No	Cancelled No	31 December 2006 No
TC Harris	133,862	26,445	(66,211)	-	94,096
N P Henry	27,549	15,867	-	-	43,416
M J Shields	66,174	12,982	(32,807)	-	46,349
S A Harris	13,401	11,448	-	-	24,849
WD Everard	-	-	-	-	-
I M Serjent	71,237	-	(35,790)	-	35,447
	312,223	66,742	(134,808)	-	244,157

		1 January 2006 or date of appointment No	Granted No	Vested/ exercisable No	Cancelled No	31 December 2006 No	Exercise price	End of performance period
TC Harris	3 Year Award	66,211	-	(66,211)	-	-	Nil	5 March 2006
	3 Year Award	34,012	-	-	-	34,012	Nil	9 March 2007
	3 Year Award	33,639	-	-	-	33,639	Nil	17 March 2008
	3 Year Award	-	26,445	-	-	26,445	Nil	14 March 2009
		133,862	26,445	(66,211)	-	94,096		
N P Henry	3 Year Award	7,366	-	-	-	7,366	Nil	9 March 2007
	3 Year Award	20,183	-	-	-	20,183	Nil	17 March 2008
	3 Year Award	-	15,867	-	-	15,867	Nil	14 March 2009
		27,549	15,867	-	-	43,416		
M J Shields	3 Year Award	32,807	-	(32,807)	-	-	Nil	5 March 2006
	3 Year Award	16,853	-	-	-	16,853	Nil	9 March 2007
	3 Year Award	16,514	-	-	-	16,514	Nil	17 March 2008
	3 Year Award	-	12,982	-	-	12,982	Nil	14 March 2009
		66,174	12,982	(32,807)	-	46,349		
S A Harris	3 Year Award	6,138	-	-	-	6,138	Nil	9 March 2007
	3 Year Award	7,263	-	-	-	7,263	Nil	17 March 2008
	3 Year Award	-	11,448	-	-	11,448	Nil	14 March 2009
		13,401	11,448	-	-	24,849		
WD Everard	3 Year Award	-	-	-	-	-		
I M Serjent	3 Year Award	35,790	-	(35,790)	-	-	Nil	5 March 2006
	3 Year Award	18,475	-	-	-	18,475	Nil	9 March 2007
	3 Year Award	16,972	-	-	-	16,972	Nil	17 March 2009
		71,237	-	(35,790)	-	35,447		

The scheme is unapproved for HM Revenue and Customs purposes.

On 14 March 2006 following the attainment of the necessary performance conditions the 2003 award matured and 134,808 shares were vested to the participants Mr T C Harris, Mr M J Shields and Mr I M Serjent over 66,211, 32,807 and 35,790 shares respectively. The market value at the date of vesting was 436.75p.

The interest of directors to subscribe for, or acquire, ordinary shares under the Long Term Incentive Plan have not changed since the year end.

### Share Matching Scheme

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

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

	1 January 2006 or date of appointment No	Granted No	Vested No	31 December 2006 No
T C Harris	75,295	-	(12,585)	62,710
N P Henry	13,329	-	-	13,329
M J Shields	46,125	-	(15,052)	31,073
S A Harris	5,415	-	-	5,415
W D Everard	-	-	-	-
I M Serjent	30,046	-	(17,006)	13,040
	170,210	-	(44,643)	125,567

		1 January 2006 or date of appointment No	Granted No	Vested/ exercisable No	31 December 2006 No	Exercise price	End of performance period
T C Harris	3 Year Award	12,585	-	(12,585)	-	Nil	5 March 2006
	3 Year Award	32,703	-	-	32,703	Nil	9 March 2007
	3 Year Award	30,007	-	-	30,007	Nil	17 March 2008
		75,295	-	(12,585)	62,710		
N P Henry	3 Year Award	5,750	-	-	5,750	Nil	9 March 2007
	3 Year Award	7,579	-	-	7,579	Nil	17 March 2008
		13,329	-	-	13,329		
M J Shields	3 Year Award	15,052	-	(15,052)	-	Nil	5 March 2006
	3 Year Award	16,205	-	-	16,205	Nil	9 March 2007
	3 Year Award	14,868	-	-	14,868	Nil	17 March 2008
		46,125	-	(15,052)	31,073		
S A Harris	3 Year Award	5,415	-	-	5,415	Nil	17 March 2008
W D Everard	3 Year Award	-	-	-	-		
I M Serjent	3 Year Award	17,006	-	(17,006)	-	Nil	5 March 2006
	3 Year Award	6,923	-	-	6,923	Nil	9 March 2007
	3 Year Award	6,117	-	-	6,117	Nil	17 March 2008
		30,046	-	(17,006)	13,040		

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

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

On 14 March 2006 following the attainment of the necessary performance conditions the 2003 award matured and 44,643 shares were vested to the participants Mr T C Harris, Mr M J Shields and Mr I M Serjent over 12,585, 15,052 and 17,006 shares respectively. The market value at the date of vesting was 436.75p

### Directors' pension entitlements

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

	Age at 31 December 2006	Accrued pension 1 January 2006 £000	Accrued pension 31 December 2006 £000	Increase £000	Increase after indexation £000	Transfer value of increase after indexation £000
M J Shields	59	69	70	1	(2)	(98)
I M Serjent	64	62	64	2	1	(80)

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year or, in the case of Mr I M Serjent, to his retirement on 4 May 2006

# Report on directors' remuneration

The value of each director's accrued benefits is as follows

	Transfer value of accrued benefits 31 December 2006 £000	Transfer value of accrued benefits 31 December 2005 £000
M J Shields	1,189	1,287
I M Serjent	1,155*	1,235

\* Mr I M Serjent, transfer value at date of retirement, 4 May 2006

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

Members of the scheme have the option to pay Additional Voluntary Contributions, neither the contributions nor the resulting benefits are included in the above table.

Mr N P Henry and Mr S A Harris are members of the Group's defined contribution scheme. The Company's contribution is 7% of base salary amounting to £10,000 for Mr N P Henry (2005 £9,000) and £7,000 for Mr S A Harris (2005 £2,000).

The directors' interests in shares are shown in the Report of the Directors on page 15.

On behalf of the board

**Anthony R.C.B. Cooke**  
Board remuneration committee chairman

26 March 2007

# Statement of Directors' Responsibilities

## Accounts, including adoption of going concern basis

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

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements

# Independent Auditors' Report

We have audited the group and parent company financial statements (the "financial statements") of James Fisher & Sons Public Limited Company for the year ended 31 December 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Recognised Income and Expenses and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Report on directors remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Report on directors remuneration and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Report on directors remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report on directors remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Review of Operations and Chairman's Statement that is cross referred from the Business Review and Future Developments section of the Report of the Directors. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the unaudited part of the Report on directors remuneration, the Chairman's Statement, the Review of Operations and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Report on directors remuneration to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

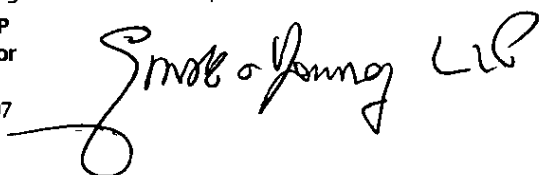
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Report on directors remuneration to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Report on directors remuneration to be audited.

## Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its profit for the year then ended,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2006,
- the financial statements and the part of the Report on directors remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation, and
- the information given in the directors' report is consistent with the financial statements.

**Ernst & Young LLP**  
Registered auditor  
Manchester  
Date 26 March 2007



# Group Income Statement

For the year ended 31 December 2006

	Notes	Year ended 31 December 2006			Year ended 31 December 2005		
		Before separately disclosed items £000	Separately disclosed items note (5) £000	Total £000	Before separately disclosed items £000	Separately disclosed items note (5) £000	Total £000
<b>Group revenue</b>	3	118,085		118,085	91,411		91,411
Cost of sales		(96,438)		(96,438)	(73,931)		(73,931)
<b>Gross profit</b>		21,647		21,647	17,480		17,480
Administrative expenses		(5,756)		(5,756)	(5,413)		(5,413)
<b>Profit from operations before separately disclosed items</b>	2	15,891		15,891	12,067		12,067
Profit on sale of property		-	1,126	1,126	-	-	-
Impairment of ship		-	(2,906)	(2,906)	-	-	-
Pension benefit curtailment		-	-	-	-	2,000	2,000
Loss on ship disposals		-	(24)	(24)	-	(1,617)	(1,617)
<b>Profit from operations</b>	6	15,891	(1,804)	14,087	12,067	383	12,450
Finance costs							
Finance income (revenue)		316	-	316	304	-	304
Finance costs		(2,586)	-	(2,586)	(2,591)	-	(2,591)
Exchange gain/(loss) on loan conversion		-	35	35	-	(130)	(130)
Share of post tax results of joint venture	8 16	(2,270) 2,295	35 -	(2,235) 2,295	(2,287) 1,413	(130) -	(2,417) 1,413
<b>Profit on continuing operations before taxation</b>		15,916	(1,769)	14,147	11,193	253	11,446
Taxation	9	(2,034)	(377)	(2,411)	(538)	(216)	(754)
<b>Profit for the year on continuing operations</b>		13,882	(2,146)	11,736	10,655	37	10,692
<b>Discontinued operations</b>							
Profit/(loss) for the year from discontinued operations	4			2,041			(12,889)
				13,777			(2,197)
<b>Profit/(loss) for the year</b>							
Profit/(loss) attributable to Equity holders of the parent				13,780			(2,197)
Minority interests				(3)			-
				13,777			(2,197)
<b>Earnings per share (EPS)</b>				<b>pence</b>			<b>pence</b>
<b>Basic EPS from continuing operations</b>	11			23 93			21 91
<b>Diluted EPS from continuing operations</b>	11			23 71			21 72
<b>Basic EPS on profit/(loss) from total operations</b>	11			28 09			(4 50)
<b>Diluted (loss)/EPS on (loss)/profit from total operations</b>	11			27 83			(4 50)
<b>Adjusted earnings per share</b>							
<b>Basic EPS from continuing operations</b>	11			28 30			21 84
<b>Diluted EPS from continuing operations</b>	11			28 05			21 64

# Group Statement of Recognised Income and Expense

For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £000	Year ended 31 December 2005 £000
<b>Income and expenses recognised directly in equity</b>			
Exchange differences on translation of foreign operations			
Currency translation differences		189	26
Net investment hedge		(571)	9
		(382)	35
Fair value of gains/(losses) on cash flow hedges		62	(134)
Share of fair value gains of cash flow hedges in joint venture		39	169
Actuarial gains/(losses) on defined benefit schemes	25	4,143	(4,531)
		3,862	(4,461)
<b>Transfers to the income statement</b>			
On cash flow hedges		7	36
Tax on items taken directly to equity	10	(772)	123
Net income/(expense) recognised directly in equity		3,097	(4,302)
Profit/(loss) for the year		13,777	(2,197)
<b>Total recognised income/(expense) for the year</b>	23	<b>16,874</b>	<b>(6,499)</b>
Attributable to			
Equity holders of the parent		16,877	(6,499)
Minority interests		(3)	-
		16,874	(6,499)
<b>Effects of changes in accounting policy</b>			
Net gain on cash flow hedges on first time adoption of IAS 39			20
Loss on cash flow hedges in joint ventures on first time adoption of IAS 39			(125)
			(105)

# Company Statement of Recognised Income and Expense

For the year ended 31 December 2006

	Notes	31 December 2006 £000	31 December 2005 £000
<b>Income and expense recognised directly in equity</b>			
Fair value of gains/(losses) on cash flow hedges		62	(134)
Actuarial gains/(losses) on defined benefit schemes	25	4 143	(4,531)
		4,205	(4,665)
<b>Transfers to the income statement</b>			
On cash flow hedges		7	36
Tax on items taken directly to equity	10	(772)	123
Net income/(expense) recognised directly in equity		3,440	(4,506)
Profit for the year		7,328	871
<b>Total recognised income/(expense) for the year</b>	23	10,768	(3,635)
<b>Effects of changes in accounting policy:</b>			
Net gain on cash flow hedges on first time adoption of IAS 39			20

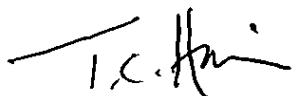
# Group Balance Sheet

As at 31 December 2006

	Notes	31 December 2006 £000	31 December 2005 £000
<b>Assets</b>			
<b>Non current assets</b>			
Goodwill	13	55,773	36,168
Other intangible assets	14	60	-
Property, plant and equipment	15	102,629	67,081
Investment in joint ventures	16	3,575	2,587
Available for sale financial assets	17	1,370	1,368
Deferred tax assets	10	-	1,197
		163,407	108,401
<b>Current assets</b>			
Inventories	19	11,317	5,797
Trade and other receivables	20	32,897	21,026
Derivative financial instruments	29	17	-
Cash and cash equivalents	21	9,655	9,725
		53,886	36,548
Non current assets classified as held for sale	4	1,518	7,959
<b>Total Assets</b>		218,811	152,908
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	22	12,377	12,345
Share premium	23	24,114	23,960
Treasury shares	23	(1,147)	(1,184)
Other reserves	23	(96)	178
Retained earnings	23	50,932	38,030
<b>Shareholders' Equity</b>		86,180	73,329
Minority interests	23	71	-
<b>Total equity</b>		86,251	73,329
<b>Non current liabilities</b>			
Other payables	24	1,610	593
Retirement benefit obligations	25	10,049	13,536
Derivative financial instruments	29	-	18
Cumulative preference shares	29	100	100
Financial liabilities	27	72,449	42,695
Deferred tax liabilities	10	1,987	-
		86,195	56,942
<b>Current liabilities</b>			
Trade and other payables	24	33,959	14,802
Current tax		1,207	1,370
Derivative financial instruments	29	55	102
Financial liabilities	27	11,144	6,363
		46,365	22,637
<b>Total liabilities</b>		132,560	79,579
<b>Total equity and liabilities</b>		218,811	152,908

The accounts were approved by the board of directors on 26 March 2007 and were signed on its behalf by

**TC Harris**  
Executive Chairman



# Company Balance Sheet

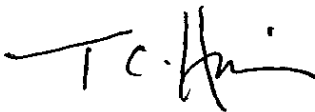
As at 31 December 2006

	Notes	31 December 2006 £000	31 December 2005 £000
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	15	7,383	7,308
Investments	17	115,551	82,433
Available for sale financial assets	17	1,368	1,368
Deferred tax assets	10	786	2,023
		125,088	93,132
<b>Current assets</b>			
Inventories	19	–	2
Trade and other receivables	20	2,145	1,776
Corporate tax receivable		2,734	999
Cash and cash equivalents	21	815	1,789
		5,694	4,566
<b>Total Assets</b>		<b>130,782</b>	<b>97,698</b>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Called up share capital	22	12,377	12,345
Share premium	23	24,114	23,960
Treasury shares	23	(1,147)	(1,184)
Other reserves	23	(9)	(78)
Retained earnings	23	17,584	11,150
<b>Total equity</b>		<b>52,919</b>	<b>46,193</b>
<b>Non current liabilities</b>			
Other payables	24	500	–
Retirement benefit obligations	25	6,689	13,536
Derivative financial instruments	29	–	18
Cumulative preference shares	29	100	100
Financial liabilities	27	52,662	22,250
		59,951	35,904
<b>Current liabilities</b>			
Trade and other payables	24	16,254	15,499
Derivative financial instruments	29	8	102
Financial liabilities	27	1,650	–
		17,912	15,601
<b>Total liabilities</b>		<b>77,863</b>	<b>51,505</b>
<b>Total equity and liabilities</b>		<b>130,782</b>	<b>97,698</b>

The accounts were approved by the board of directors on 26 March 2007 and were signed on its behalf by

**TC Harris**

*Executive Chairman*



# Group Cash Flow Statement

For the year ended 31 December 2006

	Notes	31 December 2006 £000	31 December 2005 £000
Group profit from operations		14,087	12,450
<b>Adjustments to reconcile Group profit from operations to net cash inflows from operating activities</b>			
Profit/(loss) from operations from discontinued operations		2,042	(12,886)
Adjustments for			
Depreciation		5,661	7,670
Profit on sale of plant and equipment		(377)	(51)
Profit on disposal of property		(1,126)	-
Pension benefit curtailment		-	(2,000)
Impairment of non-current assets		2,906	10,885
(Profit)/loss on ship disposals		(1,912)	11,565
Increase in trade and other receivables		(3,309)	(3,014)
(Increase)/decrease in inventories		(2,025)	258
Increase/(decrease) in trade and other payables		2,553	(1,291)
Additional defined benefit pension scheme contributions		(2,979)	(1,994)
Share based compensation		516	432
<b>Cash generated from operations</b>		<b>16,037</b>	<b>22,024</b>
Income tax payments		(1,481)	(1,404)
<b>Cash flows from operating activities</b>		<b>14,556</b>	<b>20,620</b>
<b>Investing activities</b>			
Dividends from joint venture undertakings		1,275	1,068
Proceeds from the sale of property, plant and equipment		12,255	12,995
Interest received		320	321
Acquisition of subsidiaries, net of cash acquired		(22,151)	(22,077)
Acquisition of property, plant and equipment		(7,424)	(7,357)
Acquisition of available for sale financial asset		(1)	(211)
<b>Cash flows used in investing activities</b>		<b>(15,726)</b>	<b>(15,261)</b>
<b>Financing activities</b>			
Proceeds from the issue of share capital		170	190
Preference dividend paid		(3)	(4)
Interest paid		(2,807)	(2,871)
Proceeds from other non-current borrowings		28,912	20,524
Purchase less sales of own shares by ESOP		(229)	7
Capital element of finance lease repayments		(7)	-
Repayment of borrowings		(20,362)	(19,547)
Dividends paid		(4,499)	(3,927)
<b>Cash flows from/(used in) financing activities</b>		<b>1,175</b>	<b>(5,628)</b>
Net increase/(decrease) in cash and cash equivalents		5	(269)
Cash and cash equivalents at 1 January 2006	21	9,725	10,045
Net foreign exchange difference		(75)	(51)
<b>Cash and cash equivalents at 31 December 2006</b>	<b>21</b>	<b>9,655</b>	<b>9,725</b>

