



James Fisher and Sons
PUBLIC LIMITED COMPANY

Annual Report and Accounts 2005



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“Our markets remain strong. James Fisher is well placed to generate significant organic growth through 2006 and beyond. It has the financial strength to continue its acquisition strategy when the right opportunities arise. We have confidence in our core businesses to grow profits strongly for our shareholders.”

Tim Harris, CBE, Chairman - commenting on the Outlook

- Revenue from continuing operations up 28% to £91.4m (2004: £71.2m)
- Profit for the year on continuing operations up 32% to £10.7m (2004: £8.1m)
- Cablesips treated as discontinued business – £12.9m loss
- Final dividend per share up by 15% to 5.69p (2004: 4.95p) payable 12th May 2006
- Total dividend per share up 14% to 8.79p (2004: 7.72p)
- Good organic growth
- Acquisitions integrated well
- £22.1m of cash used to fund acquisitions during the year
- Net debt £39.4m (2004: £36.6m)
- Gearing to 54% (2004: 44%)

James Fisher and Sons Public Limited Company is a leading provider of Marine Services with its business divided across four divisions. The group specialises in the provision of technical engineering solutions in the marine