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James Fisher and Sons Plc

Marine Services
Worldwide

Annual Report and Accounts **2010**

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The UK's leading Marine Services Company providing marine and specialist engineering services of the highest quality to its global customer base.

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Highlights

Double digit growth in earnings

Good cash conversion and financial gearing reduced to 85% (2009: 93%)

Four bolt-on acquisitions for total consideration of £20.9m

Robust growth from Specialist Technical increasing profit to £17.6m

Offshore Oil seeing increased levels of activity in the UK and Norway

42% profit growth in Defence division

	2010	2009	Change
Revenue (£m)	268.3	249.6	+8%
Underlying operating profit* (£m)	31.1	27.9	+11%
Underlying profit before tax* (£m)	27.1	24.8	+9%
Underlying diluted earnings per share* (p)	41.9	37.0	+13%
Final dividend per share (p)	9.7	8.8	+10%
Statutory profit before tonnage and income tax (£m)	25.9	24.7	
Statutory operating profit (£m)	29.9	27.9	
Statutory diluted earnings per share (p)	39.7	37.0	

* before costs of acquisitions and intangible amortisation

James Fisher Operations

Specialist Technical

World leader in fendering, marine equipment and load monitoring services

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

	2010	2009
Revenue (£m)	**116.6**	103 4
Profit* (£m)	**17.6**	16 0
Margin (%)	**15 1**	15 5
Return on capital employed (%)	**19.4**	22 8

Underlying profit £m

51%
of group

Offshore Oil

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

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

	2010	2009
Revenue (£m)	**58 5**	48 2
Profit* (£m)	**10.9**	12 5
Margin (%)	**18.7**	26 0
Return on capital employed (%)	**12.3**	15 6

Underlying profit £m

32%
of group

Defence

Providing services to fourteen Navies around the world

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

	2010	2009
Revenue (£m)	**21 3**	26 9
Profit* (£m)	**5.2**	3 7
Margin (%)	**24.4**	13 6
Return or capital employed (%)	**23 5**	19 7

Underlying profit £m

15%
of group

Marine Oil

Coastal delivery of clean petroleum product in North Western Europe

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

	2010	2009
Revenue (£m)	**71 9**	71 1
Profit* (£m)	**0.7**	(1 6)
Margin (%)	**1.0**	(2 2)
Return on capital employed (%)	**1.4**	(2 5)

Underlying profit £m

2%
of group

Chairman's Statement

Tim Harris

2010 proved to be a good year for James Fisher with revenue up by 8% to £268 3m, underlying profit[1] before tax increased by 9% and underlying diluted earnings per share was up by 13% over the previous year Cash conversion[1] at 116% was particularly strong and by the year end financial gearing was reduced to 85% despite the expenditure of £20 9m on acquisitions The final dividend per share has been increased by 10% to 9 7 pence making a total of 14 7 pence for the year

Statutory profit before tonnage and income tax was £25 9m (2009 £24 7m) and statutory diluted earnings per share was 39 7 pence (2009 37 0 pence)

"2010 was an encouraging year in which the Group demonstrated good growth, a strong operating cash flow and reduced gearing despite challenging conditions."

Strategy

Since 2002 the Company has been transformed from a traditional coastal shipping company into the UK's leading marine service business In the last six years revenue has increased by £200m representing a compound annual growth rate of 25% The strategy which has achieved this has been to concentrate the Company's core expertise of marine engineering and operational skills into growing marine service businesses which are focused on the fast growing global marine markets These businesses share certain characteristics – they are niche businesses with margins over 10%, pre tax returns on capital in excess of 15% and are strongly cash generative Initially the emphasis was on acquiring small businesses which met these criteria, but in recent years a significant feature of Fisher's progress has been the strong organic growth that its marine service divisions have been able to achieve This has come primarily from growth in the emerging markets in the world, particularly in Asia Pacific where the marine service market is vast, fast growing and far from mature

[1] Cash conversion represents the percentage of underlying operating profit converted into operating cash Underlying profits are before costs of acquisitions and intangible amortisation

Revenue £m

- Revenue grown by £200m since 2004
- Compound annual growth rate (CAGR) of 25%

Underlying earnings per share* p

- CAGR of 17%

*before costs of acquisitions and intangible amortisation

A growing and positive feature of the Company's development is that we are increasingly winning larger projects by drawing on the wider range of complementary skills held within Group companies In a number of cases Group companies are working closely together in the emerging markets, sharing facilities, technology and marketing resources

James Fisher's successful record confirms that its marine strategy works Its strong cash generation suggests that it can continue to grow quickly, making its customary small to medium sized acquisitions from its own resources

Specialist Technical

2010 underlying profit £17 6m
(2009 £16 0m)

Revenue in this division has grown by a compound rate of 65% from £5 8m to £116 6m over the last six years, with the divisional result increasing by 64% compound over the same period to £17 6m in 2010 This is now the Company's largest and most profitable division

The specialist mooring equipment and ship to ship oil transfer markets remained strong, despite the anticipated decline in the oil contango market in the second half The markets for the design and application of strain gauges were more mixed, with no signs of recovery in the Middle East but more positive developments elsewhere, including in the marine renewable energy market where our expertise is increasingly recognised Our nuclear related businesses performed less well than last year Budgetary uncertainties from Sellafield and other major nuclear sites played a part in this disappointing performance

During the year we acquired two Australian businesses in Fremantle, Western Australia - Australian Commercial Marine Pty Ltd and Maritime Engineers Pty Ltd for a total consideration of £4 9m These businesses will serve as an additional "spring board" into the fast growing Australian Pacific market wherein we aim to repeat the success that we have enjoyed from our Singapore base They are both performing to our expectations at the time of purchase

A positive feature of the Company's growth is that our individual companies and divisions are increasingly working together, with complementary skills, in developing new markets The "CALM" buoy project which took place over the year end is a good example where James Fisher Defence and Fendercare worked together on a £2m Ministry of Defence contract to recover a large submarine buoy and related moorings from the seabed off Toulon Few other marine service companies worldwide possess the subsea diving vessel operating, specialist lifting and project management expertise such an exercise required

In many ways the Specialist Technical division epitomises James Fishers' marine service skills and what their commercial application in the right markets can achieve Its growth record from a divisional profit of £0 9m in 2004 to £17 6m in 2010 has been exceptional, particularly because 79% of this has been from organic growth rather than by acquisition Our strategy will continue to support this success through further investment

Business Profile

GMC Produkt [illegible] April 2010

GMC Produkt provides lifting equipment, cranes, winches and spooling, certification and maintenance to the Norwegian offshore, rig and oilfield services markets Its operations are complementary to Scan Tech AS, the Groups winch, lift equipment and compressor business, that serves the Norwegian offshore market GMC Produkt is also based in Stavanger, Norway and currently employs 30 people and is a long established market leader in its field Its turnover in the year to 31 December 2009 was £9 3m

Chairman's Statement continued

Offshore Oil

2010 underlying profit £10 9m
(2009 £12 5m)

The decline in profitability of this division was predominantly in the first half and was well flagged at the half year Our compressor services have proved their resilience in the period of post credit crunch cutbacks in the oil sector, because their primary focus is on production and maintenance rather than exploration However, our winch and lifting gear activities are more dependent on the level of expenditure on capital projects which has been lower since 2008 In Aberdeen in 2010 we did not benefit from the significant winch revenue from the renewables sector which we have enjoyed over the previous two years The Norwegian sector was generally slower and we have had the added disadvantage this year of relocating from three separate sites into our new Dusavika works which are now fully functional These works were refinanced for £17 0m in June 2010 on a 15 year lease agreement based on a yield of c 70%

With the oil price now recovered to 2008 levels, activity is picking up in both the UK and Norwegian sectors of the North Sea and our activities in the new emerging oil markets continue to grow fast and represent a higher proportion of our revenue each year To support this growth and recovery in our original markets during the year, we purchased GMC Produkt AS for £11 3m in April and RigCool for £4 4m in September Stavanger based GMC Produkt AS has synergies with our existing Norwegian business and will provide greater scale and product range Over 50% of RigCool's business, which essentially consists of providing water cooling systems to oil rigs, is in the Asia Pacific region Its activities are complementary to our existing Scan Tech Air Supply operation with which it is being merged to provide both management and marketing synergies

Offshore is a sector in which our marine service skills are very relevant and we have done well by building up a strong market presence in certain specialist sectors We shall continue to provide investment to support growth both organically and by "bolt on" acquisitions

Defence

2010 underlying profit £5 2m
(2009 £3 7m)

The divisional profit of £5 2m was over 40% higher than the equivalent result last year This encouraging result reflected the world leading position that James Fisher Defence has now reached in the niche business of submarine rescue and related services It was achieved without the delivery of a major new system, such as to South Korea in 2008 and to Singapore in 2009, but by the success of a significant number of small to medium sized contracts which we won because we are now the acknowledged experts in the field We also benefited from the operating contracts, such as in Singapore and Australia, that we have won in recent years and which are now performing well both operationally and commercially

We continue to track a number of major national submarine rescue system contracts but the exact timing of their award will always be difficult to predict The 2010 result suggests that these major contracts are an opportunity for further incremental profit to supplement the more regular and predictable income stream that we are now achieving The recent round of Government expenditure cuts has not so far involved the outsourcing of the remaining specialist ships that the public sector continue to manage While this seems inevitable in the longer term because the economics are compelling, the timescale and manner in which it will happen remain uncertain

Marines Services Revenue £m

- Marine services revenue (Specialist Technical, Offshore oil, Defence) grown from £26m to £197m in 6 years
- CAGR of 40%

Marine Services Profit £m

- Organic growth 67% of all growth since 2004
- CAGR of 32%

We continue to track the opportunities In the meantime our joint venture company, Foreland, which has successfully managed the Ministry of Defence's six military roll on roll off ferries since December 2001, continues to perform well in both operational and commercial terms In February 2011 Foreland paid us an exceptional dividend of £4 0m as against the more usual £1 2m in 2010 However, there remains some uncertainty as to the rate at which two of its vessels, whose charters come up for renewal in 2012, will be fixed

In short, our submarine rescue and related services represent a real and proven opportunity for further growth on the back of an established world leading expertise The opportunity for growth from the future outsourcing of public sector vessels is real but much more uncertain although James Fisher, with its marine service skills, is well placed to make the most of opportunities when they occur

Marine Oil

2010 underlying profit £0 7m
(2009 loss of £1 6m)

The return to profit by this division is a step in the right direction but a good deal more remains to be done The recovery was due to two main features Firstly, we were better able to match our capacity against demand because we sold one vessel, mt Supremity, in May for slightly more than book value and allowed the bareboat charter to lapse for mt Summity and mt Stability in September 2010, saving £1 8m in annual charter hire

The second factor was a recovery in the market for our smaller vessels which are now trading at pre 2008 levels For the larger vessels of 6000+ tonnes, there continues to be an excess of supply over demand and consequently historically low freight rates We have the potential to address this issue when the charters for the larger vessels fall due over the next two years in the light of the market conditions then prevailing

This division has historically proved a useful source of cash, both from operating cash flow and from the sale of vessels Our policy is to match the demand of our customers with our fleet capacity which should, in due course, enable us to release more cash and earn profits consistent with those recorded for many years before 2008 Inevitably, given the growth of the Company overall, this division will represent an increasingly smaller proportion of the Group's overall assets employed

Board and staff

Mike Shields retired as Group Finance Director on 30 November 2010 after over 46 years with the Company Rightly this feat was acknowledged by the *Financial Times* as exceptional service and I would like to thank him, both personally and on behalf of the Company, for his great contribution Stuart Kilpatrick was appointed Group Finance Director on Mike's retirement, after an initial period of five months in which to get to know the Company Malcolm Paul joined the Board on 1 February 2011 as a non executive director Malcolm is a Fellow of the Institute of Chartered Accountants and was a founder and finance director of WSP Group plc between 1987 and 2009 I would like to welcome both Stuart and Malcolm to the Board, to which there have been no other changes

Business Profile

RigCool

RigCool supplies a full package of equipment and supporting manpower services to protect drilling rigs during well testing operations The equipment which is rented out includes booster pumps, submersible pumps, high tech nozzles and piping tailored to suit each project It has operations in Aberdeen, UK and Perth, Australia and employs 22 people Revenues for its most recent financial year were £4 8m

Chairman's Statement continued

There was a net charge of £9 7m to reserves in respect of pension deficits during the year This related primarily to the triennial revaluation of the Merchant Navy Officers Pension Fund as noted at the half year, offset by a gain in the second half from a revaluation in pension deficits stemming from higher bond yields and an increase in investment performance

James Fisher's growth has enabled it to increase its average number of employees by 6% from 1,432 people in 2009 to 1,520 in 2010 Our strong engineering focus means that we are recruiting young qualified graduates directly from university, around 10 in 2010 alone Providing high value added employment and paying the tax revenues, which sustain Government expenditure, is James Fisher's main corporate responsibility achievement During 2010 there was no general group pay rise, including directors, and I would like to thank all employees for their contribution in making 2010 a success in quite difficult conditions

Outlook

2010 proved to be an encouraging year in that the Company was able to demonstrate good growth, a strong cash flow and reduced gearing despite challenging conditions Recent problems appear to be receding but are not yet eliminated In particular Marine Oil returned to profit, the North Sea offshore outlook has improved and the tide of increasing pension deficits may have turned

Specialist Technical remains the Company's largest division and, in some ways, its main engine The formula and outlook remain unchanged – our aim is further organic growth from businesses with a consistently good track record There are two notes of caution – in the first half of 2010 we benefited from an exceptionally strong oil contango market which currently does not apply, although our basic ship to ship market remains strong – and there is currently no sign of an uptick for our Nuclear businesses

For Offshore, an underlying increase in customer activity on both sides of the North Sea is a positive factor which should benefit the year as a whole, although it is uncertain how much of this will fall in the first half The prospects for further growth in the emerging markets remain good, as this becomes increasingly the larger part of our offshore business

In our Defence division our submarine rescue services are well placed to grow further based on the sound reputational platform established in recent years There is also considerable scope for expanding into related submarine fields which are not directly related to submarine rescue There is little prospect now for profit growth in 2011 from the outsourcing of public sector ship management This is a longer term prospect, if at all

The achievement of historic levels of profitability by the Marine Oil division is considered to be realistic but the timing of its achievement will be determined by when the larger tankships market returns to a better balance and market rates recover This has not yet happened and as always in shipping, it is most difficult to predict accurately its precise timing

The Company benefits from a strong dollar because of its export focus, so any significant weakening of the US dollar is an adverse factor We currently have about half of our annual exposure covered at $1 60 to the pound

Trading to date for 2011 is in line with management expectations James Fisher has a proven marine service strategy and track record for achieving organic growth, strong cash generation and finding and integrating successfully "bolt on" acquisitions It continues to be well placed to provide further growth and value for our shareholders

Tim Harris
Chairman
14 March 2011

Project Profile

CALM Buoy

James Fisher companies Fendercare and James Fisher Defence have successfully combined to complete the recovery of a Catenary Anchor Leg Mooring ("CALM") buoy With a diameter of 14 metres and weight of 175T, the mooring buoy, anchors and chain were recovered from the seabed off Toulon, France for the UK Ministry of Defence Using remotely operated vehicles (ROVs), the team surveyed all equipment on the seabed, cut and recovered all chains, two 60T gravity anchors and two purpose built plough anchors

Review of Operations

Group results

Group revenue increased by 8% in 2010 to £268 3m, (2009 £249 6m), and underlying profit before taxation grew by 9% to £27 1m, compared to £24 8m on the same basis in 2009 This reflects continued growth from Marine Services and a return to profitability in Marine Oil Statutory profit before tonnage and income tax was £25 9m (2009 £24 7m)

Underlying diluted earnings per share was 41 9p per share (2009 37 0p per share) representing an increase of 13% Statutory diluted earnings per share was 39 7p, (2009 37 0p) The total profit for the year attributable to ordinary shareholders after taxation was £19 8m (2009 £18 4m)

Following the change to IFRS 3 'Business Combinations' with effect from 1 January 2010, the costs directly associated with purchasing new businesses are now expensed in the income statement rather than being reported as part of the consideration paid Amortisation of intangible assets primarily arises on the acquisition of businesses where the excess of the purchase price over the assets acquired is allocated between goodwill, which is not amortised, and other intangibles, which are amortised These acquisition related items are non-operational and do not relate to how the underlying performance of the business is assessed internally Additional performance measures are presented together with statutory results throughout this Annual Report to provide a clear understanding of the underlying performance of the Group

Acquisitions

On 1 March 2010 the Group purchased the business and property leases of Australian Commercial Marine Pty Limited (ACM) based in Perth, Australia for £3 4m in cash including costs ACM provides marine equipment to commercial shipping, port and offshore industries

On 29 April 2010, GMC Produkt AS (GMC) was acquired for £11 3m inclusive of costs GMC is based in Stavanger, Norway and provides lifting equipment, cranes, winches, spooling and related services to the local offshore, rig and oilfield service markets

On 23 September 2010 the Group acquired RigCool Limited, based in Aberdeen, UK and RigCool Australia Pty Limited, based in Perth, Australia for £4 4m including acquisition costs The RigCool companies test out pumps, high tech nozzles and piping together with manpower support to protect drilling rigs during well testing operations

On 3 December 2010 the Group acquired Maritime Engineers Pty Limited (Maritime) for £1 5m inclusive of costs Maritime is a leading marine engineering, consultancy and inspection company providing its services to commercial and naval ships, offshore energy and to the financial services sector

A summary of the effect of acquisitions is as follows

		£ 000
Fair value of assets acquired		5,493
Goodwill		12,996
		18,489
Satisfied by	Cash	18,410
	Contingent consideration	79
		18,489
The impact on net debt in respect of acquisitions comprised		
Cash consideration		18,410
Net debt acquired		1,501
Acquisition costs		1,010
		20,921

Disposals

On 26 June 2010 Scan Tech Eiendom AS (STE) was sold for £17 0m STE was a property company which owns the premises occupied under a 15 year lease by the Group's Scan Tech AS business based in Stavanger, Norway

Profit before tax* £m

- CAGR of 18%

Dividend per share p

- CAGR of 11%

* before costs of acquisitions and intangible amortisation

Review of Operations continued

Taxation

The effective tax rate on profit before tax, intangible amortisation and acquisition costs is 22 7% (2009 25 5%) Including the impact of intangible amortisation, acquisition costs and grossing up for tax incurred by joint ventures and associates, the overall tax rate was 23 2% (2009 25 7%)

This lower than standard rate is due to the element of Group profit derived from overseas and the Marine Oil Services business only incurring a nominal levy due to the UK Tonnage Tax regime There is no provision for deferred tax on accelerated capital allowances for activities which fall within tonnage tax

Dividends

The Board are recommending a final dividend for the year of 9 7p per share (2009 8 8p per share), making a total for the year of 14 7p per share (2009 13 6p per share) This represents an increase of 8% on 2009 The final dividend will be paid on 13 May 2011 to shareholders on the register on 15 April 2011 Dividend cover was 2 8 times (2009 2 7 times)

Cash flow and borrowings

The Group is focused on achieving a balance between investing for future growth either organically or from investment in new businesses and maximising its cash generation Net borrowings increased by £0 8m in the year as £28 1m was generated from operating activities which was utilised on investing activities (£17 8m), interest paid (£4 5m) and dividends to shareholders (£6 9m) At 31 December 2010, the ratio of net borrowings (including guarantees) earnings before interest, tax, depreciation and amortisation (EBITDA) was 2 5 times (2009 2 6 times)

Net gearing, the ratio of net debt to equity was 85% (2009 93%) The majority of James Fisher's borrowing is with a small group of relationship banks that provide bilateral facilities on an unsecured basis over a 3-5 year term The Group's interest cost increased by £0 8m in the year as the more recently agreed loan facilities bear higher margins than those loans that they have replaced

At 31 December 2010, the Group had £33 1m (2009 £23 6m) of undrawn facilities which £26 1m (2009 £23 6m) were committed

Pensions

The majority of the Group's pension arrangements are defined contribution arrangements where the company's liability is limited to the contributions it agrees on behalf of each employee The Group has two defined benefit pension schemes and as a result of its long history in shipping is required to contribute to the Merchant Navy Officers Pension Fund (MNOPF)

The defined benefit schemes comprise the Shore Staff Scheme which closed to further accrual on 31 December 2010 and a small scheme in Norway in relation to GMC Produkt AS The deficit at 31 December 2010 was £9 1m (2009 £14 2m) on the pension schemes and £20 7m (2009 £8 2m) in respect of the MNOPF The Group's annual instalment on pension schemes in 2011 is expected to be £4 2m (2009 £3 9m)

Further details are given in note 24 to these accounts

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

Business Profile

Maritime Engineers

Maritime Engineers is a leading independent marine engineering consultancy and inspection company in Perth, Western Australia With 10 qualified marine engineers or naval architects, its consultancy work covers a wide range of clients active in the marine sector, including commercial and naval ships, companies working in the offshore energy market, banks and insurance companies Maritime Engineers had turnover of £1 1m in the year to 30 June 2010

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 The management of foreign exchange risk and interest rate risk is a board agenda item

Interest rate risk
The Group is exposed to the risk of interest rate fluctuations on its borrowings Market trends in interest rates are monitored and as appropriate the Group 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 Interest rate swaps are used to maintain the balance of fixed and floating rate borrowing

Liquidity risk
The Group's policy is to ensure sufficient bank facilities are in place for appropriate duration so that the Group is able to access funds sufficient to meet all of its foreseeable requirements Strong cash generation from the businesses, combined with cash balances at 31 December 2010 of £16 6m (2009 £20 6m) and the facilities available to be drawn down ensure the Group is well placed to fund future developments of its international business

Foreign exchange risk
The Group has a number of overseas and international businesses and operates in various foreign currencies The most significant foreign currencies to the Group are US Dollars, Norwegian Kroner, Euros, and Singapore Dollars Movements in these currencies relative to Sterling will potentially impact the operating results on its balance sheet Where appropriate the Group manages its exposure to foreign currencies through the use of hedging instruments

The Group mitigates the impact on its balance sheet of movement in exchange rates by arranging borrowing in the same currencies as those in which the assets and liabilities are denominated Forward contracts are utilised as appropriate to mitigate cash flow exposures to the income statement

Credit risk
The Group has a wide range of customers in the Marine Sector and is exposed to the risk of financial loss from a customer or counterparty from the non payment of invoices James Fisher mitigates this risk by closely monitoring outstanding amounts, taking creditworthiness checks on new customers and setting credit limits for all of its customers The amount of receivables that were past due at 31 December 2010 was 21 0% (2009 27 3%)

Key performance indicators

The Group utilises a number of different indicators in order to monitor its performance against budget, forecast and previous year These include segmental revenue and underlying profit and Group cash flow Further measures employed are set out below