# Company Cash Flow Statement

For the year ended 31 December 2006

	Notes	31 December 2006 £000	31 December 2005 £000
<b>Operating activities</b>			
Loss from operations		(2,383)	(11,210)
Adjustments for			
Depreciation		510	216
Loss on sale of property, plant and equipment		18	1
Pension curtailment		-	(2,000)
(Reduction)/increase in provision against investments		(2,130)	9,470
Decrease in stocks		2	2
Decrease in trade and other receivables		(2,151)	(529)
(Decrease)/increase in trade and other payables		(4,873)	68
Additional defined benefit pension scheme contributions		(2,979)	(1,994)
Share based compensation		500	418
<b>Cash generated from operations</b>		<b>(13,486)</b>	<b>(5,558)</b>
Income tax payments		(269)	(228)
<b>Cash flows from operating activities</b>		<b>(13,755)</b>	<b>(5,786)</b>
<b>Investing activities</b>			
Dividends from subsidiaries		10,000	11,175
Proceeds from the sale of plant and equipment		11	31
Interest received		619	532
Acquisition of subsidiaries, net of cash acquired		(23,270)	(3)
Acquisition of property, plant and equipment		(614)	(6,407)
Acquisition of available for sale financial asset		-	(211)
<b>Cash flows (used in)/from investing activities</b>		<b>(13,254)</b>	<b>5,117</b>
<b>Financing activities</b>			
Proceeds from the issue of share capital		170	190
Preference dividend paid		(3)	(4)
Interest paid		(1,837)	(630)
Net loans advanced to subsidiaries		9,171	(17,103)
Proceeds from other non-current borrowings		24,999	18,750
Purchase less sales of own shares by ESOP		(229)	7
Repayment of borrowings		(1,737)	-
Dividends paid		(4,499)	(3,927)
<b>Cash flows from/(used in) financing activities</b>		<b>26,035</b>	<b>(2,717)</b>
Net (decrease)/increase in cash and cash equivalents		(974)	(3,386)
Cash and cash equivalents at 1 January 2006	21	1,789	5,175
<b>Cash and cash equivalents at 31 December 2006</b>	<b>21</b>	<b>815</b>	<b>1,789</b>

# Notes to the financial statements

For the year ended 31 December 2006

## General information

The group financial statements consolidate the financial statements of James Fisher and Sons Public Limited Company (the Company) and all of its subsidiary undertakings for the year ended 31 December 2006

The Group and Company present their financial statements under International Financial Reporting Standards (IFRS)

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

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

The Company and consolidated financial statements were approved for issue by the Board of Directors on 26 March 2007

As permitted by section 230 of the Companies Act 1985, a separate income statement and related notes for the holding company have not been presented in these financial statements. The profit after taxation in the holding company was £7,328,000 (2005: £871,000)

## Statement of compliance

The consolidated financial statements and those of the company have been prepared in accordance with IFRS adopted by the European Union (EU) as at 31 December 2006 and are applied in accordance with the provisions of the Companies Act 1985

### 1 Significant accounting policies

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

#### *Significant accounting judgements and estimates*

##### Financial and business risks

The Group's activities expose it to a variety of financial and business risks. Where possible the Group seeks to minimise these risks through its risk management policies as set out on page 20 of the Corporate governance statement.

##### Pensions

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

##### Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy on page 45. An analysis of the Group's goodwill and the assumptions used to test for impairment are set out in note 13.

##### Impairment of other assets

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

##### Intangible assets

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

##### Income taxes

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

##### Basis of preparation of group accounts

The group financial statements consolidate the financial statements of James Fisher and Sons Public Limited Company and all its subsidiary undertakings. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the purchase method of accounting.

The financial statements are prepared on an historical cost basis except for derivative financial instruments which are measured at fair value

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

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

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

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

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

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

### Foreign Currency

#### (i) Group

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

The net investments in overseas subsidiary undertakings are translated from their functional currency into Sterling at the rate of exchange ruling at the balance sheet date. The exchange differences arising on the retranslation of opening net assets and the difference between the weighted average exchange rate used to translate the income statement and the closing rate used to translate the balance sheet are taken directly to the translation reserve

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

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

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

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

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

#### (ii) Company

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

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

The provisions of IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement have not been applied to accounting periods prior to 1 January 2005. The group has applied these standards prospectively from that date. The principal impacts of applying these standards from 1 January 2005 are

# Notes to the financial statements

The 3 5% cumulative preference shares which have a book and fair value of £100,000 have been reclassified from equity to long term debt. From 1 January 2005 the dividend on the shares of £3,500 per annum is classified as an interest expense, having previously been treated as a dividend

Prior to 1 January 2005, the Group did not recognise the fair value of hedging derivatives. Since that date the fair value of these derivatives used for hedging purposes has been included in a hedging reserve and released to the income statement in the year when the hedged commitment affects profit or loss

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

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

## Financial assets

The group recognises three classes of financial assets

- Loans and receivables
- Available for sale financial assets
- Derivatives not designated as hedging instruments

### (a) Loans and receivables

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

### (b) Available for sale financial assets

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

### (c) Derivatives not designated as hedging instruments

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

At each balance sheet date the group reviews all financial assets for evidence of impairment. Any impairment provision is recognised in the income statement.

## Intangible assets

Other intangibles, including intellectual property are stated at cost, unless acquired by the Group in which case they are stated at fair value, less accumulated amortisation and provision for impairment.

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 it is impaired. The amortisation period is reviewed at the end of each accounting period. The amortisation of intangible assets is recognised in the income statement.

Intangible assets having indefinite useful lives are tested for impairment annually either as specific assets or as part of an income generating unit. Such intangibles are not amortised. The useful life of these intangibles is reviewed annually

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

## Goodwill

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

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

For 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. 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 asset'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. 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.

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.

#### **Separately disclosed items**

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

#### **Property, plant and equipment**

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

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

The principal rates used are

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

No depreciation is charged on assets under construction.

Residual values for vessels are set initially at 20% of purchase cost, 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 disposal costs 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 operations are recognised in the income statement.

# Notes to the financial statements

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. This reversal is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

## Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, as follows:

Raw materials, consumables stores and finished goods for sale – purchase cost on a first in first out basis.

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

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

## Construction contracts

### (i) General

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

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

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

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

### (ii) Bid costs

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

## Taxation

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

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

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

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

No provision is made relating to the initial recognition of assets or liabilities other than those acquired as part of a business combination that affect neither accounting nor taxable profit.

Provision is made for deferred tax that would arise on all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, only to the extent that, at the balance sheet date, it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences and unused tax losses and credits can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Derivatives and other financial instruments

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

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

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

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

#### Cash flow hedges

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

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

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

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

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

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

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

#### Fair Value Hedges

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

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

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

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

#### Calculation of fair values

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

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

# Notes to the financial statements

## 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. Interest bearing bank loans and overdrafts are recorded as the proceeds received net of direct issue costs. 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 using the effective interest method, being recognised in the income statement over the term of such instruments at a constant rate on the carrying amount and being added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

## Accounting for leases

### (i) Operating leases

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

### (ii) Finance leases

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

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

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

## Pension Plans

### (i) Defined contribution scheme

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

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

### (ii) Defined benefit scheme

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

The schemes are funded by payments determined by periodic actuarial calculations agreed between the company 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 reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the gain or loss recognised in the income statement during the period in which the settlement or curtailment occurs.

The interest element of the defined benefit cost represents the change in the present value of scheme obligations resulting from the passage of time. The expected return on plan assets is based on the long-term market returns on scheme assets assessed at the start of the period adjusted for the effect of contributions received and benefits paid during the year.

A liability is recognised in the balance sheet in respect of the group's net obligations to the schemes which is calculated separately for each scheme. The liability represents the present value of the defined benefit obligations at the balance sheet date, less the fair value of the scheme assets together with adjustments for unrecognised actuarial gains or losses, past service costs and curtailments.

The defined benefit obligations represent the estimated amount of future benefits that employees have earned in return for their services in current and prior periods, discounted at a rate representing the yield on a high quality corporate bond at the balance sheet date, denominated in the same currency as the obligations and having the same terms to maturity as the related pension liability, applied to the estimated future cash outflows arising from these obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

Actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, have been recognised in the group's reserves. Actuarial gains and losses on experience adjustments and changes in actuarial assumptions that arise subsequent to 1 January 2004 are recognised in the period in which they arise directly in the statement of recognised income and expense.

**Equity-settled share based payments**

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

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

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

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

The Company re-assesses its estimate of the number of options that are expected to become exercisable at each balance sheet date. Any adjustments to the original estimates are recognised in the income statement (and equity) over the remaining vesting period. 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

The nominal value of any shares issued from the exercise of options is credited to share capital with the balance of the proceeds received, net of transaction costs, credited to share premium

**Short term employee benefits**

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

**Treasury shares**

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

**ESOP Trust**

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

**Segmental reporting**

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

- Offshore Oil Services – Manufacture and rental of equipment for the offshore oil and Gas industry, trading under the Scan Tech, Fisher Offshore and Reanco names
- Specialist Technical Services – Provision of vessel management and equipment services to the marine sector including fendering and ship to ship transfer services under the Fender Care name. Decommissioning and remote operations and monitoring services, predominantly to the Nuclear industry under the James Fisher Nuclear brand and control, load measurement and structural monitoring equipment under the Strainstall brand
- Defence – Provision of marine services to the Ministry of Defence (MoD) and other navies including the UK submarine rescue service operated by James Fisher Rumic, maintenance, asset management and consultancy services provided by James Fisher Defence, and a 25% shareholding in Foreland Shipping which provides military strategic sealift capability via its operation of six Ro Ro ferries for the MoD
- Marine Oil Services – Delivery of refined petroleum products in North West Europe,
- Cable Ships – This became a discontinued operation in 2005

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

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

# Notes to the financial statements

## 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.

For goods and services provided as a hire or time charter revenue is recognised on a straight line basis over the term of the contract based on the total contract amount.

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

## 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 disposal. Impairment losses on initial classification as held for sale are included in profit or loss, as are any gains and losses on subsequent re-measurement.

## Cash and cash equivalents

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

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

## New standards and interpretations not applied

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

### International Accounting Standards (IAS/IFRSs)

	<b>Effective Date</b>
IFRS 7 Financial instruments Disclosures	1 January 2007
IFRS 8 Operating Segments	1 January 2009
IAS 1 Amendment – Presentation of Financial Statements Capital Disclosures	1 January 2007

### International Financial Reporting Interpretations Committee (IFRIC)

IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10 Interim Financial Reporting and Impairment	1 November 2007
IFRIC 11 IFRS 2 Group and Treasury Share Transactions	1 March 2006
IFRIC 12 Service Concession Arrangements	1 January 2008

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

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

## 2 Segmental information

### Primary reporting format business segments

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2006 and 2005

Year ended 31 December 2006	Continuing Operations				Total £000	Discontinued Operations Cable Ships £000	Total £000
	Offshore Oil Services £000	Specialist Technical Services £000	Defence £000	Marine Oil Services £000			
<b>Revenue</b>							
Group revenue	21,977	42,282	11,197	45,937	121,393	–	
Inter segment sales	–	(3,217)	(91)	–	(3,308)	–	
Segmental revenue	21,977	39,065	11,106	45,937	118,085	–	
<b>Result</b>							
Segmental result before ship disposals	7,320	3,919	1,024	5,819	18,082	106	
Common costs					(2,191)		
<b>Profit from operations before separately disclosed items and joint ventures</b>					<b>15,891</b>		
Profit on sale of property					1,126	–	
Impairment of ship					(2,906)	–	
(Loss)/profit on ship disposals					(24)	1,936	
<b>Profit from operations before joint ventures</b>					<b>14,087</b>	<b>2,042</b>	
Finance income (revenue)					316	–	
Finance costs					(2,586)	–	
Exchange loss on loan conversion					35	–	
					(2,235)	–	
Share of post tax results of joint ventures		346	1,949		2,295	–	
<b>Profit before tax</b>					<b>14,147</b>	<b>2,042</b>	
Taxation					(2,411)	(1)	
<b>Profit attributable to equity holders</b>					<b>11,736</b>	<b>2,041</b>	
<b>Assets &amp; Liabilities</b>							
Segment assets	45,432	46,686	8,844	110,343	211,305	10	211,315
Investment in joint ventures	–	598	2,977	–	3,575	–	3,575
Unallocated assets					3,921		3,921
<b>Total assets</b>					<b>218,801</b>	<b>10</b>	<b>218,811</b>
Segment liabilities	(3,895)	(9,046)	(1,082)	(15,738)	(29,761)	(58)	(29,819)
Unallocated liabilities					(102,741)	–	(102,741)
<b>Total liabilities</b>					<b>(132,502)</b>	<b>(58)</b>	<b>(132,560)</b>
<b>Other segment information</b>							
Capital expenditure							
Property, plant & equipment	3,108	2,973	58	40,643	46,782	–	46,782
Unallocated					611		611
					47,393	–	47,393
Other intangible assets		60			60		60
Depreciation	1,527	543	89	3,353	5,512	–	5,512
Unallocated					149		149
					5,661	–	5,661
Amortisation of intangible assets		1			1		1

# Notes to the financial statements

Year ended 31 December 2005	Continuing Operations				Total £000	Discontinued Operations Cable Ships £000	Total £000
	Offshore Oil Services £000	Specialist Technical Services £000	Defence £000	Marine Oil Services £000			
<b>Revenue</b>							
Group revenue	14,936	25,898	9,679	44,903	95,416	9,019	
Inter segment sales	(37)	(3,622)	(346)	–	(4,005)	–	
<b>Segmental revenue</b>	<b>14,899</b>	<b>22,276</b>	<b>9,333</b>	<b>44,903</b>	<b>91,411</b>	<b>9,019</b>	
<b>Result</b>							
Segmental result before ship disposals	4,017	2,551	782	6,733	14,083	4,552	
Common costs					(2,016)		
<b>Profit from operations before separately disclosed items and joint ventures</b>					<b>12,067</b>		
Pension benefit curtailment					2,000	–	
Impairment of non-current assets					–	(10,885)	
Recognition of rentals due on sold ship					–	3,395	
Loss on ship disposals					(1,617)	(9,948)	
<b>Profit from operations before joint ventures</b>					<b>12,450</b>	<b>(12,886)</b>	
Finance income (revenue)					304	–	
Finance costs					(2,591)	–	
Exchange loss on loan conversion					(130)	–	
					(2,417)	–	
Share of post tax results of joint ventures	–	79	1,334	–	1,413	–	
<b>Profit before tax</b>					<b>11,446</b>	<b>(12,886)</b>	
Taxation					(754)	(3)	
<b>Profit attributable to equity holders</b>					<b>10,692</b>	<b>(12,889)</b>	
<b>Assets &amp; Liabilities</b>							
Segment assets	39,501	24,908	8,867	58,347	131,623	5,095	136,718
Investment in joint ventures	–	398	2,189	–	2,587	–	2,587
Non-current assets classified as held for sale					–	7,959	7,959
Unallocated assets					5,644	–	5,644
<b>Total assets</b>					<b>139,854</b>	<b>13,054</b>	<b>152,908</b>
Segment liabilities	(1,922)	(2,802)	(1,441)	(6,820)	(12,985)	(1,437)	(14,422)
Unallocated liabilities					(65,157)	–	(65,157)
<b>Total liabilities</b>					<b>(78,142)</b>	<b>(1,437)</b>	<b>(79,579)</b>
<b>Other segment information</b>							
Capital expenditure							
Property, plant & equipment	7,242	3,733	71	3,317	14,363	588	14,951
Unallocated					53	–	53
					14,416	588	15,004
Depreciation	939	400	118	3,838	5,295	2,189	7,484
Impairment provision					–	10,885	10,885
Unallocated					186	–	186
					5,481	13,074	18,555

### Geographical segments

The following table represents revenue, expenditure and certain asset information regarding the Group's geographical segments for the years ended 2006 and 2005

	UK & Ireland		Norway		Rest of the World		Total	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
<b>Revenue</b>								
Continuing operations								
Group revenue	85,621	68,964	9,988	8,110	25,784	18,342	121,393	95,416
Inter-segment sales	(3,308)	(4,005)	-	-	-	-	(3,308)	(4,005)
<b>Group revenue</b>	<b>82,313</b>	<b>64,959</b>	<b>9,988</b>	<b>8,110</b>	<b>25,784</b>	<b>18,342</b>	<b>118,085</b>	<b>91,411</b>
Segmental revenue	-	-	-	-	-	9,019	-	9,019
Segment assets	177,207	109,210	28,350	25,091	4,240	2,417	209,797	136,718
Investment in joint ventures	2,977	2,189	-	-	598	398	3,575	2,587
Non-current assets classified as held for sale	1,518	7,959	-	-	-	-	1,518	7,959
Unallocated assets	-	-	-	-	-	-	3,921	5,644
							218,811	152,908
<b>Segment liabilities</b>	<b>(25,991)</b>	<b>(9,376)</b>	<b>(2,897)</b>	<b>(2,941)</b>	<b>(931)</b>	<b>(2,105)</b>	<b>(29,819)</b>	<b>(14,422)</b>
Unallocated liabilities							(102,741)	(65,157)
							(132,560)	(79,579)
<b>Capital expenditure</b>								
Property, plant and equipment	46,097	14,211	1,294	793	2	-	47,393	15,004

### 3 Revenue

Revenue disclosed in the income statement is analysed as follows

#### Continuing operations

	2006 £000	2005 £000
Sale of goods and services	97,699	78,845
Rental income	20,386	12,566
Revenue	118,085	91,411
Finance revenue	316	304
<b>Total Revenue</b>	<b>118,401</b>	<b>91,715</b>

#### Discontinued operations

	2006 £000	2005 £000
Rental income	-	9,019
Revenue	-	-
Finance revenue	-	-
<b>Total Revenue</b>	<b>-</b>	<b>9,019</b>

# Notes to the financial statements

## 4 Discontinued operations

Discontinued operations relate to the withdrawal of the Group from cable laying activities announced in 2005. Following the disposal in 2005 of the cable ship CS Oceanic Pearl the remaining vessel, CS Oceanic Princess, was reclassified as an asset held for sale in December 2005. This vessel was disposed of on 12 June 2006.

Following the disposal of the CS Oceanic Pearl on 6 October 2005, the Group had recognised the remaining income due under the General Dynamics charter which expired in December 2006. The present value of the remaining income had been recognised in the balance sheet at 6 October 2005 after applying a discount rate of 4.5%.

Following the reclassification of CS Oceanic Princess as an asset held for sale an impairment review was performed by the Directors, taking into account the expected disposal proceeds and costs and revenues anticipated to arise during the period prior to disposal, discounted at an appropriate rate to take into account the risks associated with the relevant cash flows. As a result an impairment provision of £10,885,000 was made against the carrying value of the vessel and charged to the income statement in December 2005. The discount rates used to assess the cash flows were between 4.5% and 10%.

The results of discontinued operations are presented below.

	2006 £000	2005 £000
Revenue	–	9,019
Cost of sales	106	(4,467)
Gross profit	106	4,552
Profit/(loss) on ship disposals	1,936	(9,948)
Recognition of rentals due on sold ship	–	3,395
	2,042	(2,001)
Impairment of non-current assets	–	(10,885)
Profit/(loss) before tax from discontinued operations	2,042	(12,886)
Taxation	(1)	(3)
Net profit/(loss) attributable to discontinued operations	2,041	(12,889)

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

The net cash flows attributable to discontinued operations are:

	2006 £000	2005 £000
Operating cash flows	3,366	6,190
Investing cash flows	9,357	10,227
Financing activities	(6,933)	(14,854)
	5,790	1,563

Earnings/(loss) per share from discontinued operations (pence)

	pence	pence
Basic	4.16	(26.41)
Diluted	4.12	(26.18)

### Non current assets held for sale

Other than the vessel CS Oceanic Princess, there were no other assets or liabilities of the cable ship operation which were classified as held for disposal at 31 December 2005. The carrying value of the CS Oceanic Princess was £7,959,000.

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

## 5 Separately disclosed items

Separately disclosed items consist of

	2006 £000	2005 £000
Profit on sale of property	1,126	–
Impairment of ship	(2,906)	–
Pension benefit curtailment	–	2,000
Loss on ship disposals	(24)	(1,617)
Exchange gain/(loss) on loan conversion	35	(130)
	(1,769)	253

On 1 December 2006 the Group disposed of an industrial property at Bridge of Don, Aberdeen for a gross consideration of £2,200,000

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

The review has taken into account the expected residual value and the cost and revenues anticipated to arise during the period prior to disposal, discounted at a rate of 6.5% which the Directors believe takes into account the risks associated with the relevant cash flows.

As a result the Group has recognised an impairment provision of £2,906,000 against the carrying value of the vessel in the income statement.

The pension benefit curtailment arose from the closure of the Group's defined benefit pension scheme to existing members in 2010 and changes to the contribution rates as explained in note 25.

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

The exchange differences on loans arise on foreign currency financing loans in the UK.

The tax arising on these items is £377,000 (2005: £216,000).

## 6 Profit from operations

This is stated after charging/(crediting)

	2006 £000	2005 £000
Profit on sale of property, plant and equipment excluding ships	(377)	(51)
Depreciation of property, plant and equipment		
ships	2,625	4,802
refit costs	689	1,203
others	2,347	1,665
Total depreciation charge	5,661	7,670
Amortisation of intangible assets	1	–
Net foreign currency differences	473	(37)
Cost of inventories recognised as an expense	25,991	19,234
Operating lease rentals		
property	628	511
bareboat charter	7,301	4,312
others	51	56
	7,980	4,879

# Notes to the financial statements

Auditors remuneration comprises the following

	2006 £000	2005 £000
Audit of the financial statements*	173	162
Fees payable to the company's auditor and its associates for other services		
The audit of group pension schemes	9	10
Local statutory audits of subsidiaries	179	119
Taxation services	41	19
Corporate finance services	225	203
Other services	-	71
	454	422
	627	584

\* £81,000 (2005 £77,000) relates to the Company

Included in other fees to auditors is £394,000 (2005 £365,000) relating to the Company and subsidiaries

## 7 Staff costs and directors' emoluments

(a) Staff costs including executive directors

	2006 £000	2005 £000
Wages & salaries	23,384	20,981
Social security costs	2,106	1,718
Pension costs – defined contribution plans	605	419
Pension costs – defined benefit plans (see note 25)	570	703
Share based compensation	516	432
	27,181	24,253

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

	2006 No	2005 No
Technical and administrative	550	471
Seafarers	233	271
	783	742

(b) Directors' emoluments

	2006 £000	2005 £000
Directors' emoluments	1,254	1,092
Aggregate gains made by directors on the exercise of options	389	278
Amounts receivable under long term incentive plans	-	-
Pension contributions to defined contribution schemes	17	11
Number of directors accruing benefits under		
Defined benefit schemes	1	2
Defined contribution schemes	2	2

## 8 Finance income/(costs)

	2006 £000	2005 £000
Bank interest receivable	316	304
Interest payable on		
Bank loans and overdrafts	(2,618)	(2,555)
Preference dividend	(3)	(4)
Finance charges payable under finance leases	(1)	-
Other interest	(5)	(55)
	(2,627)	(2,614)
Interest on bank loans capitalised*	41	23
	(2,586)	(2,591)
Exchange (loss)/gain on loan conversion	35	(130)

\* Interest on bank loans capitalised relates to the construction of new vessels

## 9 Taxation

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

### The tax charge is made up as follows.

	2006 £000	2005 £000
<b>Current tax:</b>		
UK tonnage tax	(21)	(24)
UK corporation tax	(1,309)	(514)
	(1,330)	(538)
Tax overprovided in previous years	770	327
Foreign tax	(883)	(567)
<b>Total current tax</b>	<b>(1,443)</b>	<b>(778)</b>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(969)	21
<b>Total taxation on continuing operations</b>	<b>(2,412)</b>	<b>(757)</b>
Share of joint ventures' current tax	130	(72)

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

	2006 £000	2005 £000
Taxation on continuing operations	2,411	754
Taxation attributable to discontinued activities	1	3
<b>Total tax expense</b>	<b>2,412</b>	<b>757</b>

### Tax (charged)/credited to equity in statement of recognised income and expense:

	2006 £000	2005 £000
<b>Deferred tax:</b>		
Deferred tax relating to the actuarial gains and losses on defined benefit pension schemes	(772)	123

### Reconciliation of effective tax rate

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the rate applicable under UK corporation tax rules as follows:

	2006 £000	2005 £000
Profit before tax from continuing operations	14,017	11,518
Profit/(loss) before tax from discontinued activities	2,042	(12,886)
	16,059	(1,368)
At UK statutory tax rate of 30% (2005 30%)	4,818	(410)
Difference due to application of tonnage tax to all vessel disposals and operating activities	(1,355)	2,015
Expenses not deductible for tax purposes	673	146
Chargeable gains	60	-
Over provision in previous years	(960)	(327)
Joint ventures	(650)	-
Share base payments	-	180
Special pension contribution	-	(409)
Lower taxes on overseas income	(174)	(40)
Pension curtailment	-	(384)
Other	-	(14)
	2,412	757

The effective income tax rate on profit from continuing operations is 17.0% (2005 6.6%)

# Notes to the financial statements

## 10 Deferred tax

### Group

Deferred tax at 31 December relates to the following

	Group Balance sheet		Group Income statement	
	2006 £000	2005 £000	2006 £000	2005 £000
<b>Deferred tax assets</b>				
Retirement benefits	677	2,005	(362)	-
Share based payments	248	225	23	180
	925	2,230		
<b>Deferred tax liabilities</b>				
Accelerated capital allowances for tax purposes	(1,447)	(817)	(630)	57
Pension curtailment	-	(216)	-	(216)
Roll over gains	(1,465)	-	-	-
	(2,912)	(1,033)		
Deferred income tax (charge)/credit			(969)	21
Net deferred income tax (liability)/asset	(1,987)	1,197		

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

	2006 £000	2005 £000
Balance at 1 January	1,197	1,391
(Charged)/credited to equity in statement of recognised income and expense	(772)	123
(Charged)/credited to income statement	(969)	21
Acquired with subsidiaries	(1,443)	(338)
Balance at 31 December	(1,987)	1,197

At 31 December 2006 the group has no recognised or unrecognised deferred income tax liability (2005 £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries and joint ventures. The group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

### Company

Deferred tax at 31 December relates to the following

	Company Balance sheet		Company Income statement	
	2006 £000	2005 £000	2006 £000	2005 £000
<b>Deferred tax assets</b>				
Retirement benefits	655	2,005	(362)	-
Share based payments	248	225	23	180
	903	2,230		
<b>Deferred tax liabilities</b>				
Accelerated capital allowances for tax purposes	(117)	9	(126)	(6)
Pension curtailment	-	(216)	-	(216)
	(117)	(207)		
Deferred income tax charge			(465)	(42)
Net deferred income tax asset	786	2,023		

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

	2006 £000	2005 £000
Balance at 1 January	2,023	1,942
(Charged)/credited to equity in statement of recognised income and expense	(772)	123
Charged to income statement	(465)	(42)
Balance at 31 December	786	2,023

At 31 December 2006 the Company has no recognised or unrecognised deferred income tax liability (2005 £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the company's subsidiaries. The group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

## 11 Earnings per share

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

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

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

	2006 £000	2005 £000
Profit/(loss) attributable to equity holders	13,780	(2,197)
(Profit)/loss attributable to discontinued activities	(2,041)	12,889
Profit on continuing activities attributable to equity holders	11,739	10,692

Weighted average number of shares

	2006 Number of shares	2005 Number of shares
For basic earnings per ordinary share*	49,058,347	48,797,076
Exercise of share options and LTIPs+	449,306	430,920
For diluted earnings per ordinary share	49,507,653	49,227,996

\* Excludes 392,592 (2005 510,237) shares owned by the James Fisher & Sons Public Limited Company Employee Share Ownership Trust.

+ Share options and LTIPs have been excluded from the calculation of diluted earnings per share in 2005 as they are antidilutive, but have been included in the calculation of diluted earnings per ordinary share on continuing activities

	2006		2005	
	£000	pence	£000	pence
Basic earnings/(loss) per share	13,780	28 09	(2,197)	(4 50)
(Profit)/loss attributable to discontinued activities	(2,041)	(4 16)	12,889	26 41
Basic earnings per share on profit from continuing operations	11,739	23 93	10,692	21 91
Diluted earnings/(loss) per share	13,780	27 83	(2,197)	(4 50)
(Profit)/loss attributable to discontinued activities	(2,041)	(4 12)	12,889	26 18
Diluted earnings per share on profit from continuing operations+	11,739	23 71	10,692	21 72

### Adjusted Earnings per Share

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

	2006		2005	
	£000	pence	£000	pence
Basic earnings per share on profit on continuing operations	11,739	23 93	10,692	21 91
Adjustments				
Exchange (gain)/loss on loan conversion	(35)	(0 07)	130	0 27
Loss on ship disposals	24	0 05	1,617	3 31
Profit on sale of property including tax effect of £377,000	(749)	(1 53)	-	-
Impairment of ship	2,906	5 92	-	-
Pension benefit curtailment including tax effect of £216,000	-	-	(1,784)	(3 65)
Basic adjusted earnings per share on profit from continuing operations	13,885	28 30	10,655	21 84
Diluted earnings per share on profit on continuing operations	11,739	23 71	10 692	21 72
Adjustments				
Exchange (gain)/loss on loan conversion	(35)	(0 07)	130	0 26
Loss on ship disposals	24	0 05	1,617	3 28
Profit on sale of property including tax effect of £377,000	(749)	(1 51)	-	-
Impairment of ship	2,906	5 87	-	-
Pension benefit curtailment including tax effect of £216,000	-	-	(1,784)	(3 62)
Diluted adjusted earnings per share on profit from continuing operations	13,885	28 05	10,655	21 64

# Notes to the financial statements

## 12 Dividends paid and proposed

	2006 £000	2005 £000
Declared and paid during the year		
Equity dividends on ordinary shares		
Final dividend for 2005 5 69p (2004 4 95p)	2,816	2,440
Interim dividend for 2006 3 47p (2005 3 10p)	1,717	1,531
Less dividends on own shares held by ESOP	(34)	(44)
	4,499	3,927
Proposed for approval at Annual General Meeting (not recognised as a liability at 31 December)		
Equity dividends on ordinary shares		
Final dividend for 2006 6 54p (2005 5 69p)	3,212	2,781

## 13 Goodwill

### GROUP

#### Cost and net book value

	2006 £000	2005 £000
At 1 January 2006	36,168	21,254
Exchange differences	(143)	11
Acquisition of subsidiaries	19,748	14,903
At 31 December 2006	55,773	36,168

#### Impairment of goodwill

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

Scan Tech Norway – represents the Norwegian based part of the Offshore Oil Services division including Scan Tech Norway, Air Supply, Reanco, Cjerde and the business of Monyana Eurotech acquired in December 2005

Fisher Offshore (Formerly Scan Tech UK) – comprises the UK based part of the Offshore Oil Services division including the business of Monyana Engineering Services acquired in December 2005

Nuclear – represents the business of James Fisher Nuclear including Remote Marine Systems, Harsh Environment Services and the nuclear business of Rumic

Defence – comprises Mimic, Ocean fleets and the remaining parts of Rumic included in the Defence division

Fendercare – The Fender Care fendering and marine services business included in the Specialist Technical Services division

Strainstall – The load measurement, safety monitoring and control business of Strainstall Group included in Specialist Technical Services division

Cattedown – The port facility business of FT Everard and Sons included in the Marine Oil Services division

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

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 projection derived from those budgets for the following four years. Cash flows beyond that date are extrapolated using a lower rate of growth reflecting the expected long term average growth rate for these businesses

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

	2006 £000	2005 £000
Scan Tech Norway	14,121	13,855
Offshore	6,612	6,592
Nuclear	3,059	3,059
Defence	5,370	5,370
Fendercare	7,292	7,292
Strainstall	8,992	-
Cattedown	10,327	-
	55,773	36,168

Key assumptions used in the value in use calculations

Gross margin

Discount rate

Costs and payroll inflation

Growth rates used to extrapolate cash flows beyond the budget period

Gross margins are based on the levels achieved in the current period as adjusted for expected improvements in the forecast period. These improvements also reflect planned levels of capital expenditure in the period.

Discount rates reflect management's estimate of the return required from the business to reflect the cost of funds plus an appropriate risk premium. The weighted average discount rate used was 6.5% (2005 6%).

Cost and payroll inflation reflect management's estimate of future growth based on knowledge of the market and comparable businesses. The Group provides specialist services in a competitive market; Payroll costs are therefore influenced by the need to retain skilled staff. As a result growth rates for payroll costs of up to 7% (2005 5%) have been used.