Return on capital employed
The Group's return on capital employed, measured as profit after tax divided by capital employed at 31 December 2010, adjusted for the effect of acquisitions during the year was 19 0% (2009 17 8%)

Health and Safety
The Group places significant emphasis on health and safety across its entire operations Given the naturally hazardous environment in which they conduct their businesses, particular attention is paid to the Marine Oil and Offshore Oil Services divisions In, 2010 the number of injuries amongst seafarers in the Marine Oil division, which injuries resulted in an individual not being able to continue with their duties for a period of time, expressed as the number of such injuries per 1 million man hours, comprised 0 0 (2009 0 43)

Employee turnover
The Group recognises that as a service provider a skilled and motivated workforce is central to its success, and as such it monitors employee turnover The number of employees who have left employment with the Group of their own volition during 2010, expressed as a percentage of the average workforce during such period comprised 13 4% (2009 12 0%)

Business Profile

Australian Commercial Marine

Australian Commercial Marine (ACM) is a leading local provider of marine equipment to the commercial shipping, port and offshore industries in Perth, Western Australia Products supplied include fenders, anchors, navigation buoys, mooring equipment, ropes and other marine related products For the year ended 30 June 2009, ACM's revenues were £2 8m and it employs 20 people

Review of Operations continued

Principal risks and uncertainties

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

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

World economic outlook
Demand for the Group's products and services is inevitably a factor of wider economic conditions During an economic slowdown it is possible that demand for certain products and services provided by the Group may reduce This risk is mitigated to a degree by the diverse nature of the Group's businesses and its expanding geographical spread Furthermore the current economic environment may increase the risk that parties with whom the Group trades become unable to meet their commitments to the Group The Group seeks to manage this risk by performing credit checks and taking third party comfort, including guarantees, where appropriate

Product liability
The Group is involved in the design, manufacture and sale or hire of various items such as engineering tools, software and electronics It is possible that the Group may become liable for losses which are incurred by customers and others in the event that any such product does not meet the agreed specifications or other quality requirements The Group seeks to limit the impact of this risk through its quality assurance processes by negotiating appropriate limits on its liability to customers and also through its insurance policies

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

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

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

Competitive pressures
In common with other markets our businesses compete with others on price and service, and these markets are 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 Marine Oil division operates and given the ease with which, for example, shipping assets may be moved from one geographical market to another, no regional or local market can be totally isolated from the influence of over-tonnaging in other markets should it occur The global supply of tonnage makes it difficult to predict over-tonnaging in any particular local market with any accuracy There are however, high barriers of entry to the contract of affreightment business with the oil majors, with vigorous vetting procedures

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 There is further risk that the Group could be obliged to fund additional liabilities of the industry wide schemes, the Merchant Navy Officers Pension Fund and the Merchant Navy Ratings 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

Financial
The Group is exposed to interest rate risk and foreign exchange risk which it seeks to manage, where appropriate, via hedging arrangements Furthermore the loan facilities entered into by the Group include a number of financial covenants Breach of these covenants would constitute events of default under such facilities which might result in these borrowings becoming immediately repayable Recent events in the financial markets have demonstrated the risks associated with credit and liquidity The Group continues to be proactive in managing these risks, both fostering existing and developing new relationships with lenders

Nicholas Henry
Chief Executive Officer
14 March 2011

Stuart Kilpatrick
Group Finance Director
14 March 2011

Board of Directors

Clockwise from top left
Tim Harris Nicholas Henry Stuart Kilpatrick,
Simon Harris Anthony Cooke** Maurice Storey,**
Charles Rice* Michael Everard,** Malcolm Paul *

Audit Committee
* Remuneration and Nominations Committees

Tim C Harris Executive Chairman (aged 63)
Joined the board in September 2001 and became chairman on 1 January 2002 Formerly Chief Executive Officer of P&O's cruise interests and of P&O Nedlloyd Container Line Limited He was the Non-Executive Chairman of Clarksons plc until 2008 He was also President of the Chamber of Shipping from March 1995 to March 1996 He is also currently a Non-Executive Director of Neptune Orient Line Limited

Nicholas P Henry Chief Executive Officer (aged 49)
Joined James Fisher in February 2003 as Managing Director of James Fisher Tankships Limited, after working for 20 years for P&O and has extensive experience in shipping services, including fleet management He was appointed Chief Executive Officer in December 2004

Stuart C Kilpatrick Group Finance Director (aged 48)
Joined James Fisher in July 2010 and was appointed to the Board as Group Finance Director on 1 December 2010 Formerly Group Finance Director of Empresaria Group Plc, Stuart is a member of the Institute of Chartered Accountants in England and Wales and qualified with BDO Binder Hamlyn He has previously held senior finance roles with Vodafone Group Plc, Charles Baynes plc and Elementis Group Plc

Simon A Harris Chairman James Fisher Defence (aged 50)
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 awarded to Foreland Holdings Limited in which James Fisher has a 25% holding He joined the board in August 2005

Anthony RCB Cooke Senior Non-Executive Director (aged 69)
Joined the board in January 2002 He has wide experience in commercial shipping, having been Chairman of Andrew Weir Shipping Limited and was president of the Chamber of Shipping in 1997 He is currently a director of the West of England Shipowners Mutual Insurance Company He is also a fellow of the Institute of Chartered Accountants in England and Wales He is a past Chairman of the Baltic Exchange and is a past president of the Institute of Chartered Shipbrokers

Maurice Storey Non-Executive Director (aged 67)
Joined the board in December 2003 He is a chartered engineer with wide experience in operational management of ships and marine services having been responsible for ships and port operations as main board director for Stena Line UK Limited For a number of years he held the position of Chief Executive of the Maritime Coastguard Agency He is currently Honorary Chairman of Evergreen Marine UK Limited He was president of the Institute of Marine Engineering, Science and Technology from March 2005 to March 2006 and President of the Chamber of Shipping from March 2006 to March 2007 He is a Trustee of the Historic Dockyard (Chatham) and a member of the RNLI Council and Technical Committee

Charles J Rice Non-Executive Director (aged 57)
Joined the board in April 2004 He has wide experience in commercial shipping having held a number of commercial and operational roles with Overseas Containers Limited During the 1990s he was responsible for P&O's Trans European Division progressing to a main board director of P&O in 2001 He is currently chairman of the Transport Research Foundation and Executive Director of Geoenergie Bayern Gmbh and G Finanz Limited

F Michael Everard Non-Executive Director (aged 62)
Joined James Fisher in December 2006 following the acquisition of F T Everard and Sons Limited in which he held the position of Chairman from 1988 to 2006 He is a past president of The Baltic and International Maritime Council, the Chamber of Shipping, the Institute of Chartered Shipbrokers and the Institute of Marine Engineers, Science and Technology He was a Non-Executive Director of P&O

Malcolm S Paul Non-Executive Director (aged 59)
Joined the board in February 2011 He is a fellow of the Institute of Chartered Accountants in England and Wales and was a founder and former Finance Director at WSP Group plc between 1987 and 2009 Prior to that he was a Principal at the corporate finance boutique Financial Decisions and an equity partner at Longcrofts, Chartered Accountants He currently holds a non executive position at IRCA Holdings Pty Limited a mining professional services business based in South Africa

Report of the Directors

The directors present their report and the Group financial statements of James Fisher and Sons plc for the financial year ended 31 December 2010

Principal group activities, review of operations and results
The Review of Operations on pages 9 to 12 describes the principal activities, operations and the financial position of the Group The results of the Group are set out in detail on pages 31 to 36 and in the accompanying notes Further information on the business and future developments of the Group is presented in the Chairman's Statement on pages 4 to 8 The principal subsidiaries and associates are listed on pages 88 to 89

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

- the Chairman's Statement on pages 4 to 8
- the Review of Operations on page 9 to 12
- the summary of principal risks and uncertainties on page 12
- the key performance indicators on page 11
- the review of environmental matters, employees and social issues on pages 20 to 21
- the disclosure of contractual arrangements below

Results and dividends
The Group profit for the financial year after taxation amounted to £19 8m (2009 profit £18 4m) The directors recommend a final ordinary dividend of 9 7p per share (2009 8 8p) making 14 7p per share for the year The final dividend if approved will be paid on 13 May 2011 to ordinary shareholders whose names were on the register on 15 April 2011

Directors and their interests
Brief biographical details of all directors are shown on page 13

S C Kilpatnck and M S Paul offer themselves for election

T C Harris and N P Henry retire by rotation and, being eligible, offer themselves for re-election

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	
	2010 No	2009 No
T C Harris	280,871	267,705
N P Henry	76,584	55,503
S C Kilpatrick	349	-
S A Harris	39,582	29,564
A R C B Cooke	33,684	33,684
M Storey	-	-
C J Rice	5,000	5,000
F M Everard	-	-

Since 31 December 2010 there has been no change in directors' interests

No director is 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 2010 or at any time during 2010

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

Substantial shareholders
On 28 February 2011 the following held an interest of 3% or more of the Company's issued share capital

	Ordinary Shares	
	No	%
Rowland Frederick Hart Jackson (non-beneficial)	8,906,073	17 86
Schroder Investment Management	7,073,615	14 19
Therapia Investments Limited	3,529,240	7 08
Montanaro Investment Managers	2,901,683	5 82
M&G Investment Management	2,512,136	5 04
Aviva Investors Global Services	2,195,584	4 40
Legal and General Investment Management	1,814,137	3 64

	Preference Shares	
	No	%
Therapia Investments Limited	100,000	100

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

Charitable and political contributions
During the financial year the Group made no political contributions (2009 £nil) Charitable contributions made during the financial year totalled £430 (2009 £370)

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

A Long Term Incentive Plan was introduced in 2001 following shareholders' approval under which options may be awarded to nominated employees Awards have been made to the directors and other senior executives under this plan

The Savings Related Share Option Scheme was approved by shareholders at the Annual General Meeting in 2005 Under this scheme, which is a UK HM Revenue and Customs approved scheme, eligible employees may be invited to apply for options after announcement of results for any period The options granted to each individual are related to the monthly sum the individual agrees to save under the contract, not exceeding £250 per month for a period of three, five or seven years Options are normally exercisable at the end of the related savings contract, but early exercise is permitted in certain circumstances, for example if an individual leaves employment for specific good leaver reasons

The Company also operates an Executive Share Option Scheme (the ESOS Scheme) which was approved by the shareholders at the Annual General Meeting in 2005 Under this scheme, which is a UK HM Revenue and Customs approved scheme, the remuneration committee has the discretion to select employees and directors of the Company and of its subsidiaries for participation in the plan each time it is operated The fair value of the options granted in any year of operation of the plan shall not exceed 100% of an option holder's annual base salary The options can be exercised following attainment of a performance target linked to the Company's total shareholder return (TSR) relative to a comparator group over a three year period Following approval by the shareholders at the 2007 Annual General Meeting the comparator group was amended to comprise companies forming the FTSE Small Cap index as a whole, excluding investment trusts

Special business at the Annual General Meeting
At the Annual General Meeting on 5 May 2011 resolutions 9 to 13 inclusive will be special business The special business covers approval of the new Long Term Incentive Plan, 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 the notice period for general meetings

Details of the resolutions are set out in the Notice of Annual General Meeting on page 90 and the explanatory Notes on pages 91 to 92

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 2010 the Group and Company had an average number of 49 days and 57 days purchases outstanding in trade creditors respectively (2009 Group 51 days, Company 51 days)

Additional information for shareholders
The following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK Law

At 31 December 2010, the Company's issued share capital comprised

	Number	£000	% of total share capital
Ordinary shares of 25p each	49,863,295	12,466	99 8
3 5% cumulative Preference shares of £1 each	100,000	100	0 2

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

Ordinary shares
On a show of hands at a general meeting of the Company every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held The notice of the general meeting on page 91 specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website after the meeting

Report of the Directors

There are no restrictions on the transfer of ordinary shares in the Company other than

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

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

Preference shares
The 3 5% cumulative preference shares carry a dividend of 3 5% per annum, payable half-yearly in arrears on 30 June and 31 December The dividend rights are cumulative The preference shares carry one vote for every £1 00 in nominal amount at meetings On a winding up of the Company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, £1 per share plus any accrued dividend

Significant interests
Directors' interests in the share capital of the Company are shown in the table on page 14 Major interests (ie those greater than or equal to 3%) of which the Company has been notified are shown on page 14

Company share schemes
The James Fisher Employee Share Ownership Trust, holds 0 25% (2009 0 34%) of the issued share capital of the Company in trust for the benefit of employees of the Group and their dependents The voting rights in relation to these shares are exercised by the trustees

Change of control and essential contracts
The Company is not party to any agreements which take effect, alter or terminate upon a change of control of the Company following a takeover bid

There are no agreements between the Company and its directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid The Company is party to a number of banking agreements which upon a change of control of the Company are terminable by the bank

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

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

There are no individual contracts or other arrangements which are deemed essential to the Group's business

Environmental policy
The Group recognises its responsibilities towards the protection of the environment by operating a management system that upholds the procedures necessary to ensure high standards and safe practices in all marine operations to prevent damage to the environment Further details are included in the statement on corporate social responsibility on pages 20 and 21

Auditors
The auditors, KPMG Audit Plc, have indicated their willingness to continue in office and their re-appointment as auditors will be proposed at the Annual General Meeting on 5 May 2011

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

By Order of the Board

Michael Hoggan
Company Secretary
14 March 2011

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 2008 (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 It has adopted a formal schedule of matters detailing key aspects of the Company's affairs reserved for it to decide, including setting and monitoring Group strategy, reviewing trading performance, ensuring adequate funding, examining potential acquisitions, formulating policy on key issues and reporting to shareholders The schedule is reviewed annually

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

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

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

Board balance and independence
The board currently comprises an executive chairman, a chief executive, two executive directors, and five 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 the calibre necessary to support and develop the success of the Group

The board considers that the non-executive directors combine broad business and commercial experience and bring independent and objective judgment 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 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

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

Anthony 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 directors standing for re-election at the 2011 Annual General Meeting are set out on page 90

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, together with an ongoing programme of visits to the Group's major activities and meetings with senior management

Corporate Governance Statement

Performance evaluation
An evaluation of the performance of the board and its committees during 2010 was conducted in January 2011 The evaluation was conducted by the senior independent director using a standard template for the basis of the review There was no limit to the matters discussed but items considered included 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 executive directors have appraised the performance of the non-executive directors 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 the following 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 by reviewing and monitoring the financial affairs of the Group, the arrangements for accounting and financial reporting and regulatory compliance, the standards of internal control and arrangements for internal audit, risk management and external audit The audit committee is formally constituted with written terms of reference and meets at least three times a year All members of the committee are independent non-executive directors and the committee is chaired by Anthony Cooke, the senior independent non-executive director The board is satisfied that the audit committee has relevant and recent financial experience

The executive chairman, chief executive and the group finance director attend meetings of the committee In addition, the audit committee meets the external auditors privately

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

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

All non-audit services are reported to the audit committee A summary of fees paid to the auditor can be found in note 5 to the accounts

Remuneration and nomination committees
Membership of the remuneration and nomination committees comprises the five non-executive directors with attendance by the executive chairman The remuneration committee is chaired by Anthony 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 on pages 22 to 28

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

The executive chairman attends the committees' meetings only on invitation by the chairman of the committee

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

	Board	Audit	Remuneration and nominations
Total number of meetings	4	3	2
Number of meetings attended in 2010			
T C Harris	4	*	*
N P Henry	4	*	–
M J Shields	4	*	–
S A Harris	4	–	–
A R C B Cooke	4	3	2
M Storey	4	3	2
C J Rice	4	3	2
F M Everard	4	3	2

*attends by invitation
Stuart Kilpatrick attended two board meetings by invitation in the year

Relations with shareholders
The Company communicates with shareholders through the annual report, interim report, preliminary announcements, interim management statements and the Company web site The board takes the opportunity at the Annual General Meeting to meet and communicate with private and institutional shareholders and welcomes their involvement Furthermore, communication with the Company's largest institutional shareholders is undertaken as part of the Company's investor relations programme Non attributable feed back on the institutional presentations which is given to the Company's stockbrokers, is circulated to the non-executive directors

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

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

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

Furthermore, the risk committee which is chaired by the chief executive meets quarterly The risk committee's terms of reference include the identification and monitoring of risks and ensuring the risks are being actively managed The committee's findings are reported to the board This process is under continual review by the board

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

The Group's internal audit function is a peer Group review process, whereby senior financial managers from within the business conduct audits of non-related areas of the Group's activities The programme is co-ordinated by the assistant company secretary who presents the Group internal audit plan and reports to the audit committee This person is responsible for ensuring that the internal audit program is met and recommendations are actioned

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

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

Information systems
The Group operates comprehensive annual planning and budgeting processes with periodical forecasts all of which are approved by the board There is a financial reporting process which compares results with budget and the previous year on a monthly basis to identify any significant deviation from approved plans A cash flow statement projected for a rolling 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 quarterly basis and a rolling forecast for the year is also updated on a monthly basis

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

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

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

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

Corporate Social Responsibility

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

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

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

The Group's policy commitments focus on the following areas

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

Ethical code of conduct
The Group is committed to ensuring the highest standards in all its business dealings and applies the following principles

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

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

The Group operates personnel policies with the objective that all employees

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

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

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

The Group believes that long-term relationships are based on

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

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

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

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

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

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

The objectives of the Safety Management System are

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

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

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

Report on Directors' Remuneration

The directors' remuneration report covers all directors, both executive and non-executive and 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

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

Anthony Cooke (chairman and senior independent non-executive director), Maurice Storey, Charles Rice and Michael Everard

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

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

The committee met twice in the period under review and all members were in attendance at both meetings Tim 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 New Bridge Street (Hewitts), as its principal external adviser on matters of executive directors' remuneration Tim Harris was consulted on matters relating to the other executive directors who report to him

Remuneration policy for executive directors
Main principles
James Fisher 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 addition in 2010 further awards were made under the Long Term Incentive Plan to certain senior executives

Elements of remuneration
The executive directors' total remuneration currently consists of a base salary, an annual bonus, an Executive Share Option Scheme, a 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).

Each of the above elements of remuneration is explained below

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

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 2010 was 70% of base salary Bonuses for the year to 31 December 2010 are shown in the table on page 25 In the case of the executive directors the financial targets forming part of the bonus structure have been achieved, and therefore that element of the bonus has been paid in full Other senior executives also achieved a cash bonus for last year

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

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 2010 the committee set award levels for main board directors under the LTIP at 75% of salary annually Under the performance target, which utilises a sliding scale, one third of the award vests where growth of diluted earnings per share of RPI plus 9% is achieved over the three year performance period, to full vesting where growth of RPI plus 18% is achieved over the same period

The 2001 LTIP expires on 11 May 2011 and a new LTIP will be presented to the shareholders for approval at the AGM on 5 May 2011 The existing rules of the LTIP plan and performance conditions which have been previously approved by shareholders have been incorporated into the new LTIP

Executive Share Option Scheme
The Company has for some time operated an Executive Share Option Scheme (the "1995 Scheme") Under the 1995 Scheme options to acquire ordinary shares at an exercise price no lower than the market value (as determined in accordance with the Scheme rules) of a share at the date of grant could be awarded at the discretion of the committee subject to an overall limit of four times base salary Details of options held by directors under the 1995 Scheme are set out on page 26 The options may be exercised following the attainment of a performance condition measured over a continuous period of three years and which demonstrates the increase in diluted earnings per share achieved exceeds inflation as measured by RPI and is at least 9%

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

Report on Directors' Remuneration

Options under the ESOS may be exercised subject to a performance target based on the total shareholder return (TSR) performance of the Company relative to a comparator group The committee believes that the use of relative TSR as a performance measure is an objective measure of the Company's success that will both reflect relative management performance and align the interests of shareholders and executives The comparator group comprises companies forming the FTSE Small Cap Index as a whole, excluding investment trusts If at the end of a performance period, usually three years, the Company ranks in the upper quartile of the comparator group, all of the options will vest If the ranking is at the median level, 40% of the options will vest No options will vest for performance below the median For intermediate rankings between upper quartile and median, a proportionate number of options will vest reducing on a straight-line basis Options which do not vest at the end of the performance period will lapse Details of awards made to directors under the ESOS are on page 26

Savings Related Share Option Scheme
All eligible employees including executive directors have the opportunity to participate in the James Fisher Savings Related Share Option Scheme This is a HM Revenue and Customs approved all-employee share plan HM Revenue and Customs does not permit performance conditions to be attached to the exercise of options Under the Scheme, participants are granted options over James Fisher and Sons plc 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

Executive chairman's remuneration package
Tim Harris, executive chairman had an agreed annual salary of £365,000 in 2010 He was entitled to participate in the annual bonus scheme and awarded LTIP shares together with options under the ESOS The executive chairman is not in the Company's pension scheme but he is a member of the Company's health scheme and he receives a cash sum in lieu of a company car Details of directors' emoluments are set out on page 26

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
Tim Harris	01 12 06	6 months
Nicholas Henry	01 12 06	12 months
Stuart Kilpatrick	01 07 10	12 months
Simon Harris	04 12 06	12 months

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

	Contract date	Expiry date
Anthony Cooke	01 01 11	31 December 2011
Maurice Storey	01 01 11	31 December 2011
Charles Rice	01 01 11	31 December 2011
Michael Everard	01 01 11	31 December 2011
Malcolm Paul	01 02 11	31 December 2011

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 Non-executive directors receive no other pay or benefits (with the exception of reimbursement of expenses incurred in connection with their directorship of the Company), do not participate in the Company's option schemes, bonus schemes or long-term incentive plans and are not eligible for pension scheme membership

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

Total Shareholder Return

Source Thomson Reuters

This graph shows the value, by December 2010, of £100 invested in James Fisher Plc on 31 December 2005 compared with the value of £100 invested in the FTSE All Share, FTSE All Share Industrial Transport and FTSE Small Cap indices The other points plotted are the values at intervening financial year-ends

Information subject to audit
Details of directors' remuneration

	Salary and fees £000	Annual performance bonuses £000	Benefits in kind £000	Cash in lieu of benefits £000	2010 Total £000	2009 Total £000
Executive						
T C Harris	365	256	-	16	637	457
N P Henry	233	163	-	13	409	295
S C Kilpatrick +	14	10	-	1	25	-
S A Harris	140	98	-	10	248	165
M J Shields ++	159	121	9	-	289	218
Non-executive						
A R C B Cooke	50	-	-	-	50	50
M Storey	44	-	-	-	44	44
C J Rice	44	-	-	-	44	44
F M Everard	44	-	-	-	44	62
Aggregate emoluments	1,093	648	9	40	1,790	1,335

\+ From date of appointment 1 December 2010
++ To date of retirement 30 November 2010

Benefits in kind principally comprise car benefits, life assurance and membership of the Group's healthcare insurance scheme Details of the directors' pension entitlements are set out on page 28