Growth rate assumptions reflect management's assessment of the future prospects of the business taking into account the relative maturity and current economic state of the relevant market as well as future investment and marketing strategies. Due to the degree of uncertainty surrounding long term forecasts expected growth rates have been reduced for periods beyond five years from 6% to 8% in the initial period to 5% (2005 10% to 5%).

#### 14 Other Intangible assets

##### GROUP

	Intellectual property £000	Patents & Licences £000	Total £000
Cost			
At 1 January 2006	-	-	-
Acquisition of subsidiary undertaking	61	-	61
At 31 December 2006	61	-	61
Amortisation			
At 1 January 2006	-	-	-
Charge for the period	1	-	1
At 31 December 2006	1	-	1
Net book value at 31 December 2006	60	-	60

The Company has no intangible assets.

Intangible assets relate to intellectual property rights acquired by a subsidiary company relating to technology used in the subsidiary's principal operating activities.

Intangible assets are amortised evenly over their remaining useful life of 16 years.

# Notes to the financial statements

## 15 Property, plant and equipment

	Analysis of ships		Total Ships £000	Assets under construction £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
	Ships £000	Refit £000					
<b>GROUP</b>							
<b>Cost:</b>							
At 1 January 2005	121,224	3,994	125,218	–	3,611	8,889	137,718
Additions	2,415	1,359	3,774	–	649	3,099	7,522
Acquisition of subsidiary undertaking	–	–	–	–	2,785	4,697	7,482
Disposals	(35,011)	(1,773)	(36,784)	–	–	(608)	(37,392)
Exchange differences	–	–	–	–	1	15	16
Discontinued operations	(24,462)	(542)	(25,004)	–	–	–	(25,004)
At 31 December 2005	64,166	3,038	67,204	–	7,046	16,092	90,342
Additions	2,166	458	2,624	656	325	3,937	7,542
Reclassifications	(1,288)	(230)	(1,518)	–	–	(717)	(2,235)
Acquisition of subsidiary undertaking	26,129	1,392	27,521	8,326	2,789	1,645	40,281
Disposals	–	(1,372)	(1,372)	–	(930)	(1,076)	(3,378)
Exchange differences	–	–	–	–	(35)	(252)	(287)
At 31 December 2006	91,173	3,286	94,459	8,982	9,195	19,629	132,265
<b>GROUP</b>							
<b>Depreciation and impairment:</b>							
At 1 January 2005	27,851	2,572	30,423	–	379	3,825	34,627
Provided during the year	4,802	1,203	6,005	–	155	1,510	7,670
Disposals	(10,992)	(1,567)	(12,559)	–	–	(325)	(12,884)
Exchange differences	–	–	–	–	–	8	8
Impairment	10,885	–	10,885	–	–	–	10,885
Discontinued operations	(16,898)	(147)	(17,045)	–	–	–	(17,045)
At 31 December 2005	15,648	2,061	17,709	–	534	5,018	23,261
Provided during the year	2,625	689	3,314	–	223	2,124	5,661
Disposals	–	(1,372)	(1,372)	–	(119)	(537)	(2,028)
Exchange differences	–	–	–	–	(6)	(158)	(164)
Impairment	2,906	–	2,906	–	–	–	2,906
At 31 December 2006	21,179	1,378	22,557	–	632	6,447	29,636
<b>Net book value at 31 December 2006</b>	<b>69,994</b>	<b>1,908</b>	<b>71,902</b>	<b>8,982</b>	<b>8,563</b>	<b>13,182</b>	<b>102,629</b>
<b>Net book value at 31 December 2005</b>	<b>48,518</b>	<b>977</b>	<b>49,495</b>	<b>–</b>	<b>6,512</b>	<b>11,074</b>	<b>67,081</b>
<b>Net book value at 1 January 2005</b>	<b>93,373</b>	<b>1,422</b>	<b>94,795</b>	<b>–</b>	<b>3,232</b>	<b>5,064</b>	<b>103,091</b>

### Impairment

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

The impairment in December 2005 of £10,885,000 arose on reducing the carrying value of the CS *Oceanic Princess* to its recoverable amount on reclassification as held for sale

### Reclassifications

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

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

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2006 was £501,000 (2006 £nil). Included in ships are assets with a cost of £5,305,000 (2005 £3,030,000) and accumulated depreciation of £1,125,000 (2005 £684,000) which relate to items for use under operating leases. Included in property, plant and equipment is aggregate interest capitalised of £2,716,000 (2005 £4,099,000)

	Total Ships £000	Freehold & leasehold property £000	Assets under construction £000	Plant & equipment £000	Total £000
<b>COMPANY</b>					
<b>Cost:</b>					
At 1 January 2005	-	1,072	-	874	1,946
Additions	-	7	-	46	53
Disposals	-	-	-	(149)	(149)
Inter group transfers	8,731	-	-	70	8,801
At 31 December 2005	8,731	1,079	-	841	10,651
Additions	82	59	448	20	609
Disposals	(220)	-	-	(72)	(292)
Inter group transfers	-	-	-	15	15
At 31 December 2006	8,593	1,138	448	804	10,983
<b>COMPANY</b>					
<b>Depreciation</b>					
At 1 January 2005	-	203	-	594	797
Provided during the year	30	64	-	122	216
Disposals	-	-	-	(117)	(117)
Inter group transfers	2,394	-	-	53	2,447
At 31 December 2005	2,424	267	-	652	3,343
Provided during the year	361	67	-	82	510
Disposals	(220)	-	-	(43)	(263)
Inter group transfers	-	-	-	10	10
At 31 December 2006	2,565	334	-	701	3,600
Net book value at 31 December 2006	6,028	804	448	103	7,383
Net book value at 31 December 2005	6,307	812	-	189	7,308
Net book value at 1 January 2005	-	869	-	280	1,149

## 16 Investment in joint ventures

The Group has a 25% equity interest in Foreland Holdings Limited, a shipowning and operating company and a 40% equity interest in Fender Care Nigeria Limited, Silvertide Inc, Asteria Navigation Inc and FCN Limited (the FCN businesses). The FCN businesses are marine services companies operating ship to ship transfers in the West Africa region.

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

	Foreland £000	2006 FCN £000	Total £000	Foreland £000	2005 FCN £000	Total £000
Current assets	3,966	582	4,548	7,331	414	7,745
Non-current assets	43,384	298	43,682	47,182	293	47,475
Current liabilities	(2,148)	(282)	(2,430)	(2,781)	(309)	(3,090)
Non-current liabilities	(42,225)	-	(42,225)	(49,543)	-	(49,543)
	2,977	598	3,575	2,189	398	2,587
Revenue	8,533	1,242	9,775	8,239	734	8,973
Cost of sales	(4,266)	(757)	(5,023)	(4,221)	(532)	(4,753)
Administrative expenses	(131)	(127)	(258)	(163)	(123)	(286)
Profit from operations	4,136	358	4,494	3,855	79	3,934
Finance costs						
Finance income (revenue)	234	-	234	222	-	222
Finance costs	(2,563)	-	(2,563)	(2,671)	-	(2,671)
Profit before tax	1,807	358	2,165	1,406	79	1,485
Taxation	142	(12)	130	(72)	-	(72)
Net profit attributable to equity holders	1,949	346	2,295	1,334	79	1,413
Movement on investment in joint ventures						
At 1 January 2006	2,189	398	2,587	1,685	-	1,685
Acquisitions	-	-	-	-	340	340
Impairment provision	-	(10)	(10)	-	-	-
Profit for the period	1,949	346	2,295	1,334	79	1,413
Dividends received	(1,200)	(75)	(1,275)	(999)	(69)	(1,068)
Share of fair value gains on cash flow hedges	39	-	39	169	-	169
Exchange adjustments	-	(61)	(61)	-	48	48
At 31 December 2006	2,977	598	3,575	2,189	398	2,587

# Notes to the financial statements

## 17 Financial assets

### Group

#### Available for sale assets

	2006 £000	2005 £000
At 1 January	1,368	1,157
Acquired with subsidiaries	1	-
Additions	1	211
Fair value at 31 December	1,370	1,368
<b>Company</b>		
At 1 January and 31 December 2006	1,368	1,368

Available for sale financial assets represents the following items

- 1 A 19.99% equity interest in SEML De Co-operation Transmanche, an unlisted company incorporated in France, whose main activity is a port and ferry operator
- 2 In 2006 the Group acquired an investment of £1,000 representing a 20% equity interest in Cumbria Nuclear Solutions Limited a company established to facilitate the tendering and acquisition of contracts relating to the Group's Nuclear decommissioning business. The remaining shares are held equally by four other parties representing other decommissioning businesses offering services complementary to those offered by companies within the Group. The company has not traded during the period.
- 3 As part of the acquisition of FT Everard and Sons Limited the Group acquired an investment of £593 in shares in The Baltic Exchange.

The unlisted investments are carried at fair value.

### Investments

#### Company

	Subsidiary undertakings		Total £000
	shares £000	loans £000	
<b>Cost</b>			
At 1 January 2005	31,330	44,645	75,975
Exchange adjustments	-	9	9
Additions/increases	3	45,075	45,078
Repayments	-	(27,981)	(27,981)
At 31 December 2005	31,333	61,748	93,081
Exchange adjustments	-	(580)	(580)
Additions/increases	31,359	11,215	42,574
Repayments	-	(11,006)	(11,006)
At 31 December 2006	62,692	61,377	124,069
<b>Amount Provided</b>			
At 1 January 2005	445	733	1,178
Provided	-	9,470	9,470
At 31 December 2005	445	10,203	10,648
Released	-	(2,130)	(2,130)
At 31 December 2006	445	8,073	8,518
<b>Net book value at 31 December 2006</b>	<b>62,247</b>	<b>53,304</b>	<b>115,551</b>
<b>Net book value at 31 December 2005</b>	<b>30,888</b>	<b>51,545</b>	<b>82,433</b>

A list of subsidiary undertakings is included on page 91.

## 18 Business combinations

### Year ended 31 December 2006

On 6 October 2006 the Company acquired the entire issued share capital of Strainstall Group Ltd (Strainstall), a company specialising in the design and supply of productivity based monitoring, control, load measurement and structural monitoring systems, for a cash consideration of £5,250,000. Additional contingent consideration of up to £1,750,000 is payable subject to the achievement of performance conditions relating to the twelve months ended 31 December 2006 and 31 December 2007. Part of the contingent consideration may be settled in loan notes at the option of the vendors. Loan notes issued will be redeemable in cash twelve months from the date of issue at the option of the note holder.

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

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

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

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

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

On 28 December 2006 the Company acquired the entire issued share capital of FT Everard & Sons, (Everard), for an initial consideration of £23,583,000 of which £6,000,000 is contingent consideration. Everard operates a fleet of clean petroleum product tankers, in North West Europe and has a number of related marine services businesses. The contingent consideration is dependent on delivery of two vessels currently under construction on behalf of Everard and is payable to the vendors on delivery of these vessels provided this is before 1 January 2008, after which it lapses. Delivery of the first vessel occurred in February 2007 with the second vessel expected to be delivered in the second half of the year.

# Notes to the financial statements

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

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

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

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

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

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

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

The Company has also entered into an agreement on 6 December 2006 under which it has been granted an option to purchase the entire issued share capital of Alchymist Trading Limited, (Alchymist) for a consideration of £600,000. Alchymist is the parent company of Everard Insurance Brokers Limited, an insurance broking business specialising in shipping insurance

Net cash flow in respect of the acquisitions comprises

	Group £000	Company £000
Cash consideration and expenses	26,238	25,180
Less: accrued expenses	(1,910)	(1,910)
Cash at bank and in hand acquired	(2,224)	-
Expenditure in relation to acquisitions in earlier years	47	-
Expenditure included in cash flow statement	22,151	23,270
Interest-bearing loans and borrowings acquired	25,107	-
	47,258	23,270

## Year ended 31 December 2005

On 18 January 2005 the Group acquired the entire issued share capital of Harsh Environmental Systems Limited (Harsh), a company specialising in nuclear decommissioning, for a cash consideration of £1,600,000

On 17 March 2005 the Group acquired the entire issued share capital of Fender Care Marine Services Group and Fender Care Marine Solutions Limited (Fendercare) which were under common ownership for cash consideration of £10,394,000. Fender Care provides fendering services and equipment and marine services solutions in the ship to ship market.

On 7 December 2005 the Group acquired the business and certain assets of Monyana Engineering Services, a partnership and the entire issued share capital of Monyana EuroTech AS (Monyana) which were under common ownership for a cash consideration of £10,978,000

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

	Harsh Carrying amount and fair value £000	Carrying amount £000	FenderCare Fair value adjustments £000	Fair value £000	Monyana Carrying amount and fair value £000	Total Fair value £000
Goodwill	-	268	(268)	-	-	-
Investment in joint venture	-	330	-	330	-	330
Property, plant & equipment	466	1,753	-	1,753	5,263	7,482
Inventories	80	2,108	-	2,108	9	2,197
Trade and other receivable	148	2,451	-	2,451	58	2,657
Cash and short term deposits	102	2,101	-	2,101	261	2,464
Trade and other payables	(129)	(3,720)	-	(3,720)	(165)	(4,014)
Interest-bearing loans and borrowings	(168)	(1,132)	-	(1,132)	-	(1,300)
Deferred tax liability	(26)	(312)	-	(312)	-	(338)
Fair value of net assets acquired	473	3,847	(268)	3,579	5,426	9,478
Goodwill arising on acquisitions	1,256	-	-	7,292	6,051	14,599
	1,729	3,847	(268)	10,871	11,477	24,077
Consideration						
Cash	1,600	-	-	10,394	10,978	22,972
Direct costs associated with acquisition	129	-	-	477	499	1,105
	1,729	-	-	10,871	11,477	24,077

The fair value adjustment in Fender Care relates to the elimination of goodwill arising on the acquisition of subsidiaries

Net cash flow in respect of the acquisition comprises

	Group £000	Company £000
Cash consideration and expenses	24,077	-
Cash at bank and in hand acquired	(2,464)	-
Investment on creation of wholly owned subsidiaries	-	3
Expenditure in relation to acquisitions in earlier years	464	-
Expenditure included in cash flow statement	22,077	3
Interest-bearing loans and borrowings acquired	1,300	-
	23,377	3

### Contributions to Group results

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

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

In 2005 on the acquisition of Harsh Environment Systems, the business was integrated with the Group's other nuclear activities in James Fisher Nuclear. The acquisition of Monyana in December 2005 resulted in no material contribution to the Group's results. The overall contribution of the businesses acquired during the period to the Group's profit after tax was £868,000 with £12,817,000 being contributed to Group revenue.

Following a detailed review of operations undertaken during the current year, the provisional fair values attributed to the net assets at acquisition of Monyana Engineering Services and Monyana EuroTech AS have been revised resulting in an increase in goodwill attributable to the acquisition of these businesses of £24,000. These adjustments relate principally to legal and professional fees incurred and taxes on income. During the year deferred consideration of £27,000 was paid in respect of the acquisition of Remote Marine Systems and Nuclear Decommissioning Limited.

# Notes to the financial statements

## 19 Inventories

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Work in progress	2,928	1,909	-	-
Raw material and consumable stores	3,914	1,215	-	2
Finished goods	4,475	2,673	-	-
	11,317	5,797	-	2

## 20 Trade & other receivables

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Trade receivables	26,229	15,900	447	228
Amounts owed by group undertakings	-	-	925	865
Amounts owed by joint venture undertakings	71	134	30	30
Other non-trade receivables	1,672	1,843	386	361
Prepayments and accrued income	4,925	3,149	357	292
	32,897	21,026	2,145	1,776

Trade receivables are non interest bearing and are generally on 3 to 30 days terms

## 21 Cash and cash equivalents

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Cash at bank and in hand	9,655	9,725	815	1,789
	9,655	9,725	815	1,789

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £9,655,000 (2005 £9,725,000)

At 31 December 2006, the Group has available £38,748,000 of undrawn committed bank facilities (2005 £21,000,000). The bank facilities falling due for renewal within twelve months at 31 December 2006 were £74,500,000 (2005 £42,500,000)

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

## 22 Share capital

	2006 £000	2005 £000
<b>Group &amp; company</b>		
<b>Authorised</b>		
66,320,000 ordinary shares of 25p each	16,580	16,580
100,000 3 5% cumulative preference shares of £1 each	100	100
<b>Allotted and called up</b>		
49,507,951 (2005 49,379,958) ordinary shares of 25p each	12,377	12,345
100,000 3 5% cumulative preference shares of £1 each	100	100

### Rights attached to shares

The shareholders have the following rights to receive dividends

£1 cumulative preference shares receive 3 5% per annum on the par value

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

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.

	2006 £000	2005 £000
Treasury shares		
392,952 (2005 510,237) ordinary shares of 25p	1,147	1,184

The Company has established an employee share ownership trust, the James Fisher and Sons Public Limited Company Employee Share Ownership Trust, in connection with the Savings Related Share Option Scheme, Executive Share Option Scheme and Long Term Incentive Plan for employees including directors. Options over these shares have been granted to directors and senior employees. These shares are classified as Treasury shares in the accounts of the Group and Company. The market value of these shares at 31 December 2006 was £2,377,360 (2005 £1,938,901). The trust has not waived its right to receive dividends.

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

### 23 Reconciliation of movements in equity GROUP

	Capital		Reserves			Total shareholders equity £000	Minority Interests £000	Total equity £000
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000			
At 31 December 2004	12,405	23,810	48,151	177	(1,212)	83,331	-	83,331
Reinstatement	(100)	-	-	(105)	-	(205)	-	(205)
At 1 January 2005	12,305	23,810	48,151	72	(1,212)	83,126	-	83,126
Total recognised income and expense in the period	-	-	(6,605)	106	-	(6,499)	-	(6,499)
Ordinary dividends paid	-	-	(3,927)	-	-	(3,927)	-	(3,927)
Share-based compensation expense	-	-	432	-	-	432	-	432
Purchase less sale of shares	-	-	-	-	7	7	-	7
Arising on the issue of shares	40	150	-	-	-	190	-	190
Transfer on disposal of shares	-	-	(21)	-	21	-	-	-
At 31 December 2005	12,345	23,960	38,030	178	(1,184)	73,329	-	73,329
At acquisition	-	-	-	-	-	-	74	74
Total recognised income and expense in the period	-	-	17,151	(274)	-	16,877	(3)	16,874
Ordinary dividends paid	-	-	(4,499)	-	-	(4,499)	-	(4,499)
Share-based compensation expense	-	-	516	-	-	516	-	516
Purchase less sale of shares	-	-	-	-	(229)	(229)	-	(229)
Arising on the issue of shares	32	154	-	-	-	186	-	186
Transfer on disposal of shares	-	-	(266)	-	266	-	-	-
At 31 December 2006	12,377	24,114	50,932	(96)	(1,147)	86,180	71	86,251
<b>Other reserves</b>						<b>Translation reserve £000</b>	<b>Hedging reserve £000</b>	<b>Total £000</b>
At 1 January 2005						177	(105)	72
Cash flow hedges						-	36	36
Transferred to the income statement						-	(134)	(134)
Fair value losses in the period						-	169	169
Share of fair value gains of joint ventures						35	-	35
Recognised income in the period including the effect of net investment hedges						-	-	-
At 31 December 2005						212	(34)	178
Cash flow hedges						-	7	7
Transferred to the income statement						-	62	62
Fair value losses in the period						-	39	39
Share of fair value gains of joint ventures						(382)	-	(382)
Recognised income in the period including the effect of net investment hedges						-	-	-
At 31 December 2006						(170)	74	(96)

# Notes to the financial statements

## COMPANY

	Capital		Retained earnings £000	Reserves		Total £000
	Share capital £000	Share premium £000		Other reserves £000	Treasury shares £000	
At 31 December 2004	12,405	23,810	18,217	-	(1,212)	53,220
Restatement	(100)	-	-	20	-	(80)
At 1 January 2005	12,305	23,810	18,217	20	(1,212)	53,140
Total recognised income and expense in the period	-	-	(3,537)	(98)	-	(3,635)
Ordinary dividends paid	-	-	(3,927)	-	-	(3,927)
Share-based compensation expense	-	-	418	-	-	418
Purchase less sale of shares	-	-	-	-	7	7
Arising on the issue of shares	40	150	-	-	-	190
Transfer on disposal of shares	-	-	(21)	-	21	-
At 1 January 2005	12,345	23,960	11,150	(78)	(1,184)	46,193
Total recognised income and expense in the period	-	-	10,699	69	-	10,768
Ordinary dividends paid	-	-	(4,499)	-	-	(4,499)
Share-based compensation expense	-	-	500	-	-	500
Purchase less sale of shares	-	-	-	-	(229)	(229)
Arising on the issue of shares	32	154	-	-	-	186
Transfer on disposal of shares	-	-	(266)	-	266	-
At 31 December 2006	12,377	24,114	17,584	(9)	(1,147)	52,919
<b>Other reserves</b>				<b>Translation reserve £000</b>	<b>Hedging reserve £000</b>	<b>Total £000</b>
At 1 January 2005				-	20	20
Cash flow hedges				-	-	-
Transferred to the income statement				-	36	36
Fair value losses in the period				-	(134)	(134)
At 31 December 2005				-	(78)	(78)
Cash flow hedges				-	-	-
Transferred to the income statement				-	7	7
Fair value gains in the period				-	62	62
At 31 December 2006				-	(9)	(9)

### Restatement

On adoption of IAS 32 and IAS 39 on 1 January 2005 the following restatements have been made

The fair value of the derivatives used for hedging purposes has been included in a hedging reserve and released to the income statement in the year when the hedged commitment affects profit or loss. The impact of this change is to recognise in reserves a gain on the fair value of cash flow hedges of £20,000 in the Group and Company and a loss of £125,000 in reserves of the Group being the Group's share of the loss on fair value of cash flow hedges in the Group's joint venture, Foreland Holdings Limited

The 3.5% cumulative preference shares which have a book value of £100,000 have been reclassified from equity to long term debt

### Translation reserve

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

### Hedging reserve

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

## 24 Trade and other payables

### Non current liabilities

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Contingent consideration	875	-	500	-
Accruals and deferred income	735	593	-	-
	1,610	593	500	-

**Current liabilities**

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Trade payables	13,720	6,978	1,555	1,067
Amounts owed to group undertakings	–	–	6,905	13,827
Taxation and social security	1,493	1,046	97	139
Other payables	978	840	130	137
Accruals and deferred income	11,514	5,911	1,888	329
Contingent consideration	6,254	27	5,679	–
	33,959	14,802	16,254	15,499

**25 Retirement benefit obligations**

The Retirement benefit obligations included in the Group and Company balance sheets comprise the following elements, details of which are explained below

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Shore staff pension scheme	(1,400)	(8,100)	(1,400)	(8,100)
Dockworkers pension scheme	(1,550)	(2,400)	(1,550)	(2,400)
Everard Group pension scheme	(73)	–	–	–
MNOPF pension scheme	(7,026)	(3,036)	(3,739)	(3,036)
	(10,049)	(13,536)	(6,689)	(13,536)

**Shore staff pension scheme**

The Group's principal pension scheme is the James Fisher & Sons Public Limited Company Pension Fund for Shore Staff (Shore Staff). This scheme is of the defined benefit type with assets held in a separate trustee administered account. This scheme was closed to new members in October 2001 when the company changed to a defined contribution scheme for all new members. The pension cost is assessed in accordance with the advice of professionally qualified actuaries, HSBC actuaries and consultants Limited, who were appointed on 1 July 2006 and replaced Hewitt Bacon & Woodrow. The latest actuarial review of the Shore Staff Scheme was at 1 August 2004.

**Dockworkers pension scheme**

The Group also operates a paid up defined benefit scheme, the James Fisher & Sons Limited Pension and Life Assurance Scheme for Permanent Dockworkers ("Dockworkers"). The latest actuarial valuation of the scheme was at 31 March 2002.

**Contributions to schemes**

The Company is currently contributing 14.7% (2005 15.5%) of pensionable pay plus regular contributions of £55,000 (2005 £15,000) per month into the Shore Staff Scheme and £20,833 (2005 £14,700) per month into the Dockworkers' Scheme. Contributions will continue at this level in 2007.

The Company reviews the position of the pension schemes at three yearly intervals. As a result of the review carried out in 2005 the Company agreed a deficit recovery plan with the trustees of the scheme. Under this plan the Company agreed to make special pension payments into the schemes totalling £3,000,000. The first payment of £1,399,000, which included £400,000 paid to the Dockworkers's scheme, was made in December 2005. The balance was paid by the Company during the first half of 2006.

In 2005 the Company also decided to close the Shore staff scheme to existing members from 2010. At this time members contributing to the scheme can transfer to a stakeholder scheme option. During the remaining period that the scheme remains open to existing members the rate of growth of pensionable salary has been reduced to 1.5% and the rate at which the company contributes to the scheme has been reduced to 14.7% of pensionable pay. As a result of these curtailments to the benefits available to the members the Company's liabilities to the scheme have been reduced by £2,000,000. This curtailment benefit was recognised in the income statement in December 2005.

# Notes to the financial statements

## Actuarial assumptions

The last actuarial valuations performed have been updated to 31 December 2006 by the company's actuary, HSBC actuaries and consultants Limited. The schemes 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 are

	2006 %pa	2005 %pa
Inflation	2.5	2.9
Rate of general long term increase in salaries	1.5	1.5
Rate of increase of pensions in payment – Dockworkers	3.0	3.0
Rate of increase of pensions in payment – Shore staff	2.5	2.8
Discount rate for scheme liabilities	5.1	4.7
Expected rates of return on assets		
Equities	7.6	7.6
Gilts/Corporate bonds	4.5	4.1/4.5
Property	6.6	6.6
Insurance policies	4.5	4.5
Cash/net current assets	4.5	4.5
Post retirement mortality		
Shore staff scheme		
Current pensioner at 65 male	20.8	20.8
Current pensioner at 65 female	23.6	23.6
Future pensioner at 65 male	21.5	21.5
Future pensioner at 65 female	24.3	24.3
Dockworkers scheme		
Current pensioner at 65 male	19.2	19.2
Current pensioner at 65 female	21.9	21.9
Future pensioner at 65 male	20.0	20.0
Future pensioner at 65 female	22.6	22.6

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

The assets and liabilities of the schemes at 31 December are

	Shore Staff		Dockworkers		Total	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Equities	20,550	17,200	3,770	2,900	24,320	20,100
Gilts/Corporate bonds	6,500	5,200	–	–	6,500	5,200
Property	–	–	100	100	100	100
Insurance policies	–	–	2,700	2,500	2,700	2,500
Cash/net current assets	250	1,200	20	400	270	1,600
Fair value of scheme assets	27,300	23,600	6,590	5,900	33,890	29,500
Present value of scheme liabilities	(28,700)	(31,700)	(8,140)	(8,300)	(36,840)	(40,000)
Net pension liabilities recognised in the balance sheet	(1,400)	(8,100)	(1,550)	(2,400)	(2,950)	(10,500)

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

	Shore Staff		Dockworkers		Total	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
Current service cost	(300)	(300)	–	–	(300)	(300)
Past service cost	–	–	–	–	–	–
Curtailment benefits	–	2,000	–	–	–	2,000
Interest cost on benefit obligation	(1,500)	(1,600)	(400)	(400)	(1,900)	(2,000)
Expected return on plan assets	1,500	1,300	300	300	1,800	1,600
	(300)	1,400	(100)	(100)	(400)	1,300
Actual return on plan assets	2,200	3,800	460	800	2,660	4,600

**Movements in the benefit liability during the year**

	Shore Staff		Dockworkers		Total	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
As at 1 January	(8,100)	(10,200)	(2,400)	(2,600)	(10,500)	(12,800)
Expense recognised in the income statement	(300)	1,400	(100)	(100)	(400)	1,300
Contributions paid to scheme	2,500	1,500	250	600	2,750	2,100
Actuarial gain/(loss)	4,500	(800)	700	(300)	5,200	(1,100)
As at 31 December	(1,400)	(8,100)	(1,550)	(2,400)	(2,950)	(10,500)

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

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

	Shore Staff		Dockworkers		Total	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
As at 1 January	(31,700)	(29,600)	(8,300)	(7,300)	(40,000)	(36,900)
Current service cost	(300)	(300)	–	–	(300)	(300)
Interest cost	(1,500)	(1,600)	(400)	(400)	(1,900)	(2,000)
Contributions by scheme participants	(100)	(100)	–	–	(100)	(100)
Actuarial gains/(losses) on scheme liabilities	3,800	(3,200)	540	(800)	4,340	(4,000)
Net benefits paid out	1,100	1,100	20	200	1,120	1,300
Curtailments	–	2,000	–	–	–	2,000
As at 31 December	(28,700)	(31,700)	(8,140)	(8,300)	(36,840)	(40,000)

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

	Shore Staff		Dockworkers		Total	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
As at 1 January	23,600	19,400	5,900	4,700	29,500	24,100
Expected return on scheme assets	1,500	1,300	300	300	1,800	1,600
Actuarial gains on scheme assets	700	2,400	160	500	860	2,900
Contributions by employer	2,500	1,500	250	600	2,750	2,100
Contributions by scheme participants	100	100	–	–	100	100
Net benefits paid out	(1,100)	(1,100)	(20)	(200)	(1,120)	(1,300)
Curtailments	–	–	–	–	–	–
As at 31 December	27,300	23,600	6,590	5,900	33,890	29,500

History of experience gains and losses

	Shore Staff				Dockworkers			
	2006 £000	2005 £000	2004 £000	2003 £000	2006 £000	2005 £000	2004 £000	2003 £000
Fair value of scheme assets	27,300	23,600	19,400	17,800	6,590	5,900	4,700	4,100
Defined benefit obligation	(28,700)	(31,700)	(29,600)	(28,100)	(8,140)	(8,300)	(7,300)	(7,100)
Deficit in scheme	(1,400)	(8,100)	(10,200)	(10,300)	(1,550)	(2,400)	(2,600)	(3,000)
Experience gains/(losses) on scheme assets	700	2,500	400	–	160	500	300	–
Experience gains/(losses) on scheme liabilities	–	–	1,200	–	–	–	300	–

**Everard Group pension scheme**

FT Everard and Sons Limited operates a defined benefit scheme, The Everard Group Pension Fund. The scheme was closed to new entrants from 1 April 2004 and closed to future accrual from 1 March 2005. The scheme is currently in deficit. Under an agreed reduction plan FT Everard and Sons Limited is making annual additional contributions of £286,000 for thirteen years commencing 1 March 2005.

The fund is contributed to by more than one employer. The other employer concerned is Everard Insurance Brokers Limited (EIB). As referred to in Note 18 under the terms of the acquisition agreement relating to FT Everard & Sons Limited, the Group has an option to acquire this company within six months of the date of the original acquisition. The proportion of the scheme attributable to EIB is not separately identifiable however this is considered insignificant in relation to the scheme membership as a whole.

After taking these factors into consideration the scheme is accounted for as a defined benefit scheme and the disclosures given below relate to the whole of the scheme's assets and obligations.

# Notes to the financial statements

The assets and liabilities of the scheme at 31 December are

	2006 £000
Equities	12,073
Gilts/Corporate bonds	1,851
Property	99
Cash/net current assets	280
Fair value of scheme assets	14,303
Present value of scheme liabilities	(14,376)
Net pension liabilities recognised in the balance sheet	(73)

Due to the date of acquisition no amounts relating to the movements in the benefit liability in the year are included in the Group's accounts

The last actuarial valuations performed have been updated to 31 December 2006 by the scheme's actuary, Alexander Forbes Financial Services Limited. The principal assumptions used in updating the latest valuations for the scheme were

	2006 %pa
Inflation	2.5
Rate of general long term increase in salaries	N/A
Rate of increase of pensions in payment	2.5/3.0
Discount rate for scheme liabilities	5.2
Expected rates of return on assets	
Equities	7.5
Gilts/Corporate bonds	4.5/5.0
Property	6.5
Cash/net current assets	4.5
Post retirement mortality	
Current pensioner at 65      male	16.9
Current pensioner at 65      female	19.9
Future pensioner at 65      male	19.8
Future pensioner at 65      female	22.8

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

## MNOPF Pension Scheme

In 2005 the High Court established that former as well as existing employers will be liable to make payments in respect of the funding deficit of the Merchant Navy Officers' Pension Fund (MNOPF). The Company has been informed by the Trustees that it will be required to make annual payments of £555,000 (2005 £418,000) into the fund for a period of ten years commencing October 2005 representing its share of the deficit disclosed in the actuarial valuation carried out as at 31 March 2003. The increase in the payments in 2006 over 2005 is explained below.

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

Following further review and discussion with the MNOPF during 2006, the Company established that there are additional liabilities in respect of three additional claims relating to former employers covered under the scheme. Two of these have been added to the ten year payment plan and one small claim settled in full during the period. As a result of these claims the liability attributable to the Company has increased by £579,000 and the annual payment obligation has increased from £418,000 to £475,000. The Company is not aware of any further outstanding claims in respect of the MNOPF.

FT Everard and Sons Limited also have a liability to the MNOPF arising from the same circumstances. The annual obligation of this subsidiary to make payments to the MNOPF is £443,000 payable over the ten years commencing October 2005. Everard have also been assessed for additional payments resulting in an increase in the amount due of £75,000 per annum for eight years commencing 31 March 2007.

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 Company has concluded that the recognition of the liability should be accounted for as an actuarial adjustment, and is therefore recorded in equity in the statement of recognised income and expense. Following the adjustments noted above the Company was notified by the Trustees of the MNOFF that its share of the net deficit of the MNOFF is 1.87 per cent (2005 1.55 per cent). As a result of the acquisition of FT Everard and Sons the Group's share of the net deficit has increased to 3.62 per cent. The disclosures given below are based on these allocations.