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 Tim Harris earned £55,045 (2009 £57,801) for non-executive services to other companies

Report on Directors' Remuneration

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 2010 or date of appointment No	Granted No	Exercised No	Cancelled No	31 December 2010 or date of resignation No	Gains on exercise 2010 £000
T C Harris	446,040	88,953	–	(17,807)	517,186	–
N P Henry	200,061	56,753	–	(11,715)	245,099	–
S C Kilpatrick	–	–	–	–	–	–
S A Harris	117,344	34,052	(4,573)	(7,364)	139,459	6
M J Shields	151,843	43,638	–	(58,746)	136,735	–
Total	915,288	223,396	(4,573)	(95,632)	1,038,479	6

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

	Number of share options							
	1 January 2010 or date of appointment No	Granted during year No	Exercised during year No	Cancelled during year No	31 December 2010 or date of resignation No	Exercise price	Date from which exercisable	Expiry date
T C Harris	130,282	–	–	–	130,282	142p*	10 03 06	10 03 13
	67,278	–	–	–	67,278	327p**	22 06 08	22 06 15
	49,359	–	–	–	49,359	468p**	23 03 09	23 03 16
	44,630	–	–	(17,807)	26,823	596p**	02 04 10	02 04 17
	2,803	–	–	–	2,803	584p+	05 01 12	05 07 12
	48,581	–	–	–	48,581	623p**	25 03 11	25 03 18
	103,107	–	–	–	103,107	354p**	20 03 12	20 03 19
	–	88,953	–	–	88,953	410p**	19 03 13	19 03 20
	446,040	88,953	–	(17,807)	517,186			
N P Henry	40,367	–	–	–	40,367	327p**	22 06 08	22 06 15
	29,615	–	–	–	29,615	468p**	23 03 09	23 03 16
	29,362	–	–	(11,715)	17,647	596p**	02 04 10	02 04 17
	2,803	–	–	–	2,803	584p+	05 01 12	05 07 12
	32,130	–	–	–	32,130	623p**	25 03 11	25 03 18
	65,784	–	–	–	65,784	354p**	20 03 12	20 03 19
	–	56,753	–	–	56,753	410p**	19 03 13	19 03 20
	200,061	56,753	–	(11,715)	245,099			
S C Kilpatrick	–	–	–	–	–			
S A Harris	14,526	–	–	–	14,526	327p**	22 06 08	22 06 15
	4,573	–	(4,573)	–	–	352p+	01 12 10	01 06 11
	21,368	–	–	–	21,368	468p**	23 03 09	23 03 16
	18,456	–	–	(7,364)	11,092	596p**	02 04 10	02 04 17
	18,951	–	–	–	18,951	623p**	25 03 11	25 03 18
	39,470	–	–	–	39,470	354p**	20 03 12	20 03 19
	–	34,052	–	–	34,052	410p**	19 03 13	19 03 20
	117,344	34,052	(4,573)	(7,364)	139,459			
M J Shields	33,028	–	–	–	33,028	327p**	22 06 08	31 05 11
	24,231	–	–	–	24,231	468p**	23 03 09	31 05 11
	21,812	–	–	(8,703)	13,109	596p**	02 04 10	31 05 11
	1,132	–	–	(1,132)	–	584p+	05 01 10	05 01 17
	427	–	–	(427)	–	673p+	28 09 10	31 05 11
	22,484	–	–	(624)	21,860	623p**	25 03 11	25 09 11
	48,729	–	–	(17,597)	31,132	354p**	20 03 12	20 09 12
	–	42,161	–	(29,278)	12,883	410p**	19 03 13	19 09 13
	–	1,477	–	(985)	492	430p+	01 06 11	01 12 11
	151,843	43,638	–	(58,746)	136,735			

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

The options under the 1995 scheme may be exercised if the increase in diluted earnings per ordinary share exceeds inflation and is at least 9%

The options under the 2005 scheme may be exercised if a performance target linked to the Company's total shareholder return (TSR) relative to a comparator group over a three year period The comparator group is those companies in the FTSE Small Cap index excluding investment trusts

The market value of the one ordinary share at 31 December 2010 was 505p having ranged between 397p and 522p during the financial year

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

Long Term Incentive Plan (LTIP)
Interests in the nil cost shares awarded under the LTIP vest after a period of three years provided the increase in diluted earnings per ordinary share at least equals the rate of inflation, as measured by RPI, plus 9% For awards in 2009 and thereafter the committee approved an amendment of the vesting conditions which is set out on page 23

At 1 January 2010 and 31 December 2010 the number of shares under conditional share awards held were as follows

	1 January 2010 or date of appointment No	Granted No	Vested/ exercisable No	Cancelled No	31 December 2010 or date of resignation No
T C Harris	118,353	65,988	(22,315)	-	162,026
N P Henry	91,197	42,101	(29,362)	-	103,936
S C Kilpatrick	-	-	-	-	-
S A Harris	46,168	25,261	(9,228)	-	62,201
M J Shields	56,056	31,276	(10,906)	(33,965)	42,461
	311,774	164,626	(71,811)	(33,965)	370,624

	1 January 2010 or date of appointment No	Granted No	Vested/ exercisable No	Cancelled No	31 December 2010 or date of resignation No	End of performance period
T C Harris	22,315	-	(22,315)	-	-	2 April 2010
	24,291	-	-	-	24,291	25 March 2011
	71,747	-	-	-	71,747	31 March 2012
	-	65,988	-	-	65,988	30 March 2013
	118,353	65,988	(22,315)	-	162,026	
N P Henry	29,362	-	(29,362)	-	-	2 April 2010
	16,060	-	-	-	16,060	25 March 2011
	45,775	-	-	-	45,775	31 March 2012
	-	42,101	-	-	42,101	30 March 2013
	91,197	42,101	(29,362)	-	103,936	
S C Kilpatrick	-	-	-	-	-	
S A Harris	9,228	-	(9,228)	-	-	2 April 2010
	9,475	-	-	-	9,475	25 March 2011
	27,465	-	-	-	27,465	31 March 2012
	-	25,261	-	-	25,261	30 March 2013
	46,168	25,261	(9,228)	-	62,201	
M J Shields	10,906	-	(10,906)	-	-	2 April 2010
	11,242	-	-	-	11,242	25 March 2011
	33,908	-	-	(12,245)	21,663	31 March 2012
	-	31,276	-	(21,720)	9,556	30 March 2013
	56,056	31,276	(10,906)	(33,965)	42,461	

The scheme is unapproved for HM Revenue and Customs purposes

On 2 April 2010 71,811 shares broken down by person above were vested following the attainment of the necessary performance conditions of the 2007 award

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

Report on Directors' Remuneration

Directors' pension entitlements
M J Shields who retired on 30 November 2010, had accrued entitlements under a Group defined benefit scheme as follows

	Age at date of retirement	Accrued pension 1 January 2010 £000	Accrued pension at date of retirement £000	Increase £000	Increase after indexation £000	Transfer value of increase after indexation £000
M J Shields	63	89	95	6	-	100

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year

The value of accrued benefits is as follows

	Transfer value of accrued benefits 31 December 2010 or date of retirement £000	Transfer value of accrued benefits 31 December 2009 £000	Increase in transfer value over the year £000
M J Shields	1,725	1,625	100

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

Nicholas Henry and Simon Harris are members of the Group's defined contribution scheme The Company's contribution is 13% of base salary amounting to £30,274 for Nicholas Henry (2009 £30,274) and £20,679 for Simon Harris (2009 £18,164) Stuart Kilpatrick received a Company contribution of 13% which is paid into a personal SIPP, and amounted to £1,766 in the period since his appointment

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

Anthony Cooke
Board remuneration committee chairman
14 March 2011

Statement of Directors' Responsibilities

Statement of Directors Responsibilities in respect of the Annual Report and the Financial Statements
The directors are responsible for preparing the Annual Report – and the Group and parent company financial statements in accordance with applicable law and regulations

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

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

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

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

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

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

Responsibility Statement of the Directors in respect of the Annual Financial Report
We confirm that to the best of our knowledge

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

Tim Harris
Chairman

Stuart Kilpatrick
Group Finance Director

On behalf of the Board of Directors

14 March 2011

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

We have audited the financial statements of James Fisher and Sons plc for the year ended 31 December 2010 which comprise the consolidated Income Statement, the consolidated statement of Comprehensive Income, the consolidated and parent company Cash Flow, the consolidated and parent company Statement of Movements in Equity and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's web-site at www frc org uk/apb/scope private cfm

Opinion on financial statement
In our opinion

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2010 and of the Group's profit for the year then ended,
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU, and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006
In our opinion

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006,
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- information given in the Corporate Governance Statement set out on pages 17 to 19 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements

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

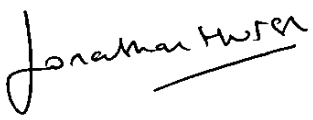
Under the Companies Act 2006 we are required to report to you if, in our opinion

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

Under the Listing Rules we are required to review

- the directors' statement, set out on page 19, in relation to going concern,
- the part of the Corporate Governance Statement on pages 17 to 19 relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review, and
- certain elements of the report to shareholders by the board on directors' remuneration

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



14 March 2011

Consolidated Income Statement
For the year ended 31 December 2010

	Notes	Year ended 31 December 2010 £000	Year ended 31 December 2009 £000
Continuing operations			
Revenue	3	268,349	249,594
Cost of sales		(233,444)	(218,497)
Gross profit		34,905	31,097
Administrative expenses		(9,657)	(7,380)
Trading profit		25,248	23,717
Share of post tax results of associates and joint ventures	15	4,680	4,183
Analysis of operating profit	5		
Underlying operating profit		31,115	27,933
Acquisition costs		(1,010)	–
Intangible amortisation		(177)	(33)
Operating profit		29,928	27,900
Finance income	7	256	228
Finance costs	7	(4,243)	(3,386)
Analysis of profit before tonnage and income tax			
Underlying profit before tax		27,128	24,775
Acquisition costs		(1,010)	–
Intangible amortisation		(177)	(33)
Profit before tonnage and income tax		25,941	24,742
Tonnage tax		(24)	(25)
Income tax	8	(6,085)	(6,293)
Total tonnage and income tax		(6,109)	(6,318)
Profit for the year		19,832	18,424

Earnings per share		pence	pence
Basic	10	39 9	37 1
Diluted	10	39 7	37 0

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

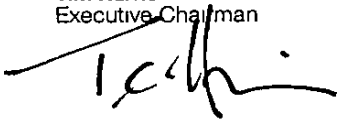
	Notes	Year ended 31 December 2010 £000	Year ended 31 December 2009 £000
Profit for the year		19,832	18,424
Other comprehensive income			
Exchange differences on translation of foreign operations		3,216	1,275
Net loss on hedge of net investment in foreign operations		(430)	(1,283)
Exchange gains transferred to income statement on disposal of subsidiary assets		2	(195)
Effective portion of changes in fair value of cash flow hedges	28	(1,577)	(60)
Effective portion of changes in fair value of cash flow hedges in associates and joint ventures	15	429	730
Net changes in fair value of cash flow hedges transferred to profit or loss		455	4,624
Defined benefit plan actuarial losses	24	(9,749)	(5,839)
Income tax on other comprehensive income	8	4,125	455
Other comprehensive income for the period, net of income tax		(3,529)	(293)
Total comprehensive income for the period attributable to equity holders of the parent		16,303	18,131

Consolidated Balance Sheet
As at 31 December 2010

	Notes	31 December 2010 £000	31 December 2009 £000
Assets			
Non current assets			
Goodwill and other intangible assets	12,13	89,274	73,438
Property, plant and equipment	14	104,683	111,086
Investment in associates and joint ventures	15	11,693	8,978
Available for sale financial assets	16	1,370	1,370
Deferred tax assets	9	3,689	-
		210,709	194,872
Current assets			
Inventories	18	32,583	28,441
Trade and other receivables	19	61,416	50,760
Derivative financial instruments	28	3	170
Cash and short term deposits	20	16,590	20,563
Assets classified as held for sale	14	-	1,375
		110,592	101,309
Total assets		321,301	296,181
Equity and liabilities			
Capital and reserves			
Called up share capital	21	12,466	12,456
Share premium		24,700	24,576
Treasury shares		(579)	(768)
Other reserves		6,032	3,937
Retained earnings		75,146	66,877
Total equity		117,765	107,078
Non current liabilities			
Other payables	23	831	934
Retirement benefit obligations	24	29,786	22,361
Cumulative preference shares	21	100	100
Loans and borrowings	26	111,573	109,490
Deferred tax liabilities	9	604	1,147
		142,894	134,032
Current liabilities			
Trade and other payables	23	45,695	39,640
Current tax		8,490	4,706
Derivative financial instruments	28	1,211	230
Loans and borrowings	26	5,246	10,495
		60,642	55,071
Total liabilities		203,536	189,103
Total equity and liabilities		321,301	296,181

These accounts were approved by the board of directors on 14 March 2011 and signed on its behalf by

Tim Harris
Executive Chairman



Company Balance Sheet
As at 31 December 2010

	Notes	31 December 2010 £000	31 December 2009 £000
Assets			
Non current assets			
Property, plant and equipment	14	6,693	6,915
Investments	16	198,297	178,165
Available for sale financial assets	16	1,368	1,368
Deferred tax assets	9	4,693	2,531
		211,051	188,979
Current assets			
Trade and other receivables	19	5,533	2,707
Derivative financial instruments	28	3	111
Corporate tax receivable		7,435	12,450
Cash and cash equivalents	20	34	376
		13,005	15,644
Total assets		224,056	204,623
Equity and liabilities			
Capital and reserves			
Called up share capital	21	12,466	12,456
Share premium		24,700	24,576
Treasury shares		(579)	(768)
Hedging reserves		(1,024)	(99)
Retained earnings		38,050	35,664
Total equity		73,613	71,829
Non current liabilities			
Retirement benefit obligations	24	19,747	18,410
Cumulative preference shares	21	100	100
Loans and borrowings	26	101,495	98,543
		121,342	117,053
Current liabilities			
Trade and other payables	23	16,925	8,190
Derivative financial instruments	28	1,074	230
Loans and borrowings	26	11,102	7,321
		29,101	15,741
Total liabilities		150,443	132,794
Total equity and liabilities		224,056	204,623

These accounts were approved by the board of directors on 14 March 2011 and signed on its behalf by

Tim Harris
Executive Chairman

Company Number 211475

Consolidated cash flow statement
For the year ended 31 December 2010

	Notes	31 December 2010 £000	31 December 2009 £000
Cash flow from operating activities	4	28,108	24,229
Investing activities			
Dividends from associates and joint venture undertakings		2,804	2,286
Proceeds from the sale of property, plant and equipment		8,229	531
Proceeds from the sale of trade and assets of subsidiary net of cash disposed of		–	1,040
Finance income		256	228
Acquisition of subsidiaries, net of cash acquired		(17,468)	(4,540)
Proceeds from the sale of business	17	13,698	–
Acquisition of Norway property		(5,940)	(5,223)
Acquisition of property, plant and equipment		(17,789)	(13,891)
Acquisition of investment in associates and joint ventures		(20)	(2,102)
Development expenditure		(1,429)	–
Cash flows used in investing activities		(17,659)	(21,671)
Financing activities			
Proceeds from the issue of share capital		134	162
Preference dividend paid		(3)	(4)
Finance costs		(4,735)	(3,543)
Proceeds from other non-current borrowings		33,425	38,840
Purchase less sales of own shares by ESOP		(180)	(31)
Capital element of finance lease repayments		(195)	(69)
Repayment of borrowings		(38,239)	(26,717)
Dividends paid		(6,879)	(6,672)
Cash flows from financing activities		(16,672)	1,966
Net (decrease)/increase in cash and cash equivalents	27	(6,223)	4,524
Cash and cash equivalents at 1 January 2010		20,563	16,859
Net foreign exchange difference		2,250	(820)
Cash and cash equivalents at 31 December 2010	20	16,590	20,563

Company cash flow statement
For the year ended 31 December 2010

	Notes	31 December 2010 £000	31 December 2009 £000
Cash flow from/(used in) operating activities	4	4,009	(13,227)
Investing activities			
Dividends from subsidiaries		18,155	33,600
Proceeds from the sale of plant and equipment		22	9
Finance income		1,032	553
Acquisition and recapitalisation of subsidiaries		–	(12,640)
Acquisition of property, plant and equipment		(339)	(137)
Cash flows from investing activities		18,870	21,385
Financing activities			
Proceeds from the issue of share capital		134	162
Preference dividend paid		(3)	(4)
Finance costs		(4,057)	(3,102)
Net loans advanced to subsidiaries		(19,620)	(8,071)
Proceeds from other non-current borrowings		28,712	35,443
Purchase less sales of own shares by ESOP		(180)	(31)
Repayment of borrowings		(21,328)	(25,676)
Dividends paid		(6,879)	(6,672)
Cash flows from financing activities		(23,221)	(7,951)
Net (decrease)/increase in cash and cash equivalents	27	(342)	207
Cash and cash equivalents at 1 January 2010		376	169
Cash and cash equivalents at 31 December 2010	20	34	376

Consolidated statement of movements in equity
For the year ended 31 December 2010

For the year ended 31 December 2010

	Capital		Attributable to equity holders of parent			
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Total shareholders equity £000
At 1 January 2010	12,456	24,576	66,877	3,937	(768)	107,078
Profit for the period	–	–	19,832	–	–	19,832
Other comprehensive income for the period	–	–	(5,624)	2,095	–	(3,529)
Contributions by and distributions to owners						
Ordinary dividends paid	–	–	(6,879)	–	–	(6,879)
Share based compensation	–	–	1,309	–	–	1,309
Arising on the issue of shares	10	124	–	–	–	134
Purchase of shares	–	–	–	–	(180)	(180)
Transactions with shareholders	10	124	(5,570)	–	(180)	(5,616)
Transfer on disposal of shares	–	–	(369)	–	369	–
At 31 December 2010	12,466	24,700	75,146	6,032	(579)	117,765

For the year ended 31 December 2009

	Capital		Attributable to equity holders of parent			
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Total shareholders equity £000
At 1 January 2009	12,438	24,432	60,370	(1,154)	(1,036)	95,050
Profit for the period	–	–	18,424	–	–	18,424
Other comprehensive income for the period	–	–	(5,384)	5,091	–	(293)
Contributions by and distributions to owners						
Ordinary dividends paid	–	–	(6,672)	–	–	(6,672)
Share based compensation	–	–	438	–	–	438
Arising on the issue of shares	18	144	–	–	–	162
Purchase of shares	–	–	–	–	(31)	(31)
Transactions with shareholders	18	144	(6,234)	–	(31)	(6,103)
Transfer on disposal of shares	–	–	(299)	–	299	–
At 31 December 2009	12,456	24,576	66,877	3,937	(768)	107,078

Other reserve movements

Other reserves	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2009	5,100	(6,254)	(1,154)
Other comprehensive income for the period	(203)	5,294	5,091
At 31 December 2009	4,897	(960)	3,937
Other comprehensive income for the period	2,788	(693)	2,095
At 31 December 2010	7,685	(1,653)	6,032

Company statement of movements in equity
For the year ended 31 December 2010

For the year ended 31 December 2010

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

For the year ended 31 December 2009

	Capital		Attributable to equity holders of parent			
	Share capital £000	Share premium £000	Retained earnings £000	Hedging reserves £000	Treasury shares £000	Total shareholders equity £000
At 1 January 2009	12,438	24,432	11,824	(4,589)	(1,036)	43,069
Profit for the period	–	–	35,292	–	–	35,292
Other comprehensive income for the period	–	–	(4,919)	4,490	–	(429)
Contributions by and distributions to owners						
Ordinary dividends paid	–	–	(6,672)	–	–	(6,672)
Share based compensation	–	–	438	–	–	438
Arising on the issue of shares	18	144	–	–	–	162
Purchase of shares	–	–	–	–	(31)	(31)
Transactions with shareholders	18	144	(6,234)	–	(31)	(6,103)
Transfer on disposal of shares	–	–	(299)	–	299	–
At 31 December 2009	12,456	24,576	35,664	(99)	(768)	71,829

Notes to the financial statements

General information
The consolidated financial statements comprise the financial statements of James Fisher and Sons plc (the Company) all of its subsidiary undertakings and the Group's interest in associates and jointly controlled entities (together referred to as the "Group"), for the year ended 31 December 2010

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

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

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position is set out in the Chairman's Statement on pages 4 to 8 Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are set out in the primary statements and in note 26 In addition, note 28 of the financial statements includes the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risks

As highlighted in note 28 to the financial statements, the Group meets its day to day working capital requirements through operating cash flows, with borrowings in place to fund acquisitions and capital expenditure The Group also has £26,100,000 of undrawn committed facilities of which £12,500,000 expire within twelve months The current economic conditions create uncertainty particularly over a) the exchange rate currency between Sterling and the US dollar and the consequences for the net cash dollar surplus and b) the exchange rate between Sterling and the Euro and thus the consequences on seafarer payroll costs

During the year the Group successfully completed the renewal of the two revolving credit facilities with a value of £27,500,000 which were due to expire during 2011 The Group also obtained an additional £10,000,000 revolving credit facility from HSBC Bank Plc, which is available for three years The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current banking facilities

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

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

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

The Company and consolidated financial statements were approved for issue by the Board of Directors on 14 March 2011

As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes for the holding company have not been presented in these financial statements

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

Statement of compliance
The consolidated financial statements and those of the Company have been prepared in accordance with IFRS adopted by the EU as at 31 December 2010 and are applied in accordance with the provisions of the Companies Act 2006

Notes to the financial statements

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

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

IFRS 3 (2008)	Business combinations
	Improvements to IFRS 2009

Amendments to existing standards

IAS 27	Consolidated and Separate Financial Statements
IFRS 2	Amendment for Group Cash Settled Share Based Payments

Interpretations

IFRIC 15	Agreements for construction of Real Estate
IFRIC 16	Hedges of a net investment in a foreign operation
IFRIC 17	Distribution of non cash assets to owners
IFRIC 18	Transfers of assets from customers

The adoption of these standards and interpretations had no impact on the Group other than those set out below

IFRS 3 (2008) Business combinations

The Group is now required to expense to the income statement all direct costs relating to business combinations Previously these costs were capitalised and included in the calculation of goodwill This change applies to all acquisitions made on or after 1 January 2010 There is no requirement to apply these changes retrospectively to earlier acquisitions and consequently no restatement is required in respect or earlier acquisitions The costs charged to the income statement in 2010 in relation to business combinations are treated as separately disclosed items on the face of the consolidated income statement Contingent consideration is recognised at fair value at the acquisition date If the contingent consideration is classed as equity it is not remeasured and settlement is accounted for within equity In all other cases changes in the fair value of contingent consideration are recognised in profit or loss The impact on earnings per share is disclosed in note 10