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 5.1% (2005 4.7%). The following disclosures relate to the Company's share of the assets and liabilities within the MNOFF. As no current contributing members within the MNOFF are employed by the Company or any of its subsidiaries, the Company is not liable for future accrual, it is only liable for contributions to correct any deficit.

The assets and liabilities attributable to the Group and Company are shown below. Note that the assets and liabilities are both shown as at 31 March 2003 and have not been updated to 31 December 2006. The adjustment line reflects the overall adjustment required to the deficit as at 31 March 2003 to allow for the following:

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

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Equities	24,969	9,620	12,924	9,620
Gilts/Corporate bonds	11,955	4,606	6,188	4,606
Property	4,774	1,839	2,470	1,839
Cash/net current assets	550	212	285	212
Scheme assets	42,248	16,277	21,867	16,277
Scheme liabilities	(49,248)	(18,974)	(25,490)	(18,974)
Deficit before adjustment	(7,000)	(2,697)	(3,623)	(2,697)
Adjustment	(26)	(339)	(116)	(339)
Net pension deficit	(7,026)	(3,036)	(3,739)	(3,036)

Expense recognised in the income statement.

	Group and Company	
	2006 £000	2005 £000
Current service cost	-	-
Past service cost	-	-
Interest cost on benefit obligation	(170)	(23)
Expected return on plan assets	-	-
	(170)	(23)

Movements in the benefit liability during the year

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
At 1 January	(3,036)	-	(3,036)	-
Expense recognised in the income statement	(170)	(23)	(170)	(23)
Contributions paid to scheme	524	418	524	418
Actuarial loss	(1,057)	(3,431)	(1,057)	(3,431)
Acquired with subsidiaries	(3,287)	-	-	-
At 31 December	(7,026)	(3,036)	(3,739)	(3,036)

The actuarial loss is recognised in the statement of recognised income and expenses.

The actuarial loss includes £1,116,000 in respect of the additional claims recognised as discussed above.

# Notes to the financial statements

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

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
As at 1 January	3,036	-	3,036	-
Current service cost	-	-	-	-
Interest cost	170	23	170	23
Contributions by scheme participants	-	-	-	-
Actuarial losses on scheme liabilities	1,057	3,431	1,057	3,431
Contributions paid to scheme	(524)	(418)	(524)	(418)
Acquired with subsidiaries	3,287	-	-	-
As at 31 December	7,026	3,036	3,739	3,036
Fair value of scheme assets	-	-	-	-
Defined benefit obligation	(7,026)	(3,036)	(3,739)	(3,036)
Deficit in scheme	(7,026)	(3,036)	(3,739)	(3,036)
Experience gains/(losses) on scheme assets	-	-	-	-
Experience gains/(losses) on scheme liabilities	-	(3,426)	-	(3,426)

The cumulative amount of actuarial gains and losses relating to all schemes recognised since 1 January 2004 in the group and company statement of total recognised income and expense is £12,000 (2005 £(4,131,000)). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £12,800,000 in the Group and Company is attributable to actuarial gains and losses since inception of those pension schemes. Consequently the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group and Company statements of recognised income and expense before January 2004.

## Defined Contribution schemes operated by the Company

The Group also operates defined contribution arrangements for employees who are not members of the shore staff fund. The pension charge for the year for these arrangements is equal to the contributions paid and was £169,000 (2005 £93,000).

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

Other defined contributions exist in the Group. The total charge for the year for these schemes amounted to £436,000 (2005 £326,000).

## 26 Share based payments

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

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

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

### Share matching scheme ("SMS")

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

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

Share options up to a maximum limit 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. Currently the options vest depending on the company's total shareholder return relative to a comparator group of companies selected from the FTSE Small Cap index at the date of grant. At the Annual General Meeting a resolution will be put forward to change this comparator group to include all constituents of the FTSE Small Cap index. The resolution will apply retrospectively to the date of the first award. 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 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.

*All-employee Savings Related Share Option Schemes ("SAYE")*

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

*Long Term Incentive Plan ("LTIP")*

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

The expense recognised for share based payments relating to equity settled share based payments transactions is £516,000 (2005 £432,000).

The Company has granted conditional awards in the form of options over shares or conditional rights to have shares transferred to certain employees under the LTIP scheme (approved at the Annual General Meeting) over 369,724 (2005 425,010) ordinary shares of 25p each.

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

Group	2006		2005		"Nil" Options	
	No	WAEP	No	WAEP	2006 No	2005 No
Outstanding at 1 January*	875,458	2.16p	779,930	1.37p	495,809	330,439
Granted during the year	124,573	4.68p	320,056	3.36p	66,742	165,370
Forfeited during the year	(49,812)	3.12p	(38,170)	1.14p	(179,451)	-
Exercised	(128,342)	1.45p**	(186,358)	1.13p†	(2,563)	-
Expired during the year	-	-	-	-	-	-
Outstanding at 31 December	821,877	-	875,458	-	380,537	495,809
Exercisable at 31 December	40,874	-	80,000	-	-	-

\* Included in this balance are options over 183,088 (2005 226,763) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

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

† The weighted average share price at the date of exercise for the options exercised is £3.22.

For the share options outstanding at 31 December 2006, the weighted average remaining contractual life is 7 years and 3 months (2005 7 years and 9 months).

The weighted average fair value of options granted during the year was £2.15 (2005 £1.52). The range of exercise prices for options outstanding at the end of the year was £0.67 – £4.68 (2005 £0.67 – £3.52).

Company	2006		2005		"Nil" Options	
	No	WAEP	No	WAEP	2006 No	2005 No
Outstanding at 1 January*	706,467	2.02p	693,999	1.36p	485,868	325,224
Granted during the year	124,573	4.68p	219,103	3.30p	66,742	160,644
Forfeited during the year	(27,452)	3.03p	(35,277)	1.06p	(134,808)	-
Exercised	(124,147)	1.43p**	(171,358)	1.17p†	(44,643)	-
Expired during the year	-	-	-	-	-	-
Outstanding at 31 December	679,441	-	706,467	-	373,159	485,868
Exercisable at 31 December	20,000	-	60,000	-	-	-

\* Included in this balance are options over 142,544 (2005 186,219) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

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

† The weighted average share price at the date of exercise for the options exercised is £3.22.

# Notes to the financial statements

For the share options outstanding at 31 December 2006, the weighted average remaining contractual life is 7 years and 7 months (2005 8 years and 2 months)

The weighted average fair value of options granted during the year was £2.15 (2005 £1.73). The range of exercise prices for options outstanding at the end of the year was £0.67 – £4.68 (2005 £0.67 – £3.52)

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

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

	2006	2005
<b>LTIP</b>		
Dividend yield (%)	2.00%	2.34%
Expected life of option (years)	3 years	3 years
Share price at date of grant	£4.485	£3.295
<b>SMS</b>		
Dividend yield (%)	N/A	2.34%
Expected life of option (years)	N/A	3 years
Share price at date of grant	N/A	£3.295
<b>2005 ESOS</b>		
Dividend yield (%)	2.00%	2.34%
Expected life of option (years)	6.5 years	6.5 years
Share price at date of grant	£4.640	£3.295
Expected share price volatility (%)	24.1% – 29.0%	25.5% – 31.2%
Risk free interest rate (%)	4.40%	4.22%
<b>SAYE</b>		
Dividend yield (%)	N/A	2.14%
Expected life of option (years)	N/A	3.26 – 7.26
Share price at date of grant	N/A	£3.7675
Expected share price volatility (%)	N/A	23.5% – 28.9%
Risk free interest rate (%)	N/A	4.23% – 4.26%

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

## 27 Financial liabilities

### Non current liabilities

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Bank loans	72,156	42,695	52,662	22,250
Finance leases	293	–	–	–
	<b>72,449</b>	<b>42,695</b>	<b>52,662</b>	<b>22,250</b>

### Current liabilities

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Overdrafts	1,943	–	–	–
Bank loans	9,126	6,363	1,650	–
Finance leases	75	–	–	–
	<b>11,144</b>	<b>6,363</b>	<b>1,650</b>	<b>–</b>

Bank loans comprise the following

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
£20,000,000 variable rate loan 2010	11,500	-	11,500	-
£12,000,000 variable rate loan 2009	-	12,000	-	12,000
£15,000,000 variable rate loan 2008	15,000	-	15,000	-
£12,500,000 variable rate loan 2011	10,250	10,250	10,250	10,250
£10,000,000 variable rate loan 2013	10,000	-	10,000	-
£3,500,000 variable rate loan 2010	3,500	3,088	-	-
£6,208,000 variable rate loan 2006	-	730	-	-
\$4,000,000 variable rate loan 2006	-	466	-	-
£16,200,000 variable rate loan 2011	-	6,237	-	-
\$5,000,000 variable rate loan 2006	-	265	-	-
£6,647,000 variable rate loan 2010	2,209	2,761	-	-
£3,307,000 variable rate loan 2007	198	595	-	-
£22,000,000 variable rate loan 2010	7,562	9,212	7,562	-
NOK 30,000,000 variable rate loan 2013	1,589	1,830	-	-
NOK 3,831,000 variable rate loan 2014	273	319	-	-
\$1,500,000 variable rate loan 2007	191	655	-	-
£5,530,000 variable rate loan 2012	5,163	-	-	-
€8,737,000 variable rate loan 2007	2,940	-	-	-
€15,685,000 variable rate loan 2016	9,957	-	-	-
£306,000 variable rate loan 2016	301	-	-	-
US Dollar Letter of credit facilities	649	650	-	-
	81,282	49,058	54,312	22,250
Less current instalments due on bank loans	(9,126)	(6,363)	(1,650)	-
	72,156	42,695	52,662	22,250

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

Several loans have been repaid during the period. Those not repaid entirely by instalment comprise the £16,200,000 variable rate loan 2011 which was repaid on disposal of the CS Oceanic Princess and £12,000,000 variable rate loan 2009 which was replaced by a new facility, the £20,000,000 variable rate loan 2010.

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

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

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 23 December 2007 subject to certain conditions or converted into term loans at that date which are then repayable in equal quarterly instalments over a period of three years. The loan carries interest at 1% above LIBOR.

**£15,000,000 variable rate loan 2008**

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 30 November 2007 subject to certain conditions or converted into a term loan at that date which is then repayable in equal quarterly instalments over a period of one year. The loan carries interest at 1% above LIBOR.

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

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 1 December 2007 subject to certain conditions or converted into a term loan at that date which is then repayable in equal quarterly instalments over a period of three years. The loan carries interest at 1% to 1.75% above LIBOR. The rate paid varies according to the Company's performance against certain loan covenants.

**£10,000,000 variable rate loan 2013**

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 20 December 2009 subject to certain conditions or converted into a term loan at that date which is then repayable in equal quarterly instalments over a period of four years. The loan carries interest at 1% above LIBOR.

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

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

# Notes to the financial statements

## £6,208,000 variable rate loan 2006

This loan is secured against property, plant and equipment and carries interest at 0.625% above LIBOR. The loan is repayable in equal semi-annual instalments and was fully repaid during 2006.

## \$4,000,000 variable rate loan 2006

This loan is secured against property, plant and equipment and carries interest at 0.8% above US Fed rate. The loan is repayable in equal monthly instalments and was fully repaid during 2006.

## £16,200,000 variable rate loan 2011

This loan is secured against property, plant and equipment and carries interest at 1% above LIBOR. The loan is repayable in equal monthly instalments.

## \$5,000,000 variable rate loan 2006

This loan is secured against property, plant and equipment and carries interest at 0.8% above US Fed rate. The loan is repayable in equal monthly instalments and was fully repaid during 2006.

## £6,647,000 variable rate loan 2010

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

## £3,307,000 variable rate loan 2007

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

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

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

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

This loan is an unsecured revolving credit facility and carries interest at 1% above 3-month NIBOR. The loan is repayable in equal quarterly instalments. At 31 December 2006 the amount drawn was NOK 22,625,000 (2005: NOK 22,625,000).

## NOK 3,831,000 variable rate loan 2014

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

## \$1,500,000 variable rate loan 2007

This loan is unsecured and carries interest at 1% above US Fed rate. The loan is repayable in equal quarterly instalments.

## £5,530,000 variable rate loan 2012

This loan is secured against property, plant and equipment and carries interest at 1.15% above LIBOR. The loan is repayable in equal quarterly instalments.

## €8,737,000 variable rate loan 2007

This loan is secured against property, plant and equipment and carries interest at 1.3% above EURIBOR. The loan was repaid in February 2007 from the proceeds of sale of the vessels *mt Arduity* and *mt Allurity*.

## €15,685,000 variable rate loan 2016

This loan is secured against property, plant and equipment and carries interest at 1.15% above EURIBOR. The loan is repayable in equal quarterly instalments subject to a final payment of €3,101,000.

## £306,000 variable rate loan 2016

This loan is secured against property, plant and equipment and carries interest at 1.15% above LIBOR. The loan is repayable in equal quarterly instalments subject to a final payment of £70,000.

## US Dollar Letter of credit facilities

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

**28 Reconciliation of net debt**

	1 January 2005 £000	Acquisitions £000	Cash Flow £000	Other Non Cash £000	Exchange Movement £000	31 December 2005 £000
Cash in hand and at bank	8,045	-	1,731	-	(51)	9,725
Short term deposits	2,000	-	(2,000)	-	-	-
Cash and cash equivalents	10,045	-	(269)	-	(51)	9,725
Debt due after 1 year	(38,572)	-	-	(4,146)	(77)	(42,795)
Debt due within 1 year	(8,179)	(1,300)	(977)	4,146	(53)	(6,363)
	(46,751)	(1,300)	(977)	-	(130)	(49,158)
Net debt	(36,706)	(1,300)	(1,246)	-	(181)	(39,433)

	1 January 2006 £000	Acquisitions £000	Cash Flow £000	Other Non Cash £000	Exchange Movement £000	31 December 2006 £000
Cash in hand and at bank	9,725	-	5	-	(75)	9,655
Short term deposits	-	-	-	-	-	-
Cash and cash equivalents	9,725	-	5	-	(75)	9,655
Debt due after 1 year	(42,795)	(14,690)	(4,630)	(10,141)	-	(72,256)
Debt due within 1 year	(6,363)	(10,962)	(3,920)	10,141	35	(11,069)
	(49,158)	(25,652)	(8,550)	-	35	(83,325)
Finance leases	-	(375)	7	-	-	(368)
Net debt	(39,433)	(26,027)	(8,538)	-	(40)	(74,038)

**29 Financial instruments**

Details of the Group's financial instrument risk management objectives, strategies and policies are set out on pages 10 and 11 of the Review of Operations

**Interest risk**

The group uses derivative financial instruments to hedge exposure to fluctuations in interest rates. The interest rate profile of the group's financial assets and liabilities are set out in the table below. The Group uses interest rate swaps to convert interest rates on certain borrowings from floating rates to fixed rates. These fixed rate swaps range between 3.94% and 5.48%. Where hedging criteria are met the Group classifies interest rate swaps as cash flow hedges and states them at fair value. Over the longer term permanent changes in interest rates would have an impact on consolidated earnings. At 31 December 2006 a general increase of one percentage point would reduce the group's profits before tax by £820,000 (2005 £288,000). Interest rate swaps have been included in this calculation.

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

**Group****Floating rate**

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash	9,655	-	-	-	-	-	9,655
Bank overdrafts	(1,943)	-	-	-	-	-	(1,943)
£20,000,000 variable rate loan 2010	-	(3,833)	(3,833)	(3,834)	-	-	(11,500)
£15,000,000 variable rate loan 2008	-	(15,000)	-	-	-	-	(15,000)
£12,500,000 variable rate loan 2011	-	(2,562)	(2,563)	(2,562)	(2,563)	-	(10,250)
£10,000,000 variable rate loan 2013	-	(2,500)	(2,500)	(2,500)	(2,500)	-	(10,000)
£3,500,000 variable rate loan 2010	(1,000)	(1,000)	(1,000)	(500)	-	-	(3,500)
£6,647,000 variable rate loan 2010	(552)	(552)	(552)	(553)	-	-	(2,209)
£3,307,000 variable rate loan 2007	(198)	-	-	-	-	-	(198)
£22,000,000 variable rate loan 2010	(1,650)	(1,912)	(2,000)	(2,000)	-	-	(7,562)
NOK 30,000,000 variable rate loan 2013	(212)	(212)	(212)	(212)	(212)	(529)	(1,589)
NOK 3,831,000 variable rate loan 2014	(32)	(32)	(32)	(32)	(32)	(113)	(273)
\$1,500,000 variable rate loan 2007	(191)	-	-	-	-	-	(191)
£5,530,000 variable rate loan 2012	(884)	(884)	(884)	(884)	(884)	(743)	(5,163)
£8,737,000 variable rate loan 2007	(2,940)	-	-	-	-	-	(2,940)
€15,685,000 variable rate loan 2016	(795)	(795)	(795)	(795)	(795)	(5,982)	(9,957)
£306,000 variable rate loan 2016	(23)	(23)	(23)	(23)	(23)	(186)	(301)
US Dollar Letter of credit facilities	(649)	-	-	-	-	-	(649)
Less interest rate swaps	-	3,833	1,167	-	-	-	5,000
	(1,414)	(25,472)	(13,227)	(13,895)	(7,009)	(7,553)	(68,570)

# Notes to the financial statements

## Fixed rate

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
£20,000,000 variable rate loan 2010	-	(3,833)	(1,167)	-	-	-	(5,000)
Finance leases	(75)	(65)	(68)	(70)	(69)	(21)	(368)
Cumulative preference shares	-	-	-	-	-	(100)	(100)
	(75)	(3,898)	(1,235)	(70)	(69)	(121)	(5,468)

## Company

### Floating rate

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash	815	-	-	-	-	-	815
£20,000,000 variable rate loan 2010	-	(3,833)	(3,833)	(3,834)	-	-	(11,500)
£15,000,000 variable rate loan 2008	-	(15,000)	-	-	-	-	(15,000)
£12,500,000 variable rate loan 2011	-	(2,562)	(2,563)	(2,562)	(2,563)	-	(10,250)
£10,000,000 variable rate loan 2011	-	(2,500)	(2,500)	(2,500)	(2,500)	-	(10,000)
Less interest rate swaps	-	3,833	1,167	-	-	-	5,000
	815	(20,062)	(7,729)	(8,896)	(5,063)	-	(40,935)

## Fixed rate

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
£20,000,000 variable rate loan 2010	-	(3,833)	(1,167)	-	-	-	(5,000)
Cumulative preference shares	-	-	-	-	-	(100)	(100)
	-	(3,833)	(1,167)	-	-	(100)	(5,100)

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

The interest rate profile of the financial assets and liabilities at 31 December 2005 is as follows:

## Group

### Floating rate

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash	9,725	-	-	-	-	-	9,725
£12,000,000 variable rate loan 2009	-	(4,000)	(4,000)	(4,000)	-	-	(12,000)
£12,500,000 variable rate loan 2011	-	(3,417)	(3,417)	(3,416)	-	-	(10,250)
£3,500,000 variable rate loan 2008	-	(235)	(2,853)	-	-	-	(3,088)
£6,208,000 variable rate loan 2006	(730)	-	-	-	-	-	(730)
\$4,000,000 variable rate loan 2006	(466)	-	-	-	-	-	(466)
£16,200,000 variable rate loan 2011	(1,158)	(1,158)	(1,158)	(1,158)	(1,158)	(447)	(6,237)
\$5,000,000 variable rate loan 2006	(265)	-	-	-	-	-	(265)
£6,647,000 variable rate loan 2010	(552)	(552)	(552)	(552)	(553)	-	(2,761)
£3,307,000 variable rate loan 2007	(396)	(199)	-	-	-	-	(595)
£22,000,000 variable rate loan 2010	(1,650)	(1,650)	(1,913)	(2,000)	(1,999)	-	(9,212)
NOK 30,000,000 variable rate loan 2013	(243)	(243)	(243)	(243)	(243)	(615)	(1,830)
NOK 3,831,000 variable rate loan 2014	(34)	(34)	(34)	(34)	(34)	(149)	(319)
\$1,500,000 variable rate loan 2007	(219)	(436)	-	-	-	-	(655)
US Dollar Letter of credit facilities	(650)	-	-	-	-	-	(650)
Less interest rate swaps	2,808	2,808	3,858	5,158	368	-	15,000
	6,170	(9,116)	(10,312)	(6,245)	(3,619)	(1,211)	(24,333)

**Fixed rate**

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
£12,000,000 variable rate loan 2009	-	-	(1,000)	(4,000)	-	-	(5,000)
£16,200,000 variable rate 2011	(1,158)	(1,158)	(1,158)	(1,158)	(368)	-	(5,000)
£22,000,000 variable rate loan 2010	(1,650)	(1,650)	(1,700)	-	-	-	(5,000)
Cumulative preference shares	-	-	-	-	-	(100)	(100)
	(2,808)	(2,808)	(3,858)	(5,158)	(368)	(100)	(15,100)

**Company****Floating rate**

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
Cash	1,789	-	-	-	-	-	1,789
£12,000,000 variable rate loan 2009	-	(4,000)	(4,000)	(4,000)	-	-	(12,000)
£10,250,000 variable rate loan December 2009	-	(3,417)	(3,417)	(3,416)	-	-	(10,250)
Less interest rate swaps	-	-	1,000	4,000	-	-	5,000
	1,789	(7,417)	(6,417)	(3,416)	-	-	(15,461)

**Fixed rate**

	Within 1 year £000	1-2 years £000	2-3 years £000	3-4 years £000	4-5 years £000	More than 5 years £000	Total £000
£12,000,000 variable rate loan 2009	-	-	(1,000)	(4,000)	-	-	(5,000)
Cumulative preference shares	-	-	-	-	-	(100)	(100)
	-	-	(1,000)	(4,000)	-	(100)	(5,100)

The preference shares carry a fixed rate of 3.5%

In addition there are financial assets of £1,370,000 (2005 £1,368,000) on which no interest is earned and have no fixed maturity

**Credit risk**

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date. Credit risks arising from acting as a guarantor are disclosed in note 30.

**Foreign currency risk**

The Group incurs foreign currency risks on sales, purchases and borrowings denominated in currencies other than Sterling. The Group's principal transactional exposures are to the US Dollar and Euro. The principal exposures arising from its net investment overseas (structural currency exposure) is to the Norwegian Kroner. As explained in the Review of Operations on page 11, the Group's objectives in managing its structural currency exposures are to maintain a low cost of borrowings and to retain some potential for currency appreciation whilst partly hedging against currency depreciation.

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

The Group uses forward exchange contracts to hedge its transactional exposures. Most forward exchange contracts have maturities of less than one year after the balance sheet date. Forward exchange contracts which qualify as effective cash flow hedges are included at their fair value in the hedging reserve and in current assets or short term liabilities until the earlier of their maturity or the date the transaction to which they relate is recognised at which point they are transferred to the income statement. The fair value of forward exchange contracts at 1 January 2005 was adjusted against the opening balance of the hedging reserve at that date.

Permanent changes in the level of exchange rates will have an impact on consolidated earnings. An increase of one percentage point in the value of the Euro, Norwegian Kroner and the US Dollar would decrease the Group's profit before tax by £83,000 (2005 £47,000).

# Notes to the financial statements

The fair value of derivatives included in the accounts was as follows

## Group

	2006		2005	
	assets £000	liabilities £000	assets £000	liabilities £000
Interest rate swaps – cash flow hedges	–	(8)	–	(56)
Interest rate caps and collars	–	(5)	–	–
Forward foreign exchange contracts	17	(42)	–	(46)
<b>Total</b>	<b>17</b>	<b>(55)</b>	<b>–</b>	<b>(102)</b>
Non-current portion				
Interest rate swaps – cash flow hedges	–	–	–	(18)
Forward foreign exchange contracts – cash flow hedges	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(18)</b>

## Company

	2006		2005	
	assets £000	liabilities £000	assets £000	liabilities £000
Interest rate swaps – cash flow hedges	–	(8)	–	(56)
Interest rate caps and collars	–	–	–	–
Forward foreign exchange contracts	–	–	–	(46)
<b>Total</b>	<b>–</b>	<b>(8)</b>	<b>–</b>	<b>(102)</b>
Non-current portion				
Interest rate swaps – cash flow hedges	–	–	–	(18)
Forward foreign exchange contracts – cash flow hedges	–	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(18)</b>

## Hedges – Group and Company

### Fair value hedges

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

At 31 December 2005 the Group held a forward currency contract designated to hedge the revenue receivable under the *CS Oceanic Pearl* Charter included on the balance sheet. The terms of the contract were as follows

	Maturity	Exchange rate
Forward contract to hedge receivables		
Sell		
US\$5,529,500	1 December 2006	1.7392

### Cash flow hedges

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

At 31 December 2005 the Group held forward currency contracts designated to hedge future income receivable under the *CS Oceanic Princess* Charter and other vessel charters. The terms of the contracts were as follows

	Maturity	Exchange rate
Forward contract to hedge expected future income		
Sell		
US\$1,925,000	30 June 2006	1.7406
US\$2,000,000	30 June 2006	1.7119

The foreign exchange contracts have been negotiated to match the expected profile of receipts. At 31 December 2005 these hedges were assessed to be highly effective and an unrealised loss of £4,000 relating to the hedging instruments was included in equity.

**Interest rate swaps**

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

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

At 31 December 2005 the contracts outstanding were as follows:

Amount	Maturity	Fixed rate
£5,000,000	21 February 2006	3.94%
£5,000,000	17 December 2006	4.73%
£5,000,000	14 May 2007	5.48%

The following contract expired during 2005:

£10,000,000	21 February 2005	3.75%
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**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 (2005 NOK 160,000,000). The net investment arising on these acquisitions is treated as being an asset of the Company and is denominated in sterling. This acts as a hedge against movements in the net investment in these businesses.

**Derivative Financial Instruments not qualifying as hedges**

Through its recent acquisitions the Group has acquired a number of derivative financial instruments which do not qualify to be treated as hedges either due to their nature or the fact that they were not documented on inception in accordance with the requirements of IAS 39, Financial Instruments Recognition and Measurement. These include a number of foreign exchange contracts maturing in the first half of 2007 and two instruments in relation to the management of interest rate risk which are held by FT Everard and Sons. These comprise a zero cost interest rate collar relating to Euro denominated debt of €14,000,000 with a ceiling of 6.5% and a floor of 2.98% and a cap of 6.5% relating to Euro denominated debt of €14,000,000. The fair value of these items is included in the table below.

# Notes to the financial statements

## Fair values

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

### Group

	2006		2005	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Short term financial liabilities and current portion of long-term borrowings	(9,126)	(9,126)	(6,363)	(6,363)
Long-term borrowings	(72,156)	(72,156)	(52,662)	(52,662)
Finance leases	(368)	(362)	-	-
Preference shares	(100)	(100)	(100)	(100)
Cash and cash equivalents	9,655	9,655	9,725	9,725
Financial assets	1,370	1,370	1,368	1,368
Forward exchange contracts – cash flow hedges				
Assets	-	-	-	-
Liabilities	-	-	(46)	(46)
Forward exchange contracts – other derivatives				
Assets	17	17	-	-
Liabilities	(42)	(42)	-	-
Interest rate swaps – cash flow hedges				
Assets	-	-	-	-
Liabilities	(8)	(8)	(74)	(74)
Interest rate caps and collars				
Assets	-	-	-	-
Liabilities	(5)	(5)	-	-

### Company

	2006		2005	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Short term financial liabilities and current portion of long-term borrowings	(1,650)	(1,650)	-	-
Long-term borrowings	(52,662)	(52,662)	(22,250)	(22,250)
Preference shares	(100)	(100)	(100)	(100)
Cash and cash equivalents	815	815	1,789	1,789
Financial assets	1,368	1,368	1,368	1,368
Forward exchange contracts				
Assets	-	-	-	-
Liabilities	-	-	(46)	(46)
Interest rate swaps				
Assets	-	-	-	-
Liabilities	(8)	(8)	(74)	(74)

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

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

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

**30 Commitments and contingencies****Obligations under finance leases and hire purchase contracts****Group**

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

	2006 £000	Group 2005 £000
Within one year	97	-
Within two to five years	313	-
After five years	22	-
	432	-
Less finance charges allocated to future periods	(64)	-
	368	-
Present value of minimum lease payments is analysed as follows		
Within one year	75	-
Within two to five years	272	-
After five years	21	-
	368	-

**Company**

The company does not have any outstanding finance lease commitments

**Operating leases**

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

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Within one year	11,186	6,238	48	48
After one year but not more than five years	40,020	25,713	178	182
After five years	24,404	22,706	232	238
	75,610	54,657	458	468

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	
	2006 £000	2005 £000	2006 £000	2005 £000
	2,249	2,402	302	-

**Contingent liabilities**

Details of contingent liabilities, all of which relate to the Company, are set out below

- 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
- A Group VAT registration is operated by the Company and 16 group undertakings in respect of which the company is jointly and severally liable for all amounts due to HM Revenue and Customs under the arrangement.
- A guarantee and indemnity has been issued to HSBC plc in respect of the loan facility of Foreland Shipping Limited, the total guarantee at 31 December 2006 was £2,722,000
- The Company has issued a guarantee to HSBC plc in respect of the obligations of a subsidiary, James Fisher Tankships Limited, in relation to bareboat charters relating to the m t. Chartsman and m t. Steersman. The total guarantee at 31 December 2006 was £820,000
- A guarantee has been issued to charter parties in respect of obligations of a subsidiary, James Fisher Everard Limited, in respect of charters relating to five vessels. The charters expire between 2012 and 2016

# Notes to the financial statements

- (f) The Company has issued a guarantee to The Royal Bank of Scotland plc in respect of the obligations under the terms of the \$50,400,000 multi currency loan facility available to its subsidiary FT Everard Shipping Limited
- (g) As referred to in Note 25, the Trustees of the Merchant Navy Officers Pension Fund (MNOFF) have indicated that under the terms of the High Court ruling in 2005 which established the liability of past employers to fund the deficit on the Post 1978 section of the MNOFF, they may make calls for further contributions in the future if additional actuarial deficits arise or if other employers liable for contributions are not able to pay their share. In February 2007 the Group was notified that the Trustees are expecting a shortfall in receipts from members of approximately 10% of the amount requested, being approximately £25 million. This amount has been allocated to the current paying members in proportion to their original share of the deficit. The Group remains jointly and severally liable for any future shortfall in recovery of the deficit. The directors are not aware of any further liability beyond that explained above, which has been provided for in full in these accounts

## 31 Related party transactions

### Compensation of key management to the group

	2006 £000	2005 £000
Short-term employee benefits	1,254	1,183
Post-employment benefits	(178)	363
Termination payments	-	-
Share based payments	487	410
	1,563	1,956

Details of the directors' interests in the Executive Share Option Schemes, Long Term Incentive Plan and the Savings Related Share Option Schemes are included in the Directors' Remuneration Report on pages 28 to 29

### Transactions with related parties

#### Foreland Shipping Limited

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

#### FCN businesses

As set out in note 16 the group has a 40% interest in several joint ventures providing ship to ship transfer services in West Africa through its wholly owned subsidiary, Fender Care Marine Services Limited

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	2006	371	-	-	30	-
	2005	394	-	-	30	-
FCN businesses	2006	-	212	17	41	-
	2005	-	17	40	104	-

On 15 August 2005 the Group acquired land and buildings at Seething, Norwich from the directors of Fendercare for a consideration of £572,000. The transaction was conducted on an arms length basis at a valuation agreed prior to the purchase of the business of Fendercare by the Group on 16 March 2005

On 28 December 2006 the Company acquired the entire issued share capital of FT Everard and Sons Limited (Everard), for an initial consideration of £17,583,000. Mr W D Everard and Mr F M Everard were directors of and shareholders in Everard and with other members of their family controlled the entire issued share capital of Everard. Mr W D Everard and Mr F M Everard each received £4,689,000 of the initial consideration. Should the full contingent consideration of £6,000,000 become payable they will each receive a further £1,600,000

On 28 December 2006 the Company also acquired the 10% unsecured loan notes issued by Everard for a total consideration of £545,000 being the book value on that date. Mr W D Everard and Mr F M Everard each received £156,280 in respect of the loan notes that they held. The remaining loan notes were held by other family members

Everard and its subsidiaries use Everard Insurance Brokers Limited, (EIB) as a provider of insurance services. EIB is a wholly owned subsidiary of Alchymist Trading Company Limited, (Alchymist) a company controlled by Mr W D Everard and Mr F M Everard and members of their family. Everard also provides accommodation and management services to Alchymist and EIB. At 31 December 2006 and the date of acquisition there was an amount due to Everard from EIB of £20,000. No amounts were due to or from Alchymist

As stated in Note 18 the Company has also entered into an agreement on 6 December 2006 under which it has been granted an option to purchase the entire issued share capital of Alchymist for a consideration of £600,000

Mr M Storey, a non executive director, has been engaged by the Company for the first half of 2007 to help facilitate the integration of Everard into the Group. For these services in addition to his fee as a non executive director he will receive a fee of £50,000

Following the acquisition of Everard Mr F M Everard was appointed as a non executive director of the Company. Mr F M Everard is Chairman of Cattedown Wharves Limited, a wholly owned subsidiary, for which he receives annual remuneration of £27,500

On 28 November 2006 the Group acquired the entire issued share capital of Gjerde Løfteteknikk, (Gjerde). At the time of the acquisition of Mr B E Bjornsen who was Chairman of the Group's operations in Norway was a director of Gjerde. Mr Bjornsen had no financial interests in Gjerde

### **32 Post balance sheet events**

The Group completed the sale of the mt Arduity and mt Allurity on 5 January and 11 January 2007 respectively. The gross proceeds from these disposals were \$3,300,000. The net proceeds of £1,500,000 were used to repay bank borrowings.