Significant accounting judgements and estimates
Financial and business risks
The Group's activities expose it to a variety of financial and business risks Where possible the Group seeks to minimise these risks through its risk management policies as set out on page 19 of the Corporate governance statement

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

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

Impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy on page 41 An analysis of the Group's goodwill and the assumptions used to test for impairment together with the sensitivity of the impairment review to changes in the key assumptions is set out in note 12 Growth and cost assumptions have been reviewed to ensure that they are consistent with latest expectations

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

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

1 Significant accounting policies (continued)

Income taxes

The Group is subject to income taxes in several jurisdictions Significant judgement is required in determining the worldwide provision for income taxes There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business The Group recognises liabilities for anticipated tax risk issues based on estimates of whether additional taxes will be due Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made The Group has entered the UK tonnage tax regime under which tax on its ship owning and operating activities is based on the net tonnage of vessels operated Income and profits outside this regime are taxed under normal tax rules This means that it is necessary to make estimates of the allocation of some income and expenses between tonnage and non tonnage tax activities These estimates are subject to agreement with the relevant tax authorities and may be revised in future periods Further details are provided in notes 8 and 9

Residual values and estimated remaining lives

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

Investments

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

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

Basis of preparation of group accounts

From 1 January 2010 the Group has applied IFRS 3 Business Combinations (2008) in accounting for acquisitions and disposals

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

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

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

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

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

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

Notes to the financial statements

Foreign currency

(i) **Group**

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

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

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

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

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

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

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

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

(ii) **Company**

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

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

The Company's investments in subsidiaries, associates and joint ventures

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

Financial assets

The Group recognises three classes of financial assets

- Loans and receivables
- Available for sale financial assets
- Derivatives

(a) *Loans and receivables*

These comprise non-derivative financial assets such as trade receivables with fixed or determinable payments that are not quoted in an active market Such assets are recognised initially at fair value plus any directly attributable transaction costs Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method if the time value of money may have a significant impact on their value, less any impairment losses Gains and losses are recognised in the income statement when the loans or receivables are derecognised or impaired as well as through the amortisation process

If there is evidence of an impairment loss on assets carried at amortised cost, the amount of the loss is measured as the difference between the carrying amount of the asset and the estimated future cash flows (after excluding amounts already provided against), discounted at the original effective interest rate Impairment losses are recognised in the income statement

If in a subsequent period the factors which indicated the original decision to impair the asset cease to exist or are mitigated then the previously recognised impairment loss can be reversed subject to the revised carrying value of the asset not exceeding its amortised cost at the date the impairment is reversed Any reversal of an impairment loss is recognised in profit or loss

A provision is made against a trade receivable only when there is objective evidence that the Group may not be able to recover all of the amount due under the original terms of the invoice The carrying amount of the receivable is reduced through the use of a provision for doubtful debts account Impaired debts are derecognised when they are assessed as uncollectable

1 Significant accounting policies (continued)

(b) Available for sale financial assets

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

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

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

(c) Derivatives

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

Intangible assets

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

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

Intangible assets having finite lives are amortised over their useful economic life and are assessed for impairment whenever there is an indication that they are impaired The amortisation period is reviewed at the end of each accounting period The amortisation of intangible assets is recognised in the income statement

The principal rates used are

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

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

Goodwill

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

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

Goodwill is stated at cost less provision for impairment The carrying value of goodwill arising on each acquisition is reviewed annually for impairment but more regularly if events or changes in circumstances indicate that it might be impaired When an impairment loss is recognises it cannot be reversed in a subsequent accounting period, even if the circumstances which led to the impairment cease to exist

For the purposes of determining impairment of purchased goodwill carried in the balance sheet, all goodwill is allocated against the appropriate combination of business units deemed to obtain advantage from the benefits acquired with the goodwill These are designated as cash generating units (CGU) Impairment is then assessed by comparing the recoverable amount of the relevant CGU with the carrying value of the CGU's assets and liabilities and related goodwill Recoverable amount is measured as the higher of the CGU's fair value less cost to sell and the value in use Where relevant in order to assess the value of goodwill the Group combines a number of CGU's Where the recoverable amount of the CGU is less than its carrying amount including goodwill, an impairment loss is recognised in the income statement

For goodwill arising on acquisitions prior to 1 January 2004 amortisation ceased at transition to IFRS and it is carried at its previous carrying amount subject to provision for impairment

Notes to the financial statements

Goodwill arising on acquisitions in the year to 31 December 1997 and earlier periods which was written off to reserves in accordance with the accounting standard then in force, has not been reinstated in the balance sheet and will continue to be accounted for in reserves even if the business to which it relates is subsequently disposed of

Warranty costs
Provision is made for warranties offered with products where it is probable that an obligation to transfer economic benefits to the customer in future will arise This provision is based on management's assessment of the previous history of claims and probability of future obligations arising on a product by product basis No provisions for warranty costs are included in the balance sheet at 31 December 2010

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

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

The principal rates used are

Freehold property	2 5%
Leasehold improvements	2 5% or over the period of the lease
Plant and equipment	5% to 20%
Ships	4% to 10%

No depreciation is charged on assets under construction

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

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

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

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

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

Expenditure on development costs which represents the application of research to the development of new products or processes is capitalised provided that specific projects are identifiable, technically feasible, are able to generate probable future economic benefits in an existing market and the Group has sufficient resources to complete development The useful life of projects meeting the criteria for capitalisation would be determined on a project by project basis

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

1 Significant accounting policies (continued)

Inventories

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

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

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

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

Long term service contracts

(i) General

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

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

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

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

(ii) Bid costs

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

Taxation

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

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

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

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

No provision is made where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination that at the time of the transaction affect neither accounting nor taxable profit

No provision is made for deferred tax that would arise on all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

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

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

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

No deferred tax is recognised on vessels which are subject to the tonnage tax regime

Notes to the financial statements

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

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

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

Cash flow hedges

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

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

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

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

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

Where the hedge relates to a firm commitment or forecast transaction which subsequently results in the recognition of an asset or liability the cumulative gain or loss relating to that item is removed from other comprehensive income and included in the initial measurement of the asset or liability Otherwise the cumulative amount is removed from other comprehensive income 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 other comprehensive income until either the related forecast transaction occurs in which case it is recognised in accordance with the policy stated above, or if the hedged transaction is not expected to take place, it is recognised immediately in the income statement

Fair value hedges

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

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

Derivatives that do not qualify for hedge accounting

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

Calculation of fair values

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

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

Interest-bearing loans and other borrowings
All interest-bearing loans and other borrowings are initially recorded at fair value, which represents the fair value of the consideration received net of any issue costs associated with other borrowings Finance charges, including any premiums payable on settlement or redemption of debt instruments including preference shares and the direct costs of issue, are accounted for on an amortised cost basis to the income statement Charges are calculated using the effective interest method, and are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount

1 Significant accounting policies (continued)

Accounting for leases

(i) Operating leases

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

(ii) Finance leases

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

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

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

Pension plans

(i) Defined contribution scheme

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

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

(ii) Defined benefit scheme

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

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

The cost of providing benefits is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (current service cost) and to current and prior periods (to determine the present value of the defined benefit obligation) Current service costs are recognised in the income statement in the current year Past service costs are recognised in the income statement on a straight-line basis over the vesting period or immediately if the benefits have vested When a settlement (which eliminates all obligations for benefits already accrued) or a curtailment (which reduces future obligations as a result of a reduction in future entitlement) occurs, the obligation and related plan assets are 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 and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year The expected return on plan assets is based on the long-term market returns on scheme assets assessed at the start of the period adjusted for the effect of contributions received and benefits paid during the year The difference between the expected return on plan assets and the interest cost is recognised in the income statement In administrative expenses

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

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

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

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

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

Notes to the financial statements

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

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

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

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

The Company re-assesses its estimate of the number of options that are expected to become exercisable at each balance sheet date Any adjustments to the original estimates are recognised in the income statement (and other comprehensive income) over the remaining vesting period with any element of any adjustments relating to prior periods recognised in the current period No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, (such as the performance of the Group relative to a group or index composed of third party entities) These are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied

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

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

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

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

Treasury shares
Shares issued by the Company which are held by the Company or its subsidiary entities (including the Employee Share Ownership Trust (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
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components All operating segments results are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess performance where discrete financial information is available

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

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

1 Significant accounting policies (continued)

Revenue

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

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

Details of the revenue recognition on long term contracts are included on page 50

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

Non-current assets held for sale

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

Cash and cash equivalents

Cash and short-term deposits included in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less from the original acquisition date Cash and cash equivalents included in the cash flow statement comprise cash and short-term deposits, net of bank overdrafts

Intra group financial instruments

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

New standards and interpretations not applied

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have also issued the following standards and interpretations which have been endorsed by the EU at 31 December 2010 with an effective date of implementation after the date of these financial statements

International accounting standards (IAS/IFRSs)		Effective Date
IAS 24 (revised)	Related Party Disclosures	from 1 January 2011
Amendment to IFRIC 14	Prepayments of a Minimum Funding Requirement	from 1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	from 1 January 2011

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

2 Segmental information

Operating segments

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

Specialist Technical Services - includes the hire and sale of large scale pneumatic fenders and ship to ship transfer services, the design and supply of systems for monitoring strains and stress in structures and equipment and non-destructive testing, decommissioning and remote operations and monitoring services predominantly to the Nuclear industry

Offshore Oil Services - manufacture and rental of equipment for the offshore oil and gas industry and the design and manufacture of specialist downhole tools and equipment for extracting oil

Defence - provision of marine services to the Ministry of Defence (MoD) and other navies including the UK submarine rescue services, maintenance, asset management and consultancy services, a joint venture which provides military strategic sealift capability via its operation of six roll on - roll off vessels for the MoD, and joint venture which provides submarine rescue services to the Government of Singapore

Marine Oil - engaged in the sea transportation of clean petroleum products in North West Europe

Notes to the financial statements

2 Segmental information (continued)

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

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

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

The following tables present revenue and profit and certain asset and liability information regarding the Group's operating segments for the years ended 31 December 2010 and 2009 Further information on the activities of these segments is included in the accounting policy on page 47 and in the Chairman's statement on pages 4 to 8

Year ended 31 December 2010

	Continuing operations					
	Specialist Technical Services £000	Offshore Oil Services £000	Defence £000	Marine Oil £000	Corporate £000	Total £000
Segmental revenue	120,493	58,729	21,363	71,857	-	272,442
Inter segment sales	(3,826)	(189)	(78)	-	-	(4,093)
Group revenue	116,667	58,540	21,285	71,857	-	268,349
Underlying operating profit	17,652	10,926	5,195	680	(3,338)	31,115
Acquisition costs	(406)	(604)	-	-	-	(1,010)
Intangible amortisation	(61)	(116)	-	-	-	(177)
Profit from operations including results of associates and joint ventures	17,185	10,206	5,195	680	(3,338)	29,928
Finance income						256
Finance costs						(4,243)
Profit before tonnage and income tax						25,941
Tonnage and income tax						(6,109)
Profit attributable to equity holders						19,832
Share of post tax results of associates and joint ventures	1,688	-	2,992	-	-	4,680
Assets & liabilities						
Segment assets	108,581	112,541	18,268	68,618	1,600	309,608
Investment in joint ventures	4,017	-	7,676	-	-	11,693
Total assets						321,301
Segment liabilities	(18,742)	(10,797)	(3,839)	(20,436)	(149,722)	(203,536)
Other segment information						
Capital expenditure						
Property, plant & equipment	6,191	14,709	756	1,758	9	23,423
Acquired with subsidiaries	1,859	4,471	-	-	-	6,330
Depreciation	1,911	4,761	320	4,168	176	11,336
Amortisation of intangible assets	61	116	-	-	-	177
						11,513

* corporate assets comprise available for sale assets, deferred tax and centrally held corporate assets
* corporate liabilities comprise Bank loans, pension schemes and corporate and deferred tax liabilities

2 Segmental information (continued)

Year ended 31 December 2009

	Continuing operations					
	Specialist Technical Services £000	Offshore Oil Services £000	Defence £000	Marine Oil £000	Corporate* £000	Total £000
Revenue						
Segmental revenue	107,261	48,163	27,164	71,123	–	253,711
Inter segment sales	(3,833)	(4)	(280)	–	–	(4,117)
Group revenue	103,428	48,159	26,884	71,123	–	249,594
Underlying operating profit	16,013	12,519	3,657	(1,593)	(2,663)	27,933
Intangible amortisation	(30)	(3)	–	–	–	(33)
Profit from operations including results of associates and joint ventures	15,983	12,516	3,657	(1,593)	(2,663)	27,900
Finance income						228
Finance costs						(3,386)
Profit before tonnage and income tax						24,742
Tonnage and income tax						(6,318)
Profit attributable to equity holders						18,424
Share of post tax results of associates and joint ventures	1,713	–	2,470	–	–	4,183
Assets & liabilities						
Segment assets	90,386	98,133	14,809	77,318	5,182	285,828
Investment in joint ventures	2,883	–	6,095	–	–	8,978
Non-current assets classified as held for sale	–	1,375	–	–	–	1,375
Total assets						296,181
Segment liabilities	(18,475)	(7,414)	(2,352)	(14,098)	(146,764)	(189,103)
Other segment information						
Capital expenditure						
Property, plant & equipment	4,043	13,085	1,298	710	159	19,295
Acquired with subsidiaries	197	–	–	–	–	197
Depreciation	1,421	3,514	216	4,761	204	10,116
Amortisation of intangible assets	30	3	–	–	–	33
						10,149

* corporate assets comprise available for sale assets, deferred tax and centrally held corporate assets
* corporate liabilities comprise Bank loans, pension schemes and corporate and deferred tax liabilities

Geographic information

The following table represents revenue, expenditure and certain asset information regarding the Group's geographic presence for the years ended 2010 and 2009

Geographical revenue is determined by the location in which the product or service is provided The geographical allocation of segmental assets and liabilities is determined by the location of the attributable business unit

	UK & Ireland		Norway		Rest of the World		Total	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Revenue								
Segmental revenue	135,745	137,983	29,240	22,235	107,457	93,493	272,442	253,711
Inter segment sales	(4,093)	(4,117)	–	–	–	–	(4,093)	(4,117)
Segmental revenue	131,652	133,866	29,240	22,235	107,457	93,493	268,349	249,594
Segment assets	86,822	67,194	21,885	15,568	15,007	17,172	123,714	99,934
Investment in associates and joint ventures	5,319	4,231	–	–	6,374	4,747	11,693	8,978
Financial assets	1,370	1,370	–	–	–	–	1,370	1,370
Other non current assets	125,749	135,936	45,573	43,732	13,202	4,856	184,524	184,524
Assets classified as held for sale	–	1,375	–	–	–	–	–	1,375
							321,301	296,181

Notes to the financial statements

3 Revenue

Revenue disclosed in the income statement is analysed as follows

	2010 £000	2009 £000
Sale of goods and services	239,569	217,709
Rental income	28,780	25,404
Contract revenue recognised in the period	-	6,481
Total revenue	268,349	249,594

Contract work in progress

At the 31 December 2010 £nil (2009 £612,000) was included in receivables in respect of the Singapore and Korea Submarine Rescue contract

4 Operating cash flow

Group

	31 December 2010 £000	31 December 2009 £000
Profit before tax from continuing operations	25,941	24,742
Adjustments to reconcile Group profit before tax to net cash flows		
Depreciation	11,336	10,116
Acquisition costs and amortisation of intangibles	1,187	33
(Profit)/loss on sale of property, plant and equipment	(389)	388
Loss/(profit) on disposal of trade and assets of subsidiary	15	(160)
(Profit)/loss on ship disposals	(223)	14
Finance income	(256)	(228)
Finance costs	4,243	3,386
Exchange gain on loans	(50)	(150)
Share of post tax results of associates and joint ventures	(4,680)	(4,183)
Share based compensation	1,309	438
Increase in trade and other receivables	(6,927)	(1,695)
Increase in inventories	(2,462)	(7,318)
Decrease in inventories and other receivables attributable to submarine rescue vessels	612	14,044
Increase/(decrease) in trade and other payables	7,579	(6,474)
Additional defined benefit pension scheme contributions	(3,856)	(3,069)
Cash generated from operations	33,379	29,884
Cash outflow from acquisition costs	(1,010)	-
Income tax payments	(4,261)	(5,655)
Cash flow from operating activities	28,108	24,229

Company

	31 December 2010 £000	31 December 2009 £000
Profit before tax	7,527	33,485
Adjustments to reconcile Group profit before tax to net cash flows		
Depreciation	541	570
Profit on sale of property, plant and equipment	(2)	(7)
Finance income	(1,032)	(551)
Finance costs	3,842	3,188
Dividends received from subsidiaries	(18,155)	(33,600)
Reduction in provision against investments	-	(7,459)
Share based compensation	797	329
Increase in trade and other receivables	(2,826)	(419)
Decrease/(increase) in trade and other payables	9,204	(2,761)
Additional defined benefit pension scheme contributions	(2,663)	(2,018)
Cash generated from operations	(2,767)	(9,243)
Income tax receipts/(payments)	6,776	(3,984)
Cash flow from/(used in) operating activities	4,009	(13,227)

5 Operating profit

This is stated after charging/(crediting)

	2010 £000	2009 £000
(Profit)/loss on sale of property, plant and equipment		
ships	(223)	14
other	(389)	388
	(612)	402
Depreciation of property, plant and equipment		
ships	4,325	4,757
other	7,011	5,359
Total depreciation charge	11,336	10,116
Research & development costs	1,489	3,059
Net foreign currency losses	532	1,336
Cost of inventories recognised as an expense	74,188	66,423
Operating lease rentals		
property	2,944	1,841
ships	12,721	13,150
others	578	410
	16,243	15,401

Auditor's remuneration comprises the following

	2010 £000	2009 £000
Audit of the financial statements of the parent	184	196
Fees payable to the company's auditor and its associates for other services		
Local statutory audits of subsidiaries	258	227
Taxation services	121	130
Corporate finance services	195	165
	574	522
	758	718

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

6 Staff costs and directors' emoluments

(a) Staff costs including executive directors

	Group 2010 £000	Group 2009 £000
Wages & salaries	44,750	38,533
Social security costs	4,920	4,296
Pension costs	3,360	2,585
Share based compensation	1,309	438
	54,339	45,852

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

	Group 2010 No	Group 2009 No
Technical and administrative	1,248	1,142
Seafarers	272	290
	1,520	1,432

Notes to the financial statements

6 Staff costs and directors' emoluments (continued)

(b) Directors' emoluments

	2010 £000	2009 £000
Directors' emoluments	1,784	1,335
Aggregate gains made by directors on the exercise of options	6	-
Pension contributions to defined contribution schemes	62	48
Number of directors accruing benefits under		
Defined benefit schemes	1	1
Defined contribution schemes	2	2

Full details of the emoluments of directors are set out in the Directors Remuneration Report on pages 22 to 28

7 Finance income/(costs)

	2010 £000	2009 £000
Bank interest receivable	256	228
Interest payable on		
Bank loans and overdrafts	(4,490)	(3,812)
Preference dividend	(3)	(4)
Finance charges payable under finance leases	(33)	(13)
Other interest	(1)	(18)
	(4,527)	(3,847)
Interest on bank loans capitalised	284	461
	(4,243)	(3,386)

Interest has been capitalised at the rate applying to the specific funds borrowed in respect of the project or where no specific funds were obtained at a rate consistent with the Group's general borrowing costs In 2010 rates varied between 3 0% and 4 7%

8 Taxation

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

The tax charge is as follows

	2010 £000	2009 £000
Current tax		
UK corporation tax	(5,135)	(3,902)
Tax overprovided in previous years	-	194
Foreign tax	(1,883)	(2,387)
Total current tax	(7,018)	(6,095)
Deferred tax		
Origination and reversal of timing differences	933	(198)
Total taxation on continuing operations	(6,085)	(6,293)

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

	2010 £000	2009 £000
Taxation expense reported in group income statement	6,085	6,293
Share of joint ventures' current tax	256	94
Total tax expense	6,341	6,387

8 Taxation (continued)

Income tax on comprehensive income

	Group 2010 £000	2009 £000
Current tax		
Current tax on foreign exchange profits on internal loans	(186)	(224)
Current tax on contributions to defined benefit pension schemes	539	208
Deferred tax		
Deferred tax relating to the actuarial gains and losses on defined benefit pension schemes	3,426	471
Deferred tax relating to share based payments	9	-
Deferred tax relating to fair value of derivatives	337	-
	4,125	455

Reconciliation of effective tax rate

The tax on the Group's profit on continuing activities differs from the theoretical amount that would arise using the rate applicable under UK corporation tax rules as follows

	2010 £000	2009 £000
Profit before tax from continuing operations	25,941	24,742
Tax arising on interests in joint ventures (Note 15)	256	94
	26,197	24,836
At UK statutory tax rate of 28% (2009 28%)	7,335	6,954
Difference due to application of tonnage tax to all vessel disposals and operating activities	583	1,134
Expenses not deductible for tax purposes	257	40
Chargeable gains	-	6
Over provision in previous years		
Current tax	-	(194)
Deferred tax	(560)	(168)
Share based payments	151	(185)
Lower taxes on overseas income	(1,166)	(1,140)
Research and development relief	(105)	-
Utilisation of losses brought forward	(112)	-
Impact of change of rate	(28)	-
Other	(14)	(60)
	6,341	6,387

The effective income tax rate on underlying profit before tax is 22 7% (2009 25 5%) The effective rate on profit before income and tonnage tax from continuing operations is 23 2% (2009 25 7%)

Unrecognised tax losses

At 31 December 2010 the Group had unrecognised tax losses of £2,337,000 (2009 £2,047,000) No deferred tax asset has been recognised in respect of these losses due to the uncertainty relating to their future recovery

The Group elected to enter tonnage tax with effect from 2000 This election was renewed in 2009 The shipping activities of FT Everard & Sons Limited entered the regime on acquisition in 2006 The election had the effect of eliminating future potential tax liabilities on shipping profits of qualifying ships in the United Kingdom The regime includes provisions whereby a proportion of capital allowances previously claimed by the Group can be subject to tax in the event of a significant number of assets being sold and not replaced This contingent liability diminishes to nil over the seven year period following entry into tonnage tax The contingent liability relating to the ships operated by the Group on entry into tonnage tax in 2000 has expired in accordance with this seven year provision However, there is a contingent liability relating to the FT Everard fleet which entered tonnage tax in 2006 The contingent liability at 31 December 2010 was £507,000 (2009 £667,000) This assumes that any such ships unsold at 31 December are sold at lower of net book value at 31 December 2010 and market value on entry into tonnage tax and that after 2010 no reliefs are available to reduce the balancing charge giving rise to the liability other than the seven year tapering relief provided in the Finance Act 2000 No provision has been made on the basis that no liability is expected to arise

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

The emergency Budget on 22 June 2010 announced that the UK corporation tax rate will reduce from 28% to 24% over a period of four years from 2011 The first reduction in the UK corporation tax rate from 28% to 27% was substantively enacted on 20 July 2010 and will be effective from 1 April 2011 This will reduce the Group's future current tax charge accordingly The deferred tax balance at 31 December 2010 has been calculated based on application of the reduced 27% UK corporation tax rate from the relevant dates and the impact of the re-measurement has been included in profit or loss and other comprehensive income as appropriate It has not been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax assets

Notes to the financial statements

9 Deferred tax

Group

Deferred tax at 31 December relates to the following

	Group Balance sheet		Group Income statement	
	2010 £000	2009 £000	2010 £000	2009 £000
Deferred tax assets				
Retirement benefits	6,259	2,112	682	112
Share based compensation	482	331	151	244
Derivative financial instruments	337	–	–	–
	7,078	2,443		
Deferred tax liabilities				
Property plant and equipment	(3,088)	(3,287)	199	(502)
Intangible assets	(1,259)	(546)	(72)	(140)
Other items	354	243	(27)	88
	(3,993)	(3,590)		
Deferred income tax charge			933	(198)
Net deferred income tax asset/(liability)	3,085	(1,147)		

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

	2010 £000	2009 £000
Balance at 1 January	(1,147)	(1,405)
Charged to equity in statement of comprehensive income	3,772	471
Credited/(charged) to income statement	933	(198)
Exchange adjustments	9	(21)
Acquisition of subsidiaries	(735)	6
Disposal of subsidiaries	253	–
Balance at 31 December	3,085	(1,147)

At 31 December 2010 the Group has no recognised deferred income tax liability (2009 £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries At 31 December 2010 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £15,681,000 (2009 £10,886,000) No deferred income tax liability has been recognised in respect of this temporary timing difference due to the foreign profits exemption, the availability of double taxation relief and the ability to control the remittance of earnings

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

Company

Deferred tax at 31 December relates to the following

	Company Balance sheet	
	2010 £000	2009 £000
Deferred tax assets		
Retirement benefits	3,831	2,112
Short term timing differences	86	89
Share based compensation	482	330
Accelerated capital allowances for tax	57	–
Derivative financial instruments	237	–
	4,693	2,531
Net deferred income tax asset	4,693	2,531

9 Deferred tax (continued)

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

	2010 £000	2009 £000
Balance at 1 January	2,531	1,600
Credited to equity in statement of comprehensive income	1,554	471
Credited to income statement	608	460
Balance at 31 December	4,693	2,531

At 31 December 2010 the Company has no recognised deferred income tax liability (2009 £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries At 31 December 2010 the unrecognised gross temporary differences in respect of reserves of overseas subsidiaries is £15,681,000 (2009 £10,886,000) No deferred income tax liability has been recognised in respect of this temporary timing difference due to the foreign profits exemption, the availability of double taxation relief and the ability to control the remittance of earnings

10 Earnings per share

Basic earnings per share 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

At 31 December 2010 536,000 options (2009 724,000) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive

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

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

	2010 £000	2009 £000
Profit on continuing activities attributable to equity holders	19,832	18,424

Weighted average number of shares	2010 Number of shares	2009 Number of shares
For basic earnings per ordinary share*	49,693,215	49,604,476
Potential exercise of share options and LTIPs	307,411	184,300
For diluted earnings per ordinary share	50,000,626	49,788,776

* Excludes 126,698 (2009 169,068) shares owned by the James Fisher and Sons Public Limited Company Employee Share Ownership Trust

	2010		2009	
	£000	pence	£000	pence
Basic earnings per share on profit from operations	19,832	39 9	18,424	371
Diluted earnings per share on profit from operations	19,832	39 7	18,424	370

Adjusted earnings per share

The basic earnings per share on continuing activities before acquisition expenses and amortisation of intangibles is shown to highlight the underlying earnings trend and is calculated using the number of shares outlined in the table above

	2010		2009	
	£000	pence	£000	pence
Basic earnings	19,832	39 9	18,424	371
Adjustments				
Acquisition expenses	1,010	2 0	–	–
Amortisation of intangible assets net of tax	127	0 3	24	–
Basic adjusted earnings	20,969	42 2	18,448	371
Diluted earnings	19,832	39 7	18,424	370
Adjustments				
Acquisition expenses	1,010	2 0	–	–
Amortisation of intangible assets net of tax	127	0 2	24	–
Diluted adjusted earnings	20,969	41 9	18,448	370

Notes to the financial statements

11 Dividends paid and proposed

Declared and paid during the year	2010 £000	2009 £000
Equity dividends on ordinary shares		
Final dividend for 2009 8 80p (2008 8 65p)	4,385	4,305
Interim dividend for 2010 5 04p (2009 4 80p)	2,511	2,390
Less dividends on own shares held by ESOP	(17)	(23)
	6,879	6,672
Proposed for approval at Annual General Meeting (not recognised as a liability at 31 December)		
Equity dividends on ordinary shares		
Final dividend for 2010 9 68p (2009 8 80p)	4,815	4,370

12 Goodwill

	2010 £000	2009 £000
Group		
Cost and net book value		
At 1 January	73,141	69,993
Exchange differences	349	257
Disposal of business of subsidiary	-	(793)
Acquisition of subsidiaries	13,291	3,684
At 31 December	86,781	73,141

Impairment of goodwill
Goodwill acquired through business combinations has been allocated for impairment testing purposes to the following cash generating units (CGU)

Offshore Oil Services
Offshore Norway – represents the Norwegian based part of the Offshore Oil Services division including GMC Produkt acquired in May 2010
Fisher Offshore – comprises the UK based part of the Offshore Oil Services division including RigCool UK and Australia acquired in September 2010

Specialist Technical Services
Fendercare – Fendering and marine services business, including Australian Commercial Marine acquired in April 2010
Strainstall – The load measurement, safety monitoring and control business of Strainstall Group
Nuclear – represents the James Fisher Nuclear cluster together with Remote Marine Systems

Marine Oil
Comprises the Group's port facility business

Defence
Comprises the Group's defence marine services operation

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

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

	2010 £000	2009 £000
Specialist Technical Services	29,740	26,987
Offshore Oil Services	41,412	30,525
Defence	5,370	5,370
Marine Oil	10,259	10,259
	86,781	73,141

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

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

12 Goodwill (continued)

Growth estimates are based on the levels achieved in the current and historic periods adjusted for management expectations of the impact of management actions and the future development of the relevant market Growth rates for turnover vary between 1% and 7% These growth rates are considered to be conservative and vary dependant on the market conditions in which the CGU operates Direct costs are expected to increase in line with turnover in initial periods before stabilising at a long term inflationary level of 2% Administrative costs are anticipated to increase at 3%

Payroll inflation reflects the fact that the Group provides specialist services in a competitive market Payroll costs are therefore influenced by the need to retain skilled staff As a result the initial growth rates for payroll costs range between 3 5% in mature business to up to 15% for specific posts in businesses located in areas where skilled staff are in short supply

Discount rates reflect managements estimate of the return required from the business to reflect the cost of funds plus an appropriate risk premium This has been determined with reference to the CGU's weighted average cost of capital (WACC), and adjusting it for risks specific to each CGU's cash flows The range of pre-tax discount rate used is 9 9% to 10 7% (2009 range of 9 5% to 10 3%) An effective tax rate of 22 5% has been assumed

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

The key assumptions applied to each CGU are as follows

Specialist Technical Services, maximum short term gross profit growth of between 2% and 25% with long term growth of 2%, maximum growth in direct costs of 5% with 2% increase in the long term

Defence, maximum short term gross profit growth of 5% with long term growth of 2%, maximum growth in direct costs of 3% with 2% increase in the long term

Offshore Oil Services, maximum short term gross profit growth of between 5% and 25% with long term growth of 2%, maximum growth in direct costs of 5% with 2% increase in the long term

Marine Oil, maximum short term gross profit growth of 3% with long term growth of 1%, maximum growth in direct costs of 2% with 1% increase in the long term

Sensitivity to impairment

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

13 Other intangible assets

Group

	Development costs £000	Intellectual property £000	Patents & licences £000	Other intangibles £000	Total £000
Cost					
At 1 January 2009	-	69	24	-	93
Acquisition of subsidiary undertaking	-	-	-	254	254
At 31 December 2009	-	69	24	254	347
Additions	1,125	-	304	-	1,429
Acquisition of subsidiary undertakings	-	-	-	928	928
Exchange differences	-	-	-	16	16
At 31 December 2010	1,125	69	328	1,198	2,720
Amortisation					
At 1 January 2009	-	12	5	-	17
Charge for the period	-	8	4	21	33
At 31 December 2009	-	20	9	21	50
Charge for the period	-	6	34	137	177
At 31 December 2010	-	26	43	158	227
Net book value at 31 December 2010	1,125	43	285	1,040	2,493
Net book value at 1 January 2010	-	49	15	233	297
Net book value at 1 January 2009	-	57	19	-	76

The Company has not recognised any Intangible assets

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

Notes to the financial statements

13 Other intangible assets (continued)

The Group has recognised intangible assets in respect of the fair value of the customer relationships arising from the acquisition of GMC Produkt AS, Australian Commercial Marine, RigCool UK and Australia, and Maritime Engineers These are being amortised over five years Further details of the acquisitions are set out in note 17

Intangible assets, which are amortised evenly over their remaining useful life of between three and twenty years, are included in cost of sales in the Income Statement

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

14 Property, plant and equipment

	Analysis of ships						
	ships £000	Refit £000	Total ships £000	Assets under construction £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
Group							
Cost							
At 1 January 2009	74,943	7,306	82,249	1,747	21,562	34,194	139,752
Additions	489	572	1,061	358	7,461	10,415	19,295
Reclassifications	365	(365)	–	(612)	21	591	–
Acquisition of subsidiary undertaking	–	–	–	–	–	197	197
Disposals	(254)	–	(254)	–	(465)	(1,647)	(2,366)
Disposal of subsidiary undertaking	–	–	–	–	–	(55)	(55)
Exchange differences	(166)	(35)	(201)	–	682	685	1,166
At 31 December 2009	75,377	7,478	82,855	1,493	29,261	44,380	157,989
Additions	91	2,411	2,502	499	7,188	13,234	23,423
Reclassifications	–	–	–	(1,569)	825	744	–
Acquisition of subsidiary undertaking	–	–	–	–	1,408	4,922	6,330
Disposals	(7,288)	(150)	(7,438)	–	(444)	(1,002)	(8,884)
Disposal of subsidiary undertaking	–	–	–	–	(17,467)	–	(17,467)
Exchange differences	229	50	279	–	(384)	653	548
At 31 December 2010	68,409	9,789	78,198	423	20,387	62,931	161,939
Group							
Depreciation and impairment							
At 1 January 2009	19,890	3,572	23,462	–	1,297	12,975	37,734
Provided during the year	3,208	1,549	4,757	–	415	4,944	10,116
Reclassifications	(30)	30	–	–	–	–	–
Disposal of subsidiary undertaking	–	–	–	–	–	(21)	(21)
Disposals	(254)	–	(254)	–	(37)	(1,142)	(1,433)
Exchange differences	(11)	(7)	(18)	–	25	500	507
At 31 December 2009	22,803	5,144	27,947	–	1,700	17,256	46,903
Provided during the year	3,048	1,277	4,325	–	513	6,498	11,336
Disposal of subsidiary undertaking	–	–	–	–	(44)	–	(44)
Disposals	(543)	(140)	(683)	–	(49)	(561)	(1,293)
Exchange differences	37	24	61	–	11	282	354
At 31 December 2010	25,345	6,305	31,650	–	2,131	23,475	57,256
Net book value at 31 December 2010	43,064	3,484	46,548	423	18,256	39,456	104,683
Net book value at 1 January 2010	52,574	2,334	54,908	1,493	27,561	27,124	111,086
Net book value at 1 January 2009	55,053	3,734	58,787	1,747	20,265	21,219	102,018

14 **Property, plant and equipment (continued)**

Property, plant and equipment held under leasing arrangements

Details of the value of property plant and equipment which is secured against borrowing facilities are included in note 26 on page 74

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2010 was £1,506,000 (2009 £312,000) Included in ships are assets with a cost of £5,866,000 (2009 £5,766,000) and accumulated depreciation of £3,265,000 (2009 £2,619,000) which relate to assets held under operating leases Included in property, plant and equipment is aggregate interest capitalised of £2,383,000 (2009 £3,119,000)

	Ships £000	Freehold & leasehold property £000	Assets under construction £000	Plant & equipment £000	Total £000
Company					
Cost					
At 1 January 2009	8,774	1,890	60	952	11,676
Additions	(10)	9	–	150	149
Reclassifications	–	–	(60)	60	–
Disposals	–	–	–	(188)	(188)
Inter group transfers	–	–	–	3	3
At 31 December 2009	8,764	1,899	–	977	11,640
Additions	339	2	–	8	349
Disposals	–	–	–	(30)	(30)
Inter group transfers	–	–	–	(20)	(20)
At 31 December 2010	9,103	1,901	–	935	11,939
Company					
Depreciation					
At 1 January 2009	3,121	460	–	762	4,343
Provided during the year	366	92	–	112	570
Disposals	–	–	–	(186)	(186)
Inter group transfers	–	–	–	(2)	(2)
At 31 December 2009	3,487	552	–	686	4,725
Provided during the year	365	77	–	99	541
Disposals	–	–	–	(10)	(10)
Inter group transfers	–	–	–	(10)	(10)
At 31 December 2010	3,852	629	–	765	5,246
Net book value at 31 December 2010	5,251	1,272	–	170	6,693
Net book value at 1 January 2010	5,277	1,347	–	291	6,915
Net book value at 1 January 2009	5,653	1,430	60	190	7,333

Included in property, plant and equipment is aggregate interest capitalised of £187,000 (2009 £187,000)

Assets classified as held for sale

During 2009 following the insolvency of Oceanteam Power and Umbilical Limited (Oceanteam), the Group enforced a parent company guarantee given in respect of a debt owed by Oceanteam to a subsidiary company In settlement of the debt the group was granted title to a remotely operated vehicle (ROV) formerly owned by Oceanteam's parent At 31 December 2009 the Group had negotiated the sale of the ROV to a third party for £1,750,000 and had received a deposit of £375,000 which would be kept by the Group in the event of the purchaser failing to complete the acquisition The ROV, which is included in the Offshore Oil segment, was valued at £1,375,000 being the remaining amount due from the prospective sale of the asset which also represented the directors' best estimate of the minimum amount recoverable The sale of the ROV was completed in February 2010 when the outstanding proceeds were received No gain or loss has been recognised on the sale of the ROV

Notes to the financial statements

15 Investment in joint ventures

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

In addition, the Group has a 40% equity interest in the ordinary shares of Fender Care Nigeria Limited, Silvertide Inc, Asteria Navigation Inc and FCN Limited The Group has a 50% equity interest in the ordinary shares of Fender Care Benelux BV which operates in Northern Europe and in Fender Care Omega Limited which operates in Asia In 2010 the Group increased its equity interest from 25% to 30% in the ordinary shares of Fender Care Malaysia SDN BHD In 2009 The Group acquired a 50% equity interest in Fendercare Barents AS which operates in Northern Europe These joint ventures, which are referred to as the FCM businesses, are marine services companies operating ship to ship transfers principally in the West Africa region but also in Northern Europe and Asia

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

Further details are included in list of joint ventures and associated undertakings on page 89

The Group's share of the assets, liabilities and trading results of these joint venture entities at 31 December 2010 which are accounted for under the equity accounting method, are as follows

	2010 £000	2009 £000
Current assets	18,258	14,205
Non-current assets	65,106	61,714
Current liabilities	(12,056)	(11,489)
Non-current liabilities	(61,422)	(57,050)
Loans to associate	1,807	1,598
	11,693	8,978
Revenue	21,199	18,343
Cost of sales	(11,316)	(10,573)
Administrative expenses	(2,084)	(1,170)
Profit from operations	7,799	6,600
Finance costs		
Finance income	9	17
Finance costs	(2,872)	(2,340)
Profit before tonnage and income tax	4,936	4,277
Taxation	(256)	(94)
Net profit attributable to equity holders	4,680	4,183
Movement on investment in joint ventures		
At 1 January	8,978	4,547
Acquisitions	20	492
Provision against investment	(28)	-
Loans to associates	-	1,610
Profit for the period	4,680	4,183
Dividends received	(2,804)	(2,286)
Share of fair value gains on cash flow hedges	429	730
Exchange adjustments	418	(298)
At 31 December	11,693	8,978

There are no capital commitments in FRM (2009 £2,375,000) The amount included in the prior year was in relation to vessel related equipment There are no other capital commitments or contingent liabilities in respect of the Group's interests in joint ventures

16 Financial assets

Group

Other investments

	2010 £000	2009 £000
At 1 January and 31 December 2010	1,370	1,370

Company

At 1 January and 31 December 2010	1,368	1,368

Available for sale financial assets represents the following items

1 A 17 2% (2009 17 2%) equity interest in ordinary shares in SEML De Co-operation Transmanche, an unlisted company incorporated in France, whose main activity is a port and ferry operator

2 A 16 7% (2009 20 0%) equity interest in ordinary shares in Cumbria Nuclear Solutions Limited a company established to facilitate the tendering and acquisition of contracts relating to the Group's nuclear decommissioning business The remaining shares are held equally by five (2009 four) other parties representing other decommissioning businesses offering services complementary to those offered by companies within the Group

3 An investment in 800 shares in The Baltic Exchange representing 0 2% of the issued share capital

The investments listed above are in unquoted entities whereby the fair value of the shareholding cannot be readily ascertained or measured reliably The investments are therefore held at initial cost and are subject to an annual impairment review No impairment was required at 31 December 2010

Investments

Company

	Subsidiary undertakings		
	Shares £000	Loans £000	Total £000
Cost			
At 1 January 2009	65,043	90,485	155,528
Exchange adjustments	-	1,283	1,283
Additions/increases	15,490	62,609	78,099
Repayments	-	(55,821)	(55,821)
At 31 December 2009	80,533	98,556	179,089
Exchange adjustments	-	430	430
Additions/increases	512	49,605	50,117
Repayments	-	(30,415)	(30,415)
At 31 December 2010	81,045	118,176	199,221
Amount provided			
At 1 January 2009	445	7,938	8,383
Released	-	(7,459)	(7,459)
At 31 December 2009	445	479	924
Released	-	-	-
At 31 December 2010	445	479	924
Net book value at 31 December 2010	80,600	117,697	198,297
Net book value at 1 January 2010	80,088	98,077	178,165

A list of principal subsidiary undertakings is included on page 88

Notes to the financial statements

17 Business combinations

Year ended 31 December 2010

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

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

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

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

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

The group has identified intangible assets in respect of customer relationships in the various businesses These relate to the major customers of acquired businesses in their main markets Cash flow forecasts have been calculated over five years being the expected period over which the Group will benefit from the relationships which have been inherited with the acquisitions The calculations are based on local management forecasts and have been discounted at a rate of between 20% and 30% reflecting the risk factors associated with these cash flows

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

The provisional fair values of the assets and liabilities acquired as included in the accounts at 31 December 2010 are set out below As explained above, the businesses acquired have been integrated into the Group's existing businesses and are expected to benefit from synergies derived from common marketing and distribution bases Included in goodwill are certain intangible assets including the anticipated impact on these businesses of distributing their products to existing Group customers, that cannot be individually separated and reliably measured due to their nature

Details of the acquisition of GMC are shown below The other acquisitions, which are not individually material, have been aggregated

	Book value £000	GMC Accounting policy adjustments £000	Fair value adjustments £000	Total £000
Customer relationships	-	-	563	563
Property, plant & equipment	1,268	-	-	1,268
Pension schemes	67	(142)	-	(75)
Inventories	922	-	-	922
Trade and other receivable	1,585	-	-	1,585
Cash and short term deposits	784	-	-	784
Trade and other payables	(2,060)	-	(4)	(2,064)
Interest-bearing loans and borrowings	(339)	-	-	(339)
Deferred tax	(91)	-	(118)	(209)
Fair value of net assets acquired	2,136	(142)	441	2,435
Goodwill arising on acquisitions				9,113
				11,548
Consideration				
Cash				11,469
Contingent consideration				79
				11,548

17 Business combinations (continued)

Contingent consideration relates to a performance bonus payable to the vendor in respect of the trading result for the year ended 31 December 2010

	Other acquisitions			
	Book value £000	Accounting policy adjustments £000	Fair value adjustments £000	Total £000
Intangible assets	5	–	(5)	–
Customer relationships	–	–	365	365
Property, plant & equipment	4,905	213	(56)	5,062
Inventories	804	–	(46)	758
Trade and other receivable	1,531	–	(3)	1,528
Cash and short term deposits	223	–	–	223
Trade and other payables	(1,138)	–	(1,049)	(2,187)
Interest-bearing loans and borrowings	(2,123)	(42)	–	(2,165)
Deferred tax	(71)	–	(455)	(526)
Fair value of net assets acquired	4,136	171	(1,249)	3,058
Goodwill arising on acquisitions				3,883
				6,941
Consideration				
Cash				6,941

Trade receivables in the acquired entities comprise gross contracted amounts of £2,772,000 of which £44,000 was deemed to be uncollectable at the acquisition date

Year ended 31 December 2009

On 18 August 2009 the Group acquired the entire issued share capital of MB Faber Limited, (Faber), for a cash consideration of £4,300,000 Further contingent consideration of up to £1,250,000 was payable depending on the performance of Faber in the twelve month period ending 31 December 2009 Faber is involved in the provision of specialist design and engineering services to the nuclear and aerospace industries

The provisional fair values of the assets and liabilities acquired as included in the accounts at 31 December 2009 are set out below The business of Faber has been integrated into the Nuclear cluster and is expected to benefit from synergies derived from common marketing and distribution bases Included in goodwill are certain intangible assets including the anticipated impact on these businesses of distributing their products to existing Group customers, that cannot be individually separated and reliably measured due to their nature

The Group has identified an intangible asset in respect of customer relationships which has been valued at £254,000 This relates to the major customers of Faber in the nuclear and aerospace industries Cash flow forecasts have been calculated over five years being the expected period over which the Group will benefit from the relationships which have been inherited with the acquisition The calculations are based on local management forecasts and have been discounted at a rate of 20% reflecting the risk factors associated with these cash flows

	Book value £000	Accounting policy adjustments £000	Fair value adjustments £000	Total £000
Intangible assets	396	(120)	(276)	–
Customer relationships	–	–	254	254
Property, plant & equipment	174	–	–	174
Inventories	893	–	(577)	316
Trade and other receivable	1,448	–	(34)	1,414
Cash and short term deposits	540	–	–	540
Trade and other payables	(2,194)	–	371	(1,823)
Interest-bearing loans and borrowings	(4)	–	–	(4)
Deferred tax	77	–	(71)	6
Fair value of net assets acquired	1,330	(120)	(333)	877
Goodwill arising on acquisitions				3,679
				4,556
Consideration				
Cash				4,300
Direct costs associated with acquisition				256
				4,556