On 13 February 2007 the Group took delivery of mt Superiority

As referred to in note 18, under the terms of the acquisition of Strainstall Group (Strainstall) on 6 October 2006 contingent consideration is payable to the vendors dependent on achieving certain performance conditions for the year ended 31 December 2006 and 31 December 2007. In March 2007, following confirmation that the performance criteria for the year ended 31 December 2006 had been achieved, the vendors received £1,250,000 in cash and loan notes.

# Group Financial Record

## for the five years ended 31 December

	2002 £000	2003 £000	2004 £000	2005 £000	2006 £000
Goodwill and other intangible assets	2,721	17,397	21,254	36,168	55,833
Property, plant and equipment	126,109	114,455	103,091	67,081	102,629
Financial assets	2,397	2,748	2,967	3,955	4,945
Other assets	20,937	26,727	30,365	37,745	53,886
Non-current assets classified as held for sale	-	-	-	7,959	1,518
<b>Total Assets employed</b>	<b>152,164</b>	<b>161,327</b>	<b>157,677</b>	<b>152,908</b>	<b>218,811</b>
Financed by					
Called up share capital	12,138	12,211	12,305	12,345	12,377
Other Reserves	70,453	70,943	70,926	60,984	73,803
Equity shareholders' interest	82,591	83,154	83,231	73,329	86,180
Minority interests	-	-	-	-	71
Cumulative preference shares	100	100	100	100	100
Financial liabilities	52,972	61,307	46,651	49,058	83,593
Other liabilities	16,354	16,566	27,695	30,421	48,867
Provisions for liabilities and charges	147	200	-	-	-
<b>Total funds invested</b>	<b>152,164</b>	<b>161,327</b>	<b>157,677</b>	<b>152,908</b>	<b>218,811</b>
<b>Revenue, profit and reserves</b>					
Revenue	71,111	77,215	71,153	91,411	118,085
Profit before tax on continuing operations	9,718	5,380	10,221	11,446	14,147
Taxation	318	(1,050)	(2,123)	(754)	(2,411)
Profit after taxation	10,036	4,330	8,098	10,692	11,736
Discontinued operations	-	-	3,886	(12,889)	2,041
Minority interests	-	-	-	-	-
Dividends	(2,836)	(3,254)	(4)	-	3
<b>Transferred to/(from) reserves</b>	<b>7,200</b>	<b>1,076</b>	<b>11,980</b>	<b>(2,197)</b>	<b>13,780</b>
	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
Continuing operations					
Basic earnings per ordinary share	21 11	9 04	16 77	21 91	23 93
Diluted earnings per ordinary shares	20 63	8 70	16 56	21 72	23 71

The results for 2002 and 2003 are stated under UK GAAP

# Subsidiary Undertakings

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

Name of company	Principal activities	Place of business
(Incorporated in Great Britain unless otherwise stated)		
<b>Trading</b>		
CATTEDOWN WHARVES LIMITED	Wharfage & Warehousing	PLYMOUTH
EVERARD (GUERNSEY) LIMITED	Crewing Agents	GUERNSEY
(Incorporated in Guernsey)		
EVERARD MARINE (CYPRUS) LIMITED	Crewing Agents	CYPRUS
(Incorporated in Cyprus)		
FENDERCARE LIMITED	Marine Services	SEETHING
FENDERCARE MARINE SERVICES GROUP LIMITED	Marine Services*	SEETHING
FENDERCARE MARINE SOLUTIONS LIMITED	Marine Services	SEETHING
FT EVERARD & SONS LIMITED	Investment	DARTFORD
FT EVERARD SHIPPING LIMITED	Ship owning*	DARTFORD
GJERDE LOFTTEKNIKK AS	Engineering*	NORWAY
(Incorporated in Norway)		
GLEN SALVESEN LIMITED	Crewing Agents*	DARTFORD
INTEGRATED MOORING SOLUTIONS LIMITED	Marine Services	SEETHING
JAMES FISHER (ABERDEEN) LIMITED	Investment	BARROW-IN FURNESS
JAMES FISHER AND SONS (SEAFLOOR DYNAMEX) LIMITED	Underwater excavation engineers	ABERDEEN
JAMES FISHER (CREWING SERVICES) LIMITED	Crewing Agents	BARROW IN FURNESS
JAMES FISHER (CYPRUS) LIMITED	Crewing Agents	CYPRUS
(Incorporated in Cyprus)		
JAMES FISHER DEFENCE LIMITED	Marine Services	BARROW-IN FURNESS
JAMES FISHER EVERARD LIMITED	Ship operators	LONDON
JAMES FISHER FENDERCARE LIMITED	Investment	BARROW-IN FURNESS
JAMES FISHER (GUERNSEY) LIMITED	Crewing Agents	GUERNSEY
JAMES FISHER INSPECTION AND MEASUREMENT SERVICES LIMITED	Engineering	MANCHESTER
JAMES FISHER (LOGISTICS) LIMITED	Ship owning	BARROW-IN FURNESS
JAMES FISHER NORWAY AS	Investment	NORWAY
(Incorporated in Norway)		
JAMES FISHER NUCLEAR (HOLDINGS) LIMITED	Investment	BARROW-IN FURNESS
JAMES FISHER NUCLEAR LIMITED	Engineering*	BARROW-IN FURNESS
JAMES FISHER OFFSHORE LIMITED	Engineering	ABERDEEN
JAMES FISHER (RO-RO) LIMITED	Investment	BARROW IN FURNESS
JAMES FISHER RUMIC LIMITED	Marine Services	DALTON IN FURNESS
JAMES FISHER SCAN TECH AS	Engineering	NORWAY
(Incorporated in Norway)		
JAMES FISHER (SHIPPING SERVICES) LIMITED	Ship operators	BARROW-IN FURNESS
JAMES FISHER TANKSHIPS HOLDINGS LIMITED	Investment	LONDON
MELDRUM TESTING SERVICES LIMITED	Engineering*	ABERDEEN
MONYANA ENGINEERING SERVICES LIMITED	Engineering*	ABERDEEN
NUCLEAR DECOMMISSIONING LIMITED	Engineering	MALTON
PLYM SHIPPING AND AGENCIES LIMITED	Marine Services*	DARTFORD
PROLEC LIMITED	Engineering	POOLE
REANCO TEAM AS	Engineering	NORWAY
(Incorporated in Norway)		
REMOTE MARINE SYSTEMS LIMITED	Engineering	MALTON
SCAN TECH AIR SUPPLY UK LIMITED	Engineering	ABERDEEN
SHIPS ELECTRONIC SERVICES LIMITED	Marine Services*	ROCHESTER
STRAINSTALL AMTS LIMITED	Engineering*	COWES
STRAINSTALL AS	Engineering*	NORWAY
(Incorporated in Norway)		
STRAINSTALL GROUP LIMITED	Engineering	COWES
STRAINSTALL UK LIMITED	Engineering	COWES
THE RAILWAY ENGINEERING COMPANY LIMITED	Engineering*	WESTBURY
* held by a subsidiary undertaking		
<b>Joint venture and associated undertakings</b>		
ACTIVE LOAD LIMITED (20%)	Engineering	READING
CUMBRIA NUCLEAR SOLUTIONS LIMITED (20%)	Engineering	EGREMONT
FCN LIMITED (40%)	Marine Services*	WEST AFRICA
FENDERCARE NIGERIA LIMITED (40%)	Marine Services	WEST AFRICA
FORELAND HOLDINGS LIMITED (25%)	Ship owning	LONDON
GREAT CIRCLE MARINE SERVICES INC (20%)	Crewing Agent*	CANADA
SILVERTIDE INC (40%)	Marine Services*	WEST AFRICA
SOIL DYNAMICS (MALAYSIA) SDN BHD (70%)	Engineering	MALAYSIA
STRAINSTALL/ALLISON INC (50%)	Engineering	USA
STRAINSTALL MIDDLE EAST LLC (49%)	Engineering	DUBAI

# Fleet List

As at 26 March 2007

	Built	DWT	Type
<b>James Fisher &amp; Sons Public Limited Company</b>			
<b>Owned</b>			
m t. "THAMES FISHER"	1997	4 765	Clean products tanker
<b>James Fisher Tankships Limited</b>			
<b>Owned</b>			
m t. "SEVERN FISHER"	1983/1998	11 227	Clean products tanker
m t. "FORTH FISHER"	1997	4,972	Clean products tanker
m t. "GALWAY FISHER"	1997	4 967	Clean products tanker
m t. "SOLENT FISHER"	1997	4,970	Clean products tanker
m t. "MERSEY FISHER"	1998	4,765	Clean products tanker
m t. "MILFORD FISHER"	1998	4 973	Clean products tanker
<b>Long Term Bareboat Charter</b>			
m t. "CHARTSMAN"	1993	6 397	Clean products tanker
m t. "RUDDERMAN"	1994	6 417	Clean products tanker
m t. "STEERSMAN"	1994	6,403	Clean products tanker
m t. "PEMBROKE FISHER"	1997	14 204	Clean products tanker
m t. "CUMBRIAN FISHER"	2004	12,921	Clean products tanker
m t. "CLYDE FISHER"	2005	12 984	Clean products tanker
m t. "SHANNON FISHER"	2005	5 420	Clean products tanker
m t. "SOLWAY FISHER"	2006	5,422	Clean products tanker
<b>James Fisher (Shipping Services) Limited</b>			
<b>Owned</b>			
m t. "HUMBER FISHER"	1997	4 765	Clean products tanker
<b>FT Everard &amp; Sons Limited</b>			
<b>Owned</b>			
m t. "AGILITY"	1990	3 145	Clean products tanker
<b>FT Everard Shipping Limited</b>			
<b>Owned</b>			
m t. "SPECIALITY"	2006	4,426	Clean products tanker
m t. "SENIORITY"	2006	4 430	Clean products tanker
m t. "SUPERIORITY"	2007	4 430	Clean products tanker
m t. "ASPERITY"	1997	3,778	Clean products tanker
m t. "AUDACITY"	1997	3 778	Clean products tanker
m t. "ANNUITY"	1988	3 294	Clean products tanker
m t. "ALACRITY"	1990	3,145	Clean products tanker
<b>Long Term Bareboat Charter</b>			
m t. "STABILITY"	2004	3 517	Clean products tanker
m t. "SUMMITY"	2005	3,503	Clean products tanker

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of James Fisher and Sons Public Limited Company will be held at the Abbey House Hotel, Abbey Road, Barrow-in-Furness on Thursday 3 May 2007 at noon for the following purposes

## Ordinary Business

### Resolution 1

To receive the accounts and the reports of the directors and the auditors thereon for the year ended 31 December 2006

### Resolution 2

To approve the report on directors' remuneration (as set out on pages 24 to 32 of the Annual Report and Accounts) for the year ended 31 December 2006

### Resolution 3

To declare a final dividend of 6 54p per ordinary share payable on 11 May 2007 to shareholders on the Register as at 10 April 2007

### Resolution 4

To re-elect Mr M J Shields as a director of the Company

### Resolution 5

To re-elect Mr A R C B Cooke as a director of the Company

### Resolution 6

To elect Mr W D Everard as a director of the Company

### Resolution 7

To elect Mr F M Everard as a director of the Company

### Resolution 8

To re-appoint Ernst & Young LLP as auditors of the Company until the conclusion of the next Annual General Meeting and authorise the directors to fix their remuneration

## Special Business

As special business to consider and, if thought fit, pass the following Resolutions which, in the case of Resolutions 9, 10 and 11 will be proposed as Ordinary Resolutions and the case of Resolutions 12, 13 and 14 will be proposed as Special Resolutions

### Resolution 9

That the performance condition imposed under Rule 3 and Rule 18 of the Rules of the James Fisher and Sons Public Limited Company (2005) Executive Share Option Scheme be amended with retrospective effect such that the existing Comparator Group shall be deleted and the replacement Comparator Group shall comprise those companies in the FTSE Small Cap index as a whole, excluding investment trusts

### Resolution 10

That the limit on the aggregate fees payable to the directors for their services as directors as set out in article 83 of the articles of association of the Company be increased from £100,000 per annum to £200,000 per annum

### Resolution 11

That the directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in the said section) up to an aggregate nominal amount of £4,092,916, such authority to expire at the conclusion of the next Annual General Meeting of the Company, but to be capable of previous revocation and variation from time to time by the Company in general meeting provided that the Company may make any offer or agreement before the expiry of this authority that would or might require relevant securities to be allotted after this authority has expired and the directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired

# Notice of Annual General Meeting

## **Resolution 12**

### **Special Resolution**

That subject to the passing of Resolution 11 above the directors of the Company be and are hereby empowered pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred by that Resolution as if Section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £618,849 such authority to expire at the close of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired

## **Resolution 13**

### **Special Resolution**

That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) on the London Stock Exchange of up to a maximum aggregate of £2,400,000 ordinary shares of 25p each in the capital of the Company at a price per share of not less than 25p and not more than 105 per cent of the average of the middle market quotations for such ordinary share as derived from the London Stock Exchange Official List, for the five business days immediately preceding the day of purchase, unless previously renewed, revoked or varied, such authority will expire at the close of the next Annual General Meeting of the Company, save that the Company may purchase ordinary shares at any later date where such purchase is pursuant to any contract or contracts made by the Company before the expiry of this authority

## **Resolution 14**

### **Special Resolution**

That, pursuant to section 9 of the Act, the articles of association of the Company be altered by deleting the present article 99(B) and replacing it with the following new article 99(B)

"The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to procure (as regards subsidiary undertakings, to the extent that it can procure by such exercise) that the aggregate principle amount outstanding in respect of monies borrowed by the group does not at any time without the previous sanction of an ordinary resolution of the Company exceed a sum equal to four times the adjusted total of capital and reserves"

By order of the Board

**J. J. B. Tyler**  
**Secretary**

26 March 2007

Registered office  
Fisher House, Barrow-in-Furness,  
Cumbria, LA14 1HR

Registered in England number 211475

### Notes

The Annual Report and Accounts are sent to all members of the Company. Both the ordinary and preference shareholders are entitled to attend and vote at the meeting.

Any member entitled to vote at the above meeting may appoint one or more proxies to attend, speak and, on a poll, vote instead of him. A proxy need not be a member of the Company. Completion of the Form of Proxy will not preclude a member from attending and voting in person. Forms of Proxy, duly executed, must reach the Company's Registrar's office, Capita Registrars, Proxy Processing Centre, Telford Road, Bicester, OX26 4LD, not less than 48 hours before the meeting. Proxies may also be hand delivered to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU during normal office hours.

Copies of the directors' service contracts, the terms and conditions of appointment of the non-executive directors, together with copies of the current and proposed revised Articles of Association and the current and proposed revised Performance Conditions in relation to the James Fisher and Sons Public Limited Company (2005) Executive Share Option Scheme are available for inspection at the registered office of the Company during usual business hours and will also be available at the place of the Annual General Meeting from 11.30 a.m. on the date of the meeting until the close of the meeting.

A final dividend can only be paid after it has been approved by the shareholders in general meeting and may not exceed the amount recommended by the board. The directors recommend a final dividend of 6.54p per ordinary share for payment to ordinary shareholders who are on the register at the close of business on 10 April 2007. If approved the final dividend will be paid on 11 May 2007.

### Special Business Explanatory Notes

Resolution 9 a summary of the proposed amendment to the executive share option scheme appears in the circular to shareholders dated 26 March 2007.

Resolution 10 a summary of the proposed increase in the aggregate fee payable to the directors appears in the circular to shareholders dated 26 March 2007.

Resolution 11 gives authority to the directors to allot equity securities up to a total nominal amount of £4,092,916 amounting to one third of the nominal value of the issued ordinary share capital as at 26 March 2007. The authority will expire at the conclusion of the Annual General Meeting to be held in 2008 and replaces a similar authority granted on 4 May 2006 which expires at the conclusion of the forthcoming Annual General Meeting. Further details are provided in the circular to shareholders dated 26 March 2007.

The passing of Resolution 12, a special resolution, will permit the directors, until the conclusion of the Annual General Meeting of the Company to be held in 2008, to make issues of equity securities on a non pre-emptive basis up to an aggregate nominal amount of £618,849 being equal to 5% of the nominal amount of the issued ordinary share capital. The power will, if granted, replace the similar power conferred on the directors on 4 May 2006 and which will lapse at the conclusion of the forthcoming Annual General Meeting. Further details are provided in the circular to shareholders dated 26 March 2007.

Resolution 13 gives the Company authority to purchase in the market up to £2,400,000 of its ordinary shares of 25p each (representing approximately 5 per cent of the issued share capital). The authority will expire at the conclusion of the Annual General Meeting to be held in 2008 and replaces a similar authority granted on 4 May 2006 which expires at the conclusion of the forthcoming Annual General Meeting. The directors have no present intention of using the authority and in reaching their decision to purchase ordinary shares will take into account, amongst other things the Company's cash resources and capital requirements, the effect of any purchase on earnings per share and whether it is in the best interests of shareholders generally. Further details are provided in the circular to shareholders dated 26 March 2007.

Resolution 14 a summary of the proposed change to the articles of association of the Company appears in the circular to shareholders dated 26 March 2007.

James Fisher and Sons  
Public Limited Company

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