Notes to the financial statements

17 Business combinations (continued)

Under the terms of the acquisition of Faber contingent consideration was payable by the Group of up to £1,250,000 in respect of the achievement of profit targets for the twelve months ended 31 December 2009 These targets were not met and no provision was made for contingent consideration payable in the goodwill calculations set out above

The provisional figures relating to the Faber acquisition have been adjusted in the year ended 31 December 2010 to reflect additional acquisition expenses of £46,000 and additional fair value adjustments of £249,000 relating to work in progress and accrued liabilities Of these amounts £56,000 was paid in the year ended 31 December 2010

In September 2009 the Group acquired the business and assets of Blastgreen Limited, a business specialising in industrial blast cleaning for a consideration of £27,000 Goodwill of £5,000 arose on the acquisition which has been integrated into the Group's Fendercare business

In January 2009 in accordance with the terms of the acquisition agreement between Strainstall Group and The Railway Engineering Company Limited (TRE), the vendors of TRE received a payment of £388,000 in respect of their achievement of the earnout provisions for 2008 included in the purchase agreement This amount was settled in full by the issue of loan notes by the Company These loan notes were settled in May 2009

Disposals

Year ended 31 December 2010

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

Details of the disposal are set out in the table below

	£000	£000
Cash proceeds received		712
Net assets disposed of		
Property, plant & equipment	17,423	
Trade and other receivable	622	
Trade and other payables	(3,622)	
Loans and other borrowings	(13,754)	
Deferred tax	(253)	
		(416)
Disposal costs		(309)
Foreign exchange gains recycled		(2)
Loss on disposal		(15)

Year ended 31 December 2009

On 20 April 2009 the Group completed the disposal of the business and assets excluding cash and freehold property of Reanco Team AS (Reanco) for an initial consideration of £1,140,000 less working capital adjustments The Reanco business, which was involved in the fabrication of offshore rig living quarters, formed part of the Offshore Oil Services division but is not considered to be part of the core activities of the division The disposal resulted in a profit on sale of £160,000 This includes £195,000 in respect of exchange differences on the historical translation of assets and goodwill disposed of previously reported in the translation reserve As the effective date of the disposal agreed with the acquirers was 31 December 2008, no trading results for Reanco for 2009 are included in the Group's results for that year

Contributions to group results

The overall contribution of the businesses acquired during the period to the Group's profit after tax was £1,098,000 with £8,028,000 being contributed to Group revenue

Had the business combinations taken place at the start of the financial year the contribution to Group profit from continuing operations for the year would have been £169,000 and the revenue from continuing operations would have been £15,230,000

18 Inventories

	Group	
	2010 £000	2009 £000
Work in progress	5,239	4,524
Raw materials and consumables	9,549	5,912
Finished goods	17,795	18,005
	32,583	28,441
Inventories stated at net realisable value	72	99
Amount charged to the income statement in the period in respect of inventory write-downs	22	394
Reversal of inventory write-downs	(7)	(474)

19 Trade and other receivables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Trade receivables	44,088	37,914	2	162
Amounts owed by group undertakings	-	-	4,783	1,566
Amounts owed by joint venture undertakings	794	2,833	42	30
Other non-trade receivables	5,663	509	572	511
Amount due under Singapore sub rescue contract	-	612	-	-
Prepayments and accrued income	10,871	8,892	134	438
	61,416	50,760	5,533	2,707

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

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Other receivables	16	15	-	-
	16	15	-	-

Further information on the credit risks relating to trade and other receivables is given in note 28

20 Cash and cash equivalents

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

Further analysis of the movements on cash and cash equivalents is given in note 27

21 Share capital

Group & Company

Allotted, called up and fully paid

In thousands	25p Ordinary shares		£1 Cumulative preference shares	
	2010	2009	2010	2009
In issue at 1 January	49,823	49,753	100	100
Exercise of share options	40	70	-	-
In issue 31 December	49,863	49,823	100	100

	2010 £000	2009 £000	2010 £000	2009 £000
Issued share capital	12,466	12,456	100	100

Rights attached to shares

The shareholders have the following rights to receive dividends

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

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

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

Neither type of share is redeemable In the event of a winding up order the amount receivable in respect of the cumulative preference shares is limited to their nominal value The ordinary shareholders are entitled to an unlimited share of the surplus after distribution to the cumulative preference shareholders

Notes to the financial statements

21 Share capital (continued)

	2010 £000	2009 £000
Treasury shares		
126,698 (2009 169,068) ordinary shares of 25p	579	768

The Company has established an employee share ownership trust, the James Fisher and Sons Public Limited Company Employee Share Ownership Trust, in connection with share option and long term incentive schemes for employees These shares are classified as Treasury shares in the accounts of the Group and Company The market value of these shares at 31 December 2010 was £639,825 (2009 £752,353) The trust has not waived its right to receive dividends

During the year 40,455 (2009 69,654) ordinary shares with an aggregate nominal value of £10,114 (2009 £17,413) were issued under the Company's Executive Share Option Scheme and Savings Related Share Option Scheme at option prices of between 211p and 352p per share, (2009 between 143p and 352p) giving rise to a total consideration of £134,639 (2009 £161,387)

22 Other reserve movements

Other reserves comprise the following

Translation reserve

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

Hedging reserve

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

23 Trade and other payables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Non current liabilities				
Accruals and deferred income	831	934	-	-
	831	934	-	-
Current liabilities				
Trade payables	23,453	23,928	924	1,472
Amounts owed to group undertakings	-	-	13,476	5,696
Taxation and social security	1,843	710	238	282
Other payables	2,750	1,018	285	227
Accruals and deferred income	17,570	13,979	2,002	513
Contingent consideration	79	5	-	-
	45,695	39,640	16,925	8,190

24 Retirement benefit obligations

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

During 2010 the Group acquired GMC Produckt AS (GMC) This company has two defined benefit schemes These are included in the table below at their fair value based on an actuarial valuation as at 31 December 2010 Further details of the acquisition of GMC are included in note 17

The valuations of the schemes have been updated to 31 December 2010 by qualified actuaries using agreed assumptions as detailed in the table of assumptions included below

The Group's obligations in respect of its pension schemes at 31 December 2010 were as follows

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Shore staff pension scheme	(9,137)	(14,209)	(9,137)	(14,209)
MNOPF pension scheme	(20,662)	(8,152)	(10,610)	(4,201)
GMC pension scheme	13	-	-	-
	(29,786)	(22,361)	(19,747)	(18,410)

24 Retirement benefit obligations (continued)
Details of the schemes operated by the Group are as follows

James Fisher and Sons Public Limited Company Pension Fund for Shore Staff
This scheme is the Group's principal defined benefit scheme 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 These financial statements incorporate the latest full actuarial valuation of the shore staff scheme carried out as at 1 August 2007, rolled forward to 31 December 2010 A new valuation has been carried out at 1 August 2010 but this has not been finalised at the balance sheet date

Following the merger of the scheme with the James Fisher and Sons Public Limited Company Pension and Life assurance scheme for Permanent Dockworkers and The Everard Group Pension Fund on 30 June 2009, the Company agreed with the trustees of the scheme to continue the existing contributions to the deficit recovery plans relating to those schemes which in aggregate amounted to £99,667 per month (2009 £99,667) Contributions will continue at this level in 2011 pending the agreement of the valuation carried out as at 1 August 2010

In 2010 the Company contributed 14 4% (2009 14 4%) of pensionable pay The scheme closed to future accrual on 31 December 2010

In 2005 the Company decided to close the shore staff scheme to existing members from 31 December 2010 At this time members contributing to the scheme can transfer to a stakeholder scheme option During the remaining period the scheme remained open to existing members the rate of growth of pensionable salary reduced to 1 5%

Following the announcement by the Pensions Minister on 8 July 2010 that the government will in future use CPI in place of RPI in determination of pension increases, the Group has obtained legal advice to determine where it can apply the lower CPI measure As a result inflation in line with CPI, rather then RPI, has been applied to the excess revaluation for non-pensioners at 31 December 2010 which has lead to an estimated decrease in the benefit of c £800,000 which has been taken to the statement of comprehensive income as a change in assumptions, with no constructive obligation identified

Merchant Navy Officers Pension Fund
In 2005 the High Court established that former as well as existing employers are liable to make payments in respect of the funding deficit of the MNOPF The Company was informed by the Trustees as to the level of annual payments it will be required to make into the fund over a period of ten years commencing October 2005 representing its share of the deficit disclosed in the initial actuarial valuation carried out as at 31 March 2003 of £193 5 million Since that date further adjustments have been made arising from the acquisition of FT Everard in December 2006, a reallocation of the 2003 deficit arising from an anticipated shortfall of receipts from existing contributors in February 2007 and following the incorporation of the valuation of the scheme as at 31 March 2006 when an additional £151 0 million liability was recognised

As stated in note 29 the Trustees have also indicated that they may make calls for further contributions in the future, if new deficits arise or if other employers liable for contributions are not able to pay their share In April 2010 the Company was notified of the result of the valuation carried out at 31 March 2009 in which an additional £390 0 million was recognised and further payments requested from the Group As a result the total amount paid by the Group in 2010 to the MNOPF was £2,660,000 (2009 £1,873,000)

As a result of the incorporation of the March 2009 deficit the Group will make payments of £3,031,000 in the financial year ended 31 December 2011

Since the Company has no control over the calls for contributions made from the MNOPF, it has determined that the fund should be accounted for as a defined benefit scheme and its liability recognised accordingly The share of the Group and Company in the MNOPF as advised by the Trustees is Group 3 3% (2009 3 1%) and Company 1 7% (2009 1 6%) Disclosures relating to this scheme are based on these allocations The liability recognised represents the discounted value of committed cash flows

Information supplied by the Trustees of the MNOPF has been reviewed by the Company's actuaries The principal assumption in the review is the discount rate on the scheme's liabilities which is 5 75% (2009 5 95%) The disclosures below relate to the Group's share of the assets and liabilities within the MNOPF As no current contributing members within the MNOPF are employed by the Group or any of its subsidiaries, the Group is not liable for future accrual, it is only liable for contributions to correct any deficit

Notes to the financial statements

Actuarial assumptions

The last actuarial valuations performed have been updated to 31 December 2010 by the Company's actuary The scheme's assets are stated at their market values on the respective balance sheet dates The overall expected rates of return on assets reflect the risk free rate of return plus an appropriate risk premium based on the nature of the relevant asset category The principal assumptions used in updating the latest valuations for each of the schemes were

		2010 % pa	2009 % pa
Inflation (long term rate after adjustment for short term fluctuations)		3 4	3 3
Rate of general long term increase in salaries - Shore staff		N/A	1 5
Rate of increase of pensions in payment - Shore staff		3 0-3 4	3 0-3 3
Rate of increase of pensions in payment - GMC		-	N/A
Discount rate for scheme liabilities		5 75	5 95
Expected rates of return on assets			
Equities		8 4	8 4
Fixed interest bonds		4 9	4 9
Gilts/Corporate bonds		4 2/5 8	4 9/5 9
Other assets		4 2	4 9
Post retirement mortality			
shore staff scheme			
Current pensioner at 65	male	20 3	20 7
Current pensioner at 65	female	23 3	23 7
Future pensioner at 65	male	22 1	22 5
Future pensioner at 65	female	25 2	25 8
GMC Produckt			
Current pensioner at 65	male	20 7	N/A
Current pensioner at 65	female	23 7	N/A
Future pensioner at 65	male	22 5	N/A
Future pensioner at 65	female	25 8	N/A

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

Investments

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

The expected rate of return on individual categories of scheme assets are determined by reference to gilt yields The expectation is that the return from equities and corporate bonds will exceed the return from gilts by 4 2% (2009 3 5%) and 1 6% (2009 1 0%) per annum respectively

The assets and liabilities of the schemes at 31 December are

As at 31 December 2010

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

24 Retirement benefit obligations (continued)

As at 31 December 2009

	Group			Company		
	Shore staff £000	MNOPF £000	Total £000	Shore staff £000	MNOPF £000	Total £000
Equities	19,253	3,002	22,255	19,253	1,539	20,792
Gilts/corporate bonds	21,359	48,928	70,287	21,359	25,078	46,437
Property	–	4,318	4,318	–	2,213	2,213
Insurance policies	158	–	158	158	–	158
Cash/net current assets	284	1,620	1,904	284	830	1,114
Fair value of scheme assets	41,054	57,868	98,922	41,054	29,660	70,714
Present value of scheme liabilities	(55,263)	(66,020)	(121,283)	(55,263)	(33,861)	(89,124)
Net pension liabilities recognised in the balance sheet	(14,209)	(8,152)	(22,361)	(14,209)	(4,201)	(18,410)

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

As at 31 December 2010

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

As at 31 December 2009

	Group			Company		
	Shore staff £000	MNOPF £000	Total £000	Shore staff £000	MNOPF £000	Total £000
Current service cost	162	–	162	162	–	162
Past service cost	–	–	–	–	–	–
Curtailment benefits	–	–	–	–	–	–
Interest cost on benefit obligation	2,990	4,191	7,181	2,567	2,150	4,717
Expected return on plan assets	(2,584)	(3,634)	(6,218)	(2,209)	(1,863)	(4,072)
	568	557	1,125	520	287	807
Actual return on plan assets	3,321	N/A		3,548	N/A	

Movements in the benefit liability during the year

Year ended 31 December 2010

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

Notes to the financial statements

Year ended 31 December 2009

	Group			Company		
	Shore staff £000	MNOPF £000	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2009	9,315	9,333	18,648	7,008	4,810	11,818
Expense recognised in the income statement	568	557	1,125	520	287	807
Contributions to the scheme	(1,378)	(1,873)	(3,251)	(1,235)	(965)	(2,200)
Actuarial loss	5,704	135	5,839	5,175	69	5,244
Transfer from Everard on merger with shore staff scheme	–	–	–	2,741	–	2,741
	14,209	8,152	22,361	14,209	4,201	18,410

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

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

Year ended 31 December 2010

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

Year ended 31 December 2009

	Group			Company		
	Shore staff £000	MNOPF £000	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2009	47,963	63,567	111,530	34,406	32,607	67,013
Current service cost	162	–	162	162	–	162
Interest cost	2,990	4,191	7,181	2,567	2,150	4,717
Contributions by scheme participants	63	–	63	63	–	63
Actuarial losses/(gains) on scheme liabilities	6,441	135	6,576	6,514	69	6,583
Net benefits paid out	(2,356)	(1,873)	(4,229)	(2,020)	(965)	(2,985)
Transfer from Everard on merger with shore staff scheme	–	–	–	13,571	–	13,571
	55,263	66,020	121,283	55,263	33,861	89,124

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

Year ended 31 December 2010

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

24 Retirement benefit obligations (continued)
Year ended 31 December 2009

	Group			Company		
	Shore staff £000	MNOPF £000	Total £000	Shore staff £000	MNOPF £000	Total £000
As at 1 January 2009	38,648	54,234	92,882	27,398	27,797	55,195
Expected return on scheme assets	2,584	3,634	6,218	2,209	1,863	4,072
Actuarial losses on scheme assets	737	–	737	1,339	–	1,339
Contributions by employer	1,378	1,873	3,251	1,235	965	2,200
Contributions by scheme participants	63	–	63	63	–	63
Net benefits paid out	(2,356)	(1,873)	(4,229)	(2,020)	(965)	(2,985)
Transfer from Everard on merger with shore staff scheme	–	–	–	10,830	–	10,830
	41,054	57,868	98,922	41,054	29,660	70,714

History of experience gain and losses

Shore staff

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of scheme assets	43,555	41,054	38,648	49,051	33,890
Defined benefit obligation	(52,692)	(55,263)	(47,963)	(57,746)	(41,128)
Deficit in scheme	(9,137)	(14,209)	(9,315)	(8,695)	(7,238)
Experience gains/(losses) on scheme assets	1,484	783	(12,911)	(1,735)	860
Experience gains/(losses) on scheme liabilities	1,752	(437)	(10,486)	101	–

GMC

	2010 £000
Fair value of scheme assets	386
Defined benefit obligation	(373)
Surplus in scheme	13

MNOPF
Group

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of scheme assets	61,311	57,868	54,234	51,260	48,773
Defined benefit obligation	(81,973)	(66,020)	(63,567)	(62,248)	(55,974)
Deficit in scheme	(20,662)	(8,152)	(9,333)	(10,988)	(7,201)

MNOPF
Company

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of scheme assets	31,425	29,660	27,797	26,273	24,998
Defined benefit obligation	(42,035)	(33,861)	(32,607)	(31,935)	(28,737)
Deficit in scheme	(10,610)	(4,201)	(4,810)	(5,662)	(3,739)

The cumulative amount of actuarial gains and losses relating to all schemes recognised since 1 January 2004 in the Group and Company statement of comprehensive income is a loss of £30 5m (2009 £20 8m) The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £12 8m in the Group and Company is attributable to actuarial gains and losses since inception of those pension schemes Consequently the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group and Company statements of comprehensive income before January 2004

Defined contribution schemes operated by the Company
The Company also operates defined contribution arrangements for employees who are not members of the shore staff fund The pension charge for the year for these arrangements is equal to the contributions paid and was £532,000 (2009 £479,000)

Defined contribution schemes operated by or on behalf of other Group entities
Other defined contribution schemes exist in the Group. The total charge for the year for these schemes amounted to £1,163,000 (2009 £986,000)

Notes to the financial statements

25 Share based compensation

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

Executive share option scheme 1995 ("1995 ESOS")
Share options up to a maximum limit of four times base salary may be awarded to board directors and senior executives The exercise price is determined at the date of grant and may be no lower than the market price on the date of grant The options vest if the increase in the Company's diluted earnings per ordinary share over a continuous period of three years exceeds inflation and is at least 9% A failure to meet this target increase during the performance period causes the options to lapse The contractual life of each option granted is ten years There are no cash settlement alternatives The last award made under this scheme was on 10 March 2003

Executive share option scheme 2005 ("2005 ESOS")
Share options up to a maximum limit 100% of base salary may be awarded to board directors and senior executives The exercise price is equal to the market value at the date of grant The options vest depending on the Company's total shareholder return relative to the constituents of the FTSE Small Cap index (excluding investment trusts) If performance over a three year period is in the upper quartile, 100% of the options will vest If performance at the bottom of the median, (second) quartile 40% will vest The amount vesting will decrease on a straight line basis between the median and upper quartile If performance is below the median quartile no shares will vest A failure to meet these conditions during the performance period causes the options to lapse The contractual life of each option granted is ten years There are no cash settlement alternatives

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

Awards were made under this scheme on 31 March 2010

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

Awards were made under the all-employee Savings related Share Option Scheme on 23 April 2010

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

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

Awards were made under this scheme on 31 March 2010

The expense recognised for share based payments relating to equity settled share based payments transactions is £1,309,000 (2009 £438,000)

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 662,522 (2009 477,764) 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

25 Share based compensation (continued)

Group

	2010 No	WAEP	2009 No	WAEP	"Nil" Options 2010 No	2009 No
Outstanding at 1 January	1,138,154	£4 42	975,527	£4 42	477,764	241,488
Granted during the year	336,761	£4 17	257,090	£3 54	281,355	303,018
Forfeited during the year	(146,980)	£5 22	(24,809)	£5 52	(56,006)	-
Exercised	(40,820)	£3 33+	(69,654)	£2 32*	(71,811)	(66,742)
Expired during the year	(20,867)	£5 84	-	-	-	-
Outstanding at 31 December	1,266,248	£4 19	1,138,154	£4 32	631,302	477,764
Exercisable at 31 December	484,054	£3 53	434,893	£3 12	-	-

\+ The weighted average share price at the date of exercise for the options exercised was £4 33

* The weighted average share price at the date of exercise for the options exercised was £3 84

For the share options outstanding at 31 December 2010, the weighted average remaining contractual life is 5 years and 8 months (2009 6 years and 5 months)

The weighted average fair value of options granted during the year was £2 47 (2009 £2 54) The range of exercise prices for options outstanding at the end of the year was £1 42 - £6 73 (2009 £1 42 - £6 73)

Company

	2010 No	WAEP	2009 No	WAEP	"Nil" Options 2010 No	2009 No
Outstanding at 1 January	842,406	£4 02	676,198	£4 08	279,997	173,180
Granted during the year	247,137	£4 12	217,620	£3 54	175,021	162,111
Forfeited during the year	(97,336)	£4 92	(9,487)	£5 62	-	-
Exercised	(13,706)	£3 39+	(41,925)	£2 21*	(62,583)	(55,294)
Expired during the year	(7,632)	£5 84	-	-	(56,006)	-
Outstanding at 31 December	970,869	£3 95	842,406	£4 02	336,429	279,997
Exercisable at 31 December	440,504	£3 37	388,892	£3 02	-	-

\+ The weighted average share price at the date of exercise for the options exercised was £4 19

* The weighted average share price at the date of exercise for the options exercised was £3 78

For the share options outstanding at 31 December 2010, the weighted average remaining contractual life is 6 years and 5 months (2009 7 years and 1 month)

The weighted average fair value of options granted during the year was £2 37 (2009 £2 27) The range of exercise prices for options outstanding at the end of the year was £1 42 - £6 73 (2009 £1 42 - £6 73)

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

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

	2010	2009
LTIP		
Dividend yield (%)	3 00%	2 00%
Expected life of option (years)	3	3
Share price at date of grant	£4 18	£3 95
2005 ESOS		
Dividend yield (%)	3 00%	2 00%
Expected life of option (years)	6 5	6 5
Share price at date of grant	£4 31	£3 95
Expected share price volatility (%)	40%	40%
SAYE		
23 April 2010		
Dividend yield (%)	3 00%	n/a
Expected life of option (years)	3 26-7 26	n/a
Share price at date of grant	£4 27	n/a
Expected share price volatility (%)	40%	n/a
Risk free interest rate (%)	2 13-3 69%	n/a

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

Notes to the financial statements

26 Loans and borrowings

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Non current liabilities				
Bank loans	110,776	109,401	101,495	98,543
Finance leases	797	89	–	–
	111,573	109,490	101,495	98,543
Current liabilities				
Overdrafts	–	–	6,606	–
Bank loans	4,823	10,421	4,496	7,321
Finance leases	423	74	–	–
	5,246	10,495	11,102	7,321

The terms and conditions of outstanding loans were as follows

					Group		Company	
	Note	currency~	Interest rate*	Year of maturity	2010 £000	2009 £000	2010 £000	2009 £000
Unsecured bank loan			LIBOR +2 5%	2013	16,400	16,500	16,400	16,500
Unsecured bank loan				2012	5,786	7,071	5,786	7,071
Unsecured bank loan			LIBOR +2 5%	2011	–	12,500	–	12,500
Unsecured bank loan			LIBOR +2 75%	2013	20,000	19,215	20,000	19,215
Secured bank loan				2010	–	2,000	–	2,000
Unsecured bank loan				2012	7,500	11,250	7,500	11,250
Secured bank loan	1	usd	FED +1%	2017	–	5,165	–	5,165
Secured bank loan				2010	–	500	–	–
Secured bank loan			LIBOR +0 625%	2010	–	552	–	–
Secured bank loan	2	nok	NIBOR +1%	2039	–	9,811	–	–
Unsecured bank loan	3	nok	NIBOR +1 25%	2012	3,134	1,113	–	–
Secured bank loan	4	nok	NIBOR +1%	2014	–	230	–	–
Unsecured bank loan			LIBOR +2 5%	2014	22,900	15,000	22,900	15,000
Unsecured bank loan		nok	NIBOR +2%	2018	6,484	–	–	–
Unsecured bank loan			LIBOR +1 3%	2012	5,850	5,800	5,850	5,800
Unsecured bank loan		usd	FED +2 5%	2014	4,470	–	4,470	–
Unsecured bank loan		usd	FED +1 3%	2012	4,314	3,282	4,314	3,282
Unsecured bank loan			LIBOR +2 5%	2012	20,000	8,500	20,000	8,500
US Dollar Letter of credit facilities		usd	FED +1%	+	–	1,752	–	–
Facility fees					(1,239)	(419)	(1,229)	(419)
					115,599	119,822	105,991	105,864
Less current instalments due on bank loans					(4,823)	(10,421)	(4,496)	(7,321)
					110,776	109,401	101,495	98,543

~ GBP unless stated
* Interest calculated at LIBOR +1% unless stated

1 This loan was repaid following the disposal of mt Supremity in May 2010
2 This loan was repaid on disposal of Scan Tech Eiendom AS in June 2010
3 £815,000 is payable by instalment and carries interest at 1 25% above NIBOR and £2,319,000 is repayable on 30 April 2012 and carries interest at 1 75% over NIBOR
4 This loan was repaid following the disposal of the former Reanco property in June 2010
\+ All letters of credit have a maturity of less than six months

All secured loans were repaid during 2010 As at 31 December 2009 secured bank loans were secured over property, plant and equipment with a carrying value of £56,069,000

26 Loans and borrowings (continued)

Obligations under finance leases and hire purchase contracts

Group

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

	Group 2010 £000	2009 £000
Future minimum payments due		
Within one year	490	81
Within two to five years	856	95
	1,346	176
Less finance charges allocated to future periods	(126)	(13)
	1,220	163
Present value of minimum lease payments is analysed as follows		
Within one year	423	74
Within two to five years	797	89
	1,220	163

Company

The company does not have any outstanding finance lease commitments

27 Reconciliation of net debt

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

Group	1 January 2009 £000	Acquisitions £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2009 £000
Cash in hand and at bank	16,859	–	4,524	–	(820)	20,563
Cash and cash equivalents	16,859	–	4,524	–	(820)	20,563
Debt due after 1 year	(89,255)	–	–	(20,390)	144	(109,501)
Debt due within 1 year	(18,881)	–	(12,123)	20,566	17	(10,421)
	(108,136)	–	(12,123)	176	161	(119,922)
Finance leases	(228)	(4)	69	–	–	(163)
Net debt	(91,505)	(4)	(7,530)	176	(659)	(99,522)

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

Company	1 January 2009 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2009 £000
Cash in hand and at bank	169	207	–	–	376
Cash and cash equivalents	169	207	–	–	376
Debt due after 1 year	(81,353)	–	(17,434)	144	(98,643)
Debt due within 1 year	(15,182)	(9,766)	17,610	17	(7,321)
	(96,535)	(9,766)	176	161	(105,964)
Net debt	(96,366)	(9,559)	176	161	(105,588)

Notes to the financial statements

27 Reconciliation of net debt (continued)

Company	1 January 2009 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2009 £000
Cash in hand and at bank	376	(342)	-	-	34
Short term deposits	-	-	-	-	-
Cash and cash equivalents	376	(342)	-	-	34
Debt due after 1 year	(98,643)	-	(2,724)	(228)	(101,595)
Debt due within 1 year	(7,321)	(7,384)	3,533	70	(11,102)
	(105,964)	(7,384)	809	(158)	(112,697)
Net debt	(105,588)	(7,726)	809	(158)	(112,663)

28 Financial instruments

Capital management

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

The Group is required to maintain covenant ratios in respect of net debt to earnings before interest and depreciation and amortisation (EBITDA), net interest costs to earnings before interest (EBIT) and EBIT and operating lease costs to net interest and operating lease costs The Group has met its covenant ratios for the year ended 31 December 2010 The directors have prepared forecasts of the cash flows for the subsequent eighteen month period which indicate that the Group will meet its covenant requirements for this period

The Group has also entered into a borrowing covenant which restricts the total amount that it is able to borrow under revolving credit facilities to a maximum of £141,700,000

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

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

	2010 £000	2009 £000
Interest bearing loans and borrowings	116,819	119,985
Less cash and cash equivalents	(16,590)	(20,563)
Net debt	100,229	99,422
Equity attributable to the equity holders of the parent	117,765	107,078
Gearing ratio	85 1%	92 9%

The reasons for the change in gearing over the previous year are discussed in the Chairman's Statement on pages 4 to 8

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

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

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

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

28 Financial instruments (continued)

Credit risk

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

These arise principally from the Group's receivables from customers

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

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Available for sale financial assets	1,370	1,370	1,368	1,368
Receivables	44,882	45,352	840	1,110
Cash and cash equivalents	16,590	20,563	34	376
Interest rate swaps used for hedging				
Assets	-	160	-	101
Forward exchange contracts used for hedging				
Assets	3	10	3	10
	62,845	67,455	2,245	2,965

There are no significant concentrations of credit risk within the Group The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the industry and country in which each customer operates The Group has a number of large customers including Government agencies in the UK and overseas, major oil companies and other multinational corporations The ten largest customers of the Group accounted for approximately 35% of Group revenue (2009 35%) No single customer accounted for more than 7% (2009 7%) of revenue

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

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

	Group				Company			
	2010		2009		2010		2009	
	Gross £000	allowance £000	Gross £000	allowance £000	Gross £000	allowance £000	Gross £000	allowance £000
Not past due	35,674	-	28,182	-	2	-	121	-
Past due	9,510	1,096	10,592	860	-	-	41	-
	45,184	1,096	38,774	860	2	-	162	-

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

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Balance at 1 January 2010	860	1,284	-	-
Exchange differences	39	11	-	-
Acquired with subsidiaries	44	-	-	-
Additional provisions	334	457	-	-
Recoveries	(163)	(685)	-	-
Write offs	(18)	(207)	-	-
	1,096	860	-	-

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

No other receivables are considered to be past due

Notes to the financial statements

Liquidity risk

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

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

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

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

At 31 December 2010, the Group has available £26 1m of undrawn committed bank facilities (2009 £23 6m)

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

31 December 2010

Group	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1–2 years £000	2–5 years £000	More than 5 years £000
Non-derivative financial liabilities						
Unsecured bank loans	115,599	(124,168)	(8,593)	(44,276)	(68,446)	(2,853)
Finance lease liabilities	1,220	(1,346)	(490)	(436)	(320)	(100)
Trade and other payables	23,532	(23,532)	(23,532)	–	–	–
Derivative financial liabilities						
Interest rate swaps used for hedging*	(1,029)	(2,833)	(2,833)	–	–	–
Forward exchange contracts used for hedging	–	–	–	–	–	–
Outflow	182	8,993	8,993	–	–	–
Inflow	(3)	–	–	–	–	–
	139,501	(142,886)	(26,455)	(44,712)	(68,766)	(2,953)

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

31 December 2009

Group	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1–2 years £000	2–5 years £000	More than 5 years £000
Non-derivative financial liabilities						
Secured bank loans	18,258	(26,529)	(4,148)	(1,058)	(3,903)	(17,420)
Unsecured bank loans	101,564	(108,517)	(9,827)	(34,909)	(63,781)	–
Finance lease liabilities	163	(176)	(81)	(95)	–	–
Trade and other payables	40,222	(40,222)	(40,222)	–	–	–
Derivative financial liabilities						
Interest rate swaps used for hedging*	44	(44)	(44)	–	–	–
Forward exchange contracts used for hedging						
Outflow	26	(1,804)	(1,804)	–	–	–
Inflow	(10)	470	470	–	–	–
	160,267	(176,822)	(55,656)	(36,062)	(67,684)	(17,420)

28 Financial instruments (continued)

31 December 2010

Company	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
Non-derivative financial liabilities						
Unsecured bank loans	112,597	(119,638)	(14,430)	(40,598)	(64,610)	-
Trade and other payables	16,882	(16,882)	(16,882)	-	-	-
Derivative financial liabilities						
Interest rate swaps used for hedging*	(892)	(2,450)	(2,450)	-	-	-
Forward exchange contracts used for hedging						
Outflow	182	8,993	8,993	-	-	-
Inflow	(3)	-	-	-	-	-
	128,766	(129,977)	(24,769)	(40,598)	(64,610)	-

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

31 December 2009

Company	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
Non-derivative financial liabilities						
Secured bank loans	7,165	(7,494)	(2,552)	(531)	(1,555)	(2,856)
Unsecured bank loans	98,699	(105,518)	(7,752)	(34,618)	(63,148)	-
Trade and other payables	8,049	(8,049)	(8,049)	-	-	-
Derivative financial liabilities						
Interest rate swaps used for hedging*	103	(103)	(103)	-	-	-
Forward exchange contracts used for hedging						
Outflow	26	(1,804)	(1,804)	-	-	-
Inflow	(10)	470	470	-	-	-
	114,032	(122,498)	(19,790)	(35,149)	(64,703)	(2,856)

Foreign exchange risk

The Group incurs foreign currency risks on sales, purchases and borrowings denominated in currencies other than Sterling The Group's principal transactional exposures are to the US Dollar and Euro The principal exposures arising from its net investment overseas is to the Norwegian Kroner As explained in the Review of Operations on page 11, the Group's objectives in managing its structural currency exposures are to maintain a low cost of borrowings and to minimise the risk of adverse currency movements to its cash flow

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

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

	31 December 2010				31 December 2009			
	USD 000	euro 000	nok 000	SGD 000	USD 000	euro 000	nok 000	SGD 000
Trade receivables	21,336	2,124	41,490	3,009	15,772	1,980	44,651	2,403
Cash at bank and in hand	7,682	1,438	15,074	2,823	11,410	976	50,931	581
Unsecured bank loans	(13,755)	-	(87,427)	-	(5,300)	-	(10,380)	-
Secured bank loans	-	-	-	-	(8,341)	-	(93,673)	-
Letters of credit	-	-	-	-	(2,829)	-	-	-
Trade payables	(5,339)	(1,588)	(14,435)	(954)	(4,494)	(1,544)	(31,021)	(1,928)
Gross balance sheet exposure	9,924	1,974	(45,298)	4,878	6,218	1,412	(39,492)	1,056
Forecast sales	6,871	1,309	18,193	2,304	5,595	405	28,442	-
Forecast purchases	(900)	(779)	(2,874)	(216)	(973)	(668)	(3,855)	-
Gross exposure	15,895	2,504	(29,979)	6,966	10,840	1,149	(14,905)	1,056
Forward exchange contracts	(14,400)	(75)	-	-	-	1,483	-	-
Net exposure	1,495	2,429	(29,979)	6,966	10,840	2,632	(14,905)	1,056

Notes to the financial statements

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

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

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

	2010		2009	
	Equity £000	Profit or loss £000	Equity £000	Profit or loss £000
US Dollar	(142)	(2,615)	(107)	(1,451)
Norwegian Kroner	(470)	(175)	(369)	(288)
Euro	132	(254)	(174)	286
UAE Dirham	(179)	(81)	(203)	(109)
Singapore Dollar	(499)	(419)	(158)	(203)
Australian Dollar	22	(67)	-	-
Malaysian Ringgit	(42)	(5)	(24)	(9)
	(1,178)	(3,616)	(1,035)	(1,774)

Interest rate risk

The Group uses derivative financial instruments to hedge exposure to fluctuations in interest rates The interest rate profile of the Group's financial assets and liabilities are set out in the table below The Group has used interest rate swaps to convert interest rates on certain borrowings from floating rates to fixed rates

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Fixed rate instruments				
Financial liabilities	(100)	(100)	(100)	(100)
Variable rate instruments				
Financial assets	16,590	20,563	376	376
Financial liabilities	(115,599)	(119,822)	(112,597)	(105,864)
	(99,009)	(99,259)	(112,221)	(105,488)

The Group uses derivative financial instruments to hedge exposure to fluctuations in interest rates The interest rate profile of the Group's financial assets and liabilities are set out in the table below The Group uses interest rate swaps to convert interest rates on certain borrowings from floating rates to fixed rates Details of the interest rate swaps which were entered into during 2009 are shown in the table below Where hedging criteria are met the Group classifies interest rate swaps as cash flow hedges and states them at fair value Over the longer term permanent changes in interest rates would have an impact on consolidated earnings At 31 December 2010 a general increase of one percentage point would have had the following impact

	2010		2009	
	Equity £000	Profit or loss £000	Equity £000	Profit or loss £000
Variable rate instruments	-	(990)	-	(993)
Interest rate swap	-	388	-	386
Cash flow sensitivity	-	(602)	-	(607)

28 Financial instruments (continued)

Fair values

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

	Note	2010 Carrying value £000	2010 Fair value £000	2009 Carrying value £000	2009 Fair value £000
Group					
Assets carried at fair value					
Forward exchange contracts – cash flow hedges		3	3	10	10
Interest rate swaps – cash flow hedges		–	–	160	160
		3	3	170	170
Assets carried at amortised cost					
Receivables	19	44,882	44,882	45,352	45,352
Cash and cash equivalents	20	16,590	16,590	20,563	20,563
Other investments	16	1,370	1,370	1,370	1,370
		62,842	62,842	67,285	67,285
Liabilities carried at fair value					
Forward exchange contracts – cash flow hedges		(182)	(182)	(26)	(26)
Interest rate swaps – cash flow hedges		(1,029)	(1,029)	(204)	(204)
		(1,211)	(1,211)	(230)	(230)
Liabilities carried at amortised cost					
Secured bank loans	26	–	–	(18,258)	(19,314)
Unsecured bank loans	26	(115,599)	(112,671)	(101,564)	(98,724)
Trade and other payables	23	(23,532)	(23,532)	(40,222)	(40,222)
Finance leases	26	(1,220)	(1,262)	(163)	(165)
Preference shares	21	(100)	(100)	(100)	(100)
		(140,451)	(137,565)	(160,307)	(158,525)
Company					
Assets carried at fair value					
Forward exchange contracts – cash flow hedges		3	3	10	10
Interest rate swaps – cash flow hedges		–	–	101	101
		3	3	111	111
Assets carried at amortised cost					
Receivables	19	840	840	1,110	1,110
Cash and cash equivalents	20	34	34	376	376
Other investments	16	1,368	1,368	1,368	1,368
		2,242	2,242	2,854	2,854
Liabilities carried at fair value					
Forward exchange contracts – cash flow hedges		(182)	(182)	(26)	(26)
Interest rate swaps – cash flow hedges		(892)	(892)	(204)	(204)
		(1,074)	(1,074)	(230)	(230)
Liabilities carried at amortised cost					
Overdrafts	26	(6,606)	(6,606)	–	–
Secured bank loans	26	–	–	(7,165)	(6,563)
Unsecured bank loans	26	(105,991)	(104,219)	(98,699)	(96,008)
Trade and other payables	23	(16,882)	(16,882)	(8,049)	(8,049)
Preference shares	21	(100)	(100)	(100)	(100)
		(129,579)	(127,807)	(114,013)	(110,720)

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

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

Notes to the financial statements

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

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

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

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

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

Group

	Level 1		Level 2		Level 3		Total	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Derivative financial assets								
Forward exchange contracts - cash flow hedges	-	-	3	10	-	-	3	10
Interest rate swaps - cash flow hedges	-	-	-	160	-	-	-	160
	-	-	3	170	-	-	3	170
Derivative financial liabilities								
Forward exchange contracts - cash flow hedges	-	-	(182)	(26)	-	-	(182)	(26)
Interest rate swaps - cash flow hedges	-	-	(1,029)	(204)	-	-	(1,029)	(204)
	-	-	(1,211)	(230)	-	-	(1,211)	(230)
	-	-	(1,208)	(60)	-	-	(1,208)	(60)

Company

	Level 1		Level 2		Level 3		Total	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Derivative financial assets								
Forward exchange contracts - cash flow hedges	-	-	3	10	-	-	3	10
Interest rate swaps - cash flow hedges	-	-	-	101	-	-	-	101
	-	-	3	111	-	-	3	111
Derivative financial liabilities								
Forward exchange contracts - cash flow hedges	-	-	(182)	(26)	-	-	(182)	(26)
Interest rate swaps - cash flow hedges	-	-	(892)	(204)	-	-	(892)	(204)
	-	-	(1,074)	(230)	-	-	(1,074)	(230)
	-	-	(1,071)	(119)	-	-	(1,071)	(119)

There have been no transfers between categories during the period

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

Hedges - Group and Company
Fair value hedges
At 31 December 2010 and 31 December 2009 the Group did not have any outstanding fair value hedges

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

	Maturity	Exchange rate	Fair value £000
Buy			
€ 74,920	30 April 2011	1 2174	3
Sell			
US$14,400,000	January - December 2011	1 5903	(156)

28 Financial instruments (continued)

At 31 December 2009 the Group held forward contracts designated to hedge future commitments in Euro The terms of the contracts were as follows

The Group held forward contracts to hedge expected future income in relation to the future income receivables of a subsidiary

	Maturity	Exchange rate	Fair value £000
Sell			
€ 258,777	30 April 2010	1 1041	5
€ 258,777	30 July 2010	1 1053	5
			10

The Group also held forward contracts to hedge expected future payments in relation to future liabilities of a subsidiary

	Maturity	Exchange rate	Fair value £000
Buy			
€ 70,000	26 February 2010	1 1066	(1)
€ 1,500,784	15 March 2010	1 1087	(20)
€ 285,000	30 April 2010	1 1064	(4)
€ 145,000	30 April 2010	1 1227	(1)
			(26)

The foreign exchange contracts have been negotiated to match the expected profile of receipts At 31 December 2010 these hedges were assessed to be highly effective and an unrealised loss of £1,161,000 (2009 £40,000) relating to the hedging instruments is included in equity

Interest rate swaps

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

Amount	Maturity	Fixed rate %	Fair value 2010 £000	Fair value 2009 £000
£6,750,000	30 January 2012	2 40	(106)	(87)
£6,750,000	30 January 2012	2 36	(124)	(82)
£1,250,000	30 January 2014	2 91	(41)	(2)
£4,000,000	30 January 2014	2 92	(156)	(8)
£5,250,000	30 January 2014	2 99	(216)	(25)
£3,000,000	30 January 2019	3 49	(100)	77
£3,000,000	30 January 2019	3 71	(149)	24
£30,000,000			(892)	(103)
80,000,000 NOK	30 June 2014	3 86	(137)	59

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 (2009 NOK 160,000,000) The net investment arising on these acquisitions is treated as being an asset of the Company and is denominated in sterling This acts as a hedge against movements in the net investment in these businesses

Derivative financial instruments not qualifying as hedges

The Group held the following derivative financial instruments which did not qualify for hedge accounting at 31 December 2010

Notes to the financial statements

28 Financial instruments (continued)

	Maturity	Fixed rate %	Fair value 2010 £000
Sell			
SEK 2,000,000	10 February 2011	10 9505	(9)
SEK 3,779,541	1 April 2011	10 4184	(17)
			(26)

29 Commitments and contingencies

Operating leases

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

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Within one year	14,195	14,344	164	270
After one year but not more than five years	43,723	43,085	216	392
After five years	16,925	13,087	92	114
	74,843	70,516	472	776

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	
	2010 £000	2009 £000	2010 £000	2009 £000
	616	6,333	11	-

Capital commitments in 2009 included £4,047,000 in respect of the purchase of buildings in Stavanger There are no significant individual items in 2010

Contingent liabilities

(a) In the ordinary course of the Company's business, counter indemnities have been given to bankers in respect of custom bonds, foreign exchange commitments and bank guarantees

(b) A Group VAT registration is operated by the Company and 27 group undertakings in respect of which the company is jointly and severally liable for all amounts due to HM Revenue & Customs under the arrangement

(c) The Group has issued a guarantee and indemnity to HSBC Bank plc in respect of the loan facility of Foreland Shipping Limited, the total guarantee at 31 December 2010 was £2,117,000 (2009 £2,268,000) Further details of this joint venture are included in note 15

(d) A guarantee has been issued by the Group to HSBC Bank plc in respect of the obligations of a subsidiary, James Fisher Everard Limited, in relation to bareboat charters relating to the m t Chartsman and m t Steersman The total guarantee at 31 December 2010 was £734,000 (2009 £712,000)

(e) A guarantee has been issued by the Group to charter parties in respect of obligations of a subsidiary, James Fisher Everard Limited, in respect of charters relating to eight vessels The charters expire between 2012 and 2016

(f) Subsidiaries of the Group have issued performance and payment guarantees to third parties with a total value of £1,745,000 (2009 £2,277,000)

(g) As referred to in note 24, the Trustees of the Merchant Navy Officers Pension Fund (MNOPF) have indicated that under the terms of the High Court ruling in 2005 which established the liability of past employers to fund the deficit on the Post 1978 section of the MNOPF, they may make calls for further contributions in the future if additional actuarial deficits arise or if other employers liable for contributions are not able to pay their share The Group remains jointly and severally liable for any future shortfall in recovery of the deficit

(h) The Group has given an unlimited guarantee to the Singapore Navy in respect of the performance of First Response Marine Pte Ltd, its Singapore joint venture, in relation to the provision of submarine rescue and related activities Further details of this joint venture are given in note 15

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

30 Related party transactions

Compensation of key management to the Group

	2010 £000	2009 £000
Short-term employee benefits	1,790	1,335
Post-employment benefits	100	310
Share based compensation	921	361
	2,811	2,006

Key management personnel comprise the Board of directors of the Company Details of the directors' interests in the Executive Share Option Schemes, Long Term Incentive Plan and the Savings Related Share Option Schemes are included in the Directors' Remuneration Report on pages 22 to 28

Transactions with related parties

Company

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

The amount outstanding from subsidiary undertakings to the Company at 31 December 2010 was £122,959,000 (2009 £98,871,000) Amounts owed to subsidiary undertakings by the company at 31 December 2010 totalled £13,476,000 (2009 £5,703,000)

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2009 £nil)

Foreland Shipping Limited

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

FCM businesses

As set out in note 15 the Group has interests of between 30% and 50% in several joint ventures providing ship to ship transfer services in West Africa, Northern Europe and Asia through its wholly owned subsidiary, Fender Care Marine Services Limited

Everard Insurance Brokers

FT Everard and its subsidiaries purchased insurance services from Everard Insurance Brokers Limited, (EIB) EIB is a wholly owned subsidiary of Alchymist Trading Company Limited, (Alchymist) a company controlled by F M Everard and members of his family Everard also provides accommodation and management services to Alchymist and EIB The Group continued to receive insurance services from EIB in respect of claims prior to the date of acquisition, and to provide accommodation and management services, including the provision of payroll management services No amounts are due to/from Alchymist

First Response Marine

The Group holds through its James Fisher Marine Services subsidiary (JFMS) a 50% interest in First Response Marine Pte Ltd (FRM) FRM provides submarine rescue services to the Singapore government under a 20 year service contract which commenced in March 2009 Included in the contract is the provision of a submarine rescue vessel acquired by FRM from JFMS FRM subcontracts part of the provision of the submarine rescue service to JFMS and its subsidiary James Fisher Singapore Pte Ltd JFMS has also provided a loan to FRM of SG$3,624,000 (£1,806,000) to support its day to day operations The loan which is included in the Group balance sheet as part of the investment in joint ventures is interest bearing and is repayable at the end of the project Interest charged in the period amounted to £111,000 (2009 £50,000) Dividends received or receivable during the period included in the results of the Group are £438,000 (2009 £198,000)

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

		Services to related parties £000	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Foreland Shipping Limited	2010	491	–	–	42	–
	2009	401	–	–	30	–
FCM businesses	2010	–	1,904	–	361	222
	2009	–	1,578	–	597	–
Everard Insurance Brokers	2010	93	–	1	7	–
	2009	110	–	16	29	–
First Response Marine	2010	2,677	–	26	614	–
	2009	1,292	19,715	–	2,206	–

Notes to the financial statements

30 Related party transactions (continued)

No provision for bad debts has been made in respect of these balances (2009 £nil) No bad debts arose during the period relating to these transactions (2009 £nil)

F M Everard is a non executive director of the Company He was also chairman of Cattedown Wharves Limited, a wholly owned subsidiary, until 1 January 2010 In 2009 he received an annual remuneration of £18,250 which ceased on his resignation

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

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

Group Financial Record

For the five years ended 31 December

	2010 £'000	2009 £'000	2008 £'000	2007 £'000	2006 £'000
Intangible assets	89,274	73,438	70,069	67,266	55,874
Property, plant and equipment	104,683	111,086	102,018	92,311	103,620
Financial assets	13,063	10,348	5,917	5,587	4,945
Other assets	116,778	99,934	101,219	71,515	53,805
Assets classified as held for sale	-	1,375	-	1,172	1,518
Total assets employed	323,798	296,181	279,223	237,851	219,762
Financed by					
Called up share capital	12,466	12,456	12,438	12,428	12,377
Other reserves	105,299	94,622	82,612	74,553	68,233
Equity shareholders' interest	117,765	107,078	95,050	86,981	80,610
Non controlling interests	-	-	-	128	71
Cumulative preference shares	100	100	100	100	100
Financial liabilities	116,819	119,985	108,264	91,069	83,593
Other liabilities	89,114	69,018	75,809	59,573	55,388
Total funds invested	323,798	296,181	279,223	237,851	219,762
Revenue, profit and reserves					
Revenue					
Marine Support services*	196,492	178,471	152,819	106,114	72,148
Marine Oil	71,857	71,123	80,759	75,932	45,937
	268,349	249,594	233,578	182,046	118,085
Underlying operating profit					
Marine Support services*	33,773	32,189	26,784	17,829	14,558
Marine Oil services	680	(1,593)	4,723	8,605	5,819
Common costs	(3,338)	(2,663)	(2,728)	(2,584)	(2,191)
	31,115	27,933	28,779	23,850	18,186
Adjusting items#	(1,187)	(33)	685	(89)	(1,769)
Net finance costs	(3,987)	(3,158)	(5,897)	(4,661)	(2,270)
Underlying profit before tax on continuing operations	27,128	24,775	22,882	19,189	15,916
Adjusting items#	(1,187)	(33)	685	(89)	(1,769)
Profit before tax on continuing operations	25,941	24,742	23,567	19,100	14,147
Taxation (including tonnage tax)	(6,109)	(6,318)	(5,277)	(2,959)	(2,411)
Profit after taxation	19,832	18,424	18,290	16,141	11,736
Discontinued operations	-	-	-	(6)	2,041
Non-controlling interests	-	-	(26)	(57)	3
Transferred to reserves	19,832	18,424	18,264	16,078	13,780

	pence	pence	pence	pence	pence
Continuing operations					
Basic earnings per ordinary share	39 9	37 1	36 9	32 7	23 9
Diluted earnings per ordinary share	39 7	37 0	36 7	32 4	23 7
Underlying basic earnings per ordinary share	42 2	37 1	35 5	32 9	28 3
Underlying diluted earnings per ordinary share	41 9	37 0	35 4	32 6	28 1

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

\# Adjusting items comprise acquisition expenses and amortisation of intangibles for 2010 and 2009 For previous periods they comprise items previously described as separately disclosed items in order to provide a better understanding of the underlying performance of the Group

Subsidiary Undertakings

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

Name of company (Incorporated in Great Britain unless otherwise stated)	Principal activities	Place of business
Buchan Technical Services Limited	Engineering	Aberdeen
Cattedown Wharves Limited	Wharfage & Warehousing*	Plymouth
Everard (Guernsey) Limited (Incorporated in Guernsey)	Crewing Agents*	Guernsey
FenderCare Australia Pty Ltd (Incorporated in Australia)	Marine Services*	Australia
Fender Care Limited	Marine Services*	Seething
Fender Care do Brasil LTDA (90%) (Incorporated in Brazil)	Marine Services*	Brazil
Fender Care Marine Limited	Marine Services*	Seething
Fender Care Marine (Asia Pacific) Pte Ltd (Incorporated in Singapore)	Marine Services*	Seething
Fender Care Marine Products (Asia Pacific) Pte Ltd (Incorporated in Singapore)	Marine Services*	Seething
Fender Care Marine Services Group Limited	Marine Services*	Seething
Fender Care Marine Solutions Limited	Marine Services*	Seething
F T Everard Shipping Limited	Ship Owning*	Barrow
GMC Produkt AS (Incorporated in Norway)	Engineering*	Norway
James Fisher Australia Pty Ltd (Incorporated in Australia)	Engineering*	Australia
James Fisher (Crewing Services) Limited	Crewing Agents	Barrow
James Fisher Everard Limited	Ship Operators*	London
James Fisher (Guernsey) Limited (Incorporated in Guernsey)	Crewing Agents	Guernsey
James Fisher Inspection And Measurement Services Limited	Engineering*	Manchester
James Fisher Marine Services Limited	Marine Services	Barrow
James Fisher (New Zealand) Limited (Incorporated in New Zealand)	Crewing Agents	New Zealand
JF Nuclear Limited	Engineering*	Malton
James Fisher Nuclear Limited	Engineering*	Leyland
James Fisher Nuclear Holdings Limited	Investment	Barrow
James Fisher Offshore Limited	Engineering	Aberdeen
James Fisher Rumic Limited	Marine Services	Barrow
James Fisher Scan Tech AS (Incorporated in Norway)	Engineering*	Norway
James Fisher (Shipping Services) Limited	Ship Operators	Barrow
James Fisher Singapore Pte Ltd (Incorporated in Singapore)	Provision of subsea services and support*	Singapore
JCM Scotload Limited	Marine Services*	Aberdeen
Maritime Engineers Pty Ltd (Incorporated in Australia)	Engineering*	Australia
Prolec Limited	Engineering*	Poole
RigCool Limited	Engineering*	Aberdeen
RigCool Australia Pty Ltd (Incorporated in Australia)	Engineering*	Australia
RMSpumptools Limited	Engineering*	Malton
RMSpumptools Pte Ltd (Incorporated in Singapore)	Engineering*	Singapore
Scan Tech Air Supply UK Limited	Engineering	Aberdeen
Strainstall Malaysia SDN BHD (Incorporated in Malaysia)	Engineering*	Malaysia
Strainstall AS (Incorporated in Norway)	Engineering*	Norway
Strainstall Group Limited	Engineering	Cowes
Strainstall UK Limited	Engineering*	Cowes
The Railway Engineering Company Limited	Engineering*	Bradford Upon Avon

Joint Ventures and Associated Undertakings

*held by a subsidiary undertaking

Name of company	Principal activities	Place of business
Active Load Limited (20%)	Engineering*	Reading
Asteria Navigation Inc (40%)	Marine Services*	West Africa
Cumbria Nuclear Solutions Limited (20%)	Engineering*	Egremont
FCN Limited (40%)	Marine Services*	West Africa
Fendercare Nigeria Limited (40%)	Marine Services*	West Africa
Fender Care Barents AS (50%)	Marine Services*	Norway
Fender Care Benelux BV (50%)	Marine Services*	Europe
Fender Care (Malaysia) SDN BHD (30%)	Marine Services*	Malaysia
Fender Care Marine Omega Limited (50%)	Marine Services*	India
Fender Care Middle East LLC (49%)	Marine Services*	Dubai
Fender Care Viking SDN BHD (25%)	Marine Services*	Malaysia
First Response Marine Pte Ltd (50%)	Marine Services*	Singapore
Foreland Holdings Limited (25%)	Ship owning*	London
Silvertide Inc (40%)	Marine Services*	West Africa
Strainstall Middle East LLC (49%)	Engineering*	Dubai & Abu Dhabi

*held by a subsidiary undertaking Overseas Trading

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of James Fisher and Sons Plc will be held at the Abbey House Hotel, Abbey Road, Barrow-in-Furness on Thursday 5 May 2011 at 12 noon to consider and, if thought fit, to pass Resolutions 1 to 10 inclusive as ordinary resolutions and Resolutions 11 to 13 inclusive as special resolutions

Ordinary Business

Resolution 1
To receive the accounts and the reports of the directors and the auditors thereon for the year ended 31 December 2010

Resolution 2
To receive and approve the report on directors' remuneration (as set out on pages 22 to 28 of the Annual Report and Accounts) for the year ended 31 December 2010

Resolution 3

To declare a final dividend for the year ended 31 December 2010 of 9 68p per ordinary share

Resolution 4
To re-elect Mr T C Harris as a director of the Company, who retires by rotation

Resolution 5
To re-elect Mr N P Henry as a director of the Company, who retires by rotation

Resolution 6
To elect Mr S C Kilpatrick as a director of the Company

Resolution 7
To elect Mr M S Paul as a director of the Company

Resolution 8
To reappoint KPMG Audit Plc as auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and authorise the directors to determine their remuneration

Special Business

Resolution 9
That

(a) the Rules of the James Fisher and Sons plc Long Term Incentive Plan (the "LTIP") the principal terms of which are summarised in the Appendix to the circular referred to in the Explanatory Notes to the Notice of Annual General Meeting and produced in draft to this meeting and for the purposes of identification initialled by the Chairman be approved and adopted, and the directors be authorised to make such modifications to the draft rules as they may consider necessary or desirable to obtain the approval of HMRC, or to take account of the requirements of the UK Listing Authority, the London Stock Exchange plc and best practice and to adopt the LTIP as so modified and to do all things necessary to operate the LTIP,

(b) The directors be authorised to establish further plans based on the LTIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the LTIP, and

(c) the directors be authorised to be counted in a quorum and to vote on a resolution of the board or a committee of the board on any matter connected with the LTIP, notwithstanding that they may be interested in the same and Article 109 of the Articles of Association of the Company shall be suspended but only to the extent required to allow the directors to vote on any matter connected with the LTIP, except that no director may be counted in a quorum or vote on a resolution of the board or a committee of the board in respect of his own participation

Resolution 10
That the directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, and convert any security into, shares in the Company ("Rights") up to an aggregate nominal amount of £4,155,274 provided that this authority shall expire on the date of the next Annual General Meeting of the Company or, if earlier, on 5 August 2012, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired, and all authorities previously granted to the directors to allot shares and grant Rights that remain unexercised at the commencement of this meeting be and are hereby revoked

Resolution 11
Special Resolution
That subject to the passing of Resolution 10, the directors be hereby empowered to allot equity securities (as defined in section 560 of the Act) of the Company for cash either pursuant to the authority conferred by Resolution 10 and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Act, in either case as if section 561(1) of the Act did not apply to such allotment provided that this power shall be limited to

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

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £623,291,

and shall expire upon the expiry of the general authority conferred by Resolution 10 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired

Resolution 12
Special Resolution
The Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange of up to a maximum aggregate of 2,493,164 ordinary shares of 25p each in the capital of the Company at a price per share (exclusive of expenses) of not less than 25p and not more that 105% of the average of the middle market quotations for such ordinary share as derived from the London Stock Exchange Official List, for the five business days immediately preceding the day of purchase, unless previously renewed, revoked or varied, such authority will expire at the close of the next Annual General Meeting of the Company, or, if earlier, on 5 August 2012 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 13
Special Resolution
That any general meeting (other than an Annual General Meeting) may be called by not less than 14 days' clear notice

By order of the Board
Michael Hoggan
Company Secretary
14 March 2011
Registered office
Fisher House, PO Box 4, Barrow-in-Furness, Cumbria, LA14 1HR

Registered in England number 211475

Notes

1 Any member who has not elected to receive the Annual Report and Accounts for 2010 may obtain copies by writing to the Company Secretary, Fisher House, PO Box 4, Barrow in Furness, Cumbria, LA14 1HR Members who wish to receive the printed Annual Report and Accounts, free of charge, in future years should write to the Company's Registrars, Freepost Plus RLYX-GZTU-KRRG, SAS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 9ZA

2 Any member entitled to vote at the above meeting may appoint one or more proxies to attend, speak and, on a poll, vote instead of him A proxy need not be a member of the Company but must attend the meeting in order to represent a member A proxy could be the Chairman, another director of the Company or (if you wish the proxy to speak on your behalf) another person who has agreed to attend and represent a member Details of how to appoint the Chairman or another person as a proxy using the proxy form are set out in the notes to the proxy form A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him Completion of the proxy form will not preclude a member from attending and voting in person, in which case that member's proxy appointment will automatically be terminated Proxy forms, duly executed (including any authority under which it is executed or a copy of the authority certified notarially), must be returned to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU Alternatively you may submit your proxy form online by accessing the Shareholder portal at www.capitashareportal.com, logging in and selecting the "proxy voting" link If you have not previously registered for electronic communications you will first be asked to register as a new user, for which you will require your investor code (which can be found on your proxy card, share certificate or dividend tax voucher), family name and post code (if resident in the UK) In each case your proxy instruction must be received no later than 12 noon on 3 May 2011 If you are a CREST member, see note 4 below The deadline for receipt of proxy appointments also applies in relation to amended instructions, and any attempt to amend a proxy appointment after the relevant deadline will be disregarded Where two or more valid proxy appointments are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others

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

4 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual (available via www euroclear com/CREST) CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number – RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001

5 Voting by corporate representatives A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares It is no longer necessary to nominate a designated corporate representative

6 Copies of the directors' service contracts, the terms and conditions of appointment of the non-executive directors, together with a copy of the Company's Articles of Association are available for inspection at the registered office of the Company during usual business hours and will also be available at the place of the Annual General Meeting from 11 30 a m on the date of the meeting until the close of the meeting

7 Audit statements Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the meeting, that the members propose to raise at the meeting The Company cannot require the members requesting the publication to pay its expenses Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website

8 Members' questions The Company must cause to be answered at the meeting any question relating to the business being dealt with at the meeting which is put by a member attending the meeting, except where (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information (b) the answer has already been given on a website in the form of an answer to a question or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered

9 A copy of this notice, and other information required by section 311A of the Act, can be found at www james-fisher co uk A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communicating with the Company for any purpose in relation to the meeting other than as expressly stated in it

10 Only persons entered on the register of members of the Company at 6 00 p m on 3 May 2011 (or, if the meeting is adjourned, at 6 00 p m on the date which is 48 hours prior to the adjourned meeting) shall be entitled to attend and

Notice of Annual General Meeting

vote at the meeting or adjourned meeting Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting

11 As at 14 March 2011 (being the latest practical date before the publication of this Notice), the Company's issued share capital consists of 49,863,295 ordinary shares, carrying one vote each, and 100,000 preference shares carrying one vote each Therefore the total voting rights in the Company are 49,963,295

12 As soon as practicable following the AGM, the results of the voting at the meeting and the number of votes cast for and against and the number of votes withheld in respect of each resolution will be announced via a Regulatory Information Service and also placed on the Company's website at www james-fisher co uk

Ordinary Business Explanatory Note

Resolution 3 – A final dividend can only be paid after it has been approved by the shareholders in general meeting and may not exceed the amount recommended by the board The directors recommend a final dividend of 9 68p per ordinary share in respect of the financial year ended 31 December 2010 If the meeting approves Resolution 3, the final dividend will be paid on 13 May 2011 to ordinary shareholders who are on the register at the close of business on 15 April 2011 It is proposed to pay the dividend

Resolutions 4 and 5 In accordance with the Company's articles of association Tim Harris and Nicholas Henry will retire by rotation at this year's AGM The board believes that each of Tim Harris and Nicholas Henry continues to perform effectively and with commitment to his role

Resolution 6 and 7 In accordance with the Company's articles of association Stuart Kilpatrick and Malcolm Paul as new directors offer themselves for election at the first available AGM Further information about each of Tim Harris, Nicholas Henry, Stuart Kilpatrick and Malcolm Paul is given on page 13 of the 2010 Annual Report and Accounts

Special Business Explanatory Notes

Resolution 8 This resolution proposes the reappointment of KPMG Audit Plc as the Company's auditors and follows the standard practice of giving authority to the directors to agree the auditors' remuneration

Resolution 9 This resolution seeks shareholders' approval to adopt a new James Fisher and Sons plc Long Term Incentive Plan which replaces the existing James Fisher and Sons plc Long Term Incentive Plan which expires on 11 May 2011 A summary of the principal terms of the long term incentive plan is set out in the Appendix to the Circular to Shareholders dated 1 April 2011

Resolution 10 gives authority to the directors to allot shares in the Company and to grant rights to subscribe for, and convert any security into shares in the Company up to a total nominal amount of £4,155,274 (16,621,096 ordinary shares) representing approximately 33% of the nominal value of the Company's total issued ordinary share capital as at 14 March 2011, being the latest practical date before publication of this Notice The authority will expire at the conclusion of the Annual General Meeting to be held in 2012, or, if earlier, on 5 August 2012 and replaces an authority granted on 6 May 2010 which expires at the conclusion of the forthcoming Annual General Meeting

The directors have no present intention to exercise this authority

At 14 March 2011 the Company does not hold any treasury shares

Resolution 11, which will be proposed as a special resolution, seeks to renew the authority conferred on the directors at last year's annual general meeting to issue equity securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings Other than in connection with a rights or other similar issue or scrip dividend (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) the authority contained in this resolution will be limited to an aggregate nominal value of £623,291 (representing 2,493,164 ordinary shares) which represents approximately 5% of the Company's issued equity share capital as at 14 March 2011 (being the latest practicable date prior to the publication of this notice) The renewed authority will remain in force until the date of the next annual general meeting or 15 months after the passing of the resolution, whichever is the earlier It is a standard resolution for most UK listed companies each year

In line with best practice, the Company has not issued more than 7 5% of its issued share capital on a non-pro rata basis over the last three years and the directors confirm their intention to follow the best practice set out in the Pre-Emption Group's Statement of Principles which provides that companies should not issue shares for cash representing more than 7 5% of the Company's issued share capital in any rolling three-year period, other than to existing shareholders, without prior consultation with shareholders

The directors have no present intention to exercise this authority

Resolution 12, a special resolution, gives the Company authority to purchase in the market up to £2,493,164 of its ordinary shares of 25p each (representing approximately 5% of the Company's total issued ordinary share capital) The minimum and maximum prices at which such shares can be purchased is as stated in the resolution The authority will expire at the conclusion of the Annual General Meeting to be held in 2012, or if earlier on 5 August 2012 and replaces a similar authority granted on 6 May 2010 which expires at the conclusion of the forthcoming Annual General Meeting

If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares then such shares would be immediately cancelled in which event the number of ordinary shares in issue would be reduced On 14 March 2011, being the latest practical date before publication of this Notice, there were options over ordinary shares in the capital of the Company representing 2 45% of the Company's total issued share capital If the authority to purchase the Company's ordinary shares was exercised in full and those shares were subsequently cancelled, these options would represent 2 58% of the Company's total issued share capital The directors have no present intention to exercise this authority and in reaching their decision to purchase ordinary shares will take into account, amongst other things the Company's cash resources and capital requirements, the effect of any purchase on earnings per share and whether it is in the best interests of shareholders generally

Resolution 13 The Companies Act 2006 requires the notice period for general meetings of the Company to be at least 21 days The Company is currently able to call general meetings (other than an annual general meeting) on 14 clear days' notice In order to be able to preserve this ability, shareholders must have approved the calling of meetings on 14 days' notice Resolution 13, which is proposed as a special resolution, seeks such approval The approval will be effective until the Company's next annual general meeting, when it is intended that a similar resolution will be proposed

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

Investor Information

Registered Office and Advisers

Company Secretary and registered office
M J Hoggan
James Fisher and Sons Plc
Fisher House
P O Box 4
Barrow-in-Furness
Cumbria LA14 1HR

Registered no 211475

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

Auditors
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St James Square
Manchester
M2 6DS

Stockbrokers
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2 Gresham Street
London EC2V 7QP

Brewin Dolphin
Time Central
Gallowgate
Newcastle upon Tyne
Tyne & Wear NE1 4SR

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

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lloyds TSB Bank plc
25 Gresham Street
London EC2Y 7HH

Sparebanken 1 SR-Bank
Bjergstad Terrasse
4007 Stavanger
Norway

Yorkshire Bank
The Chancery
58 Spring Gardens
Manchester
M2 1YB

Merchant bankers
EC Hambro Rabben & Partners Ltd
11 Albermarle Street
London W1S 4HH

Financial Calendar

13 April 2011
Ex dividend date for 2010 final dividend

15 April 2011
Record date

5 May 2011
Annual General Meeting

13 May 2011
Payment of 2010 final dividend

August 2011
Announcement of 2011 interim results

View the Half Yearly Financial Report 2010 online at
www.james-fisher.co.uk > investor relations > reports and accounts

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

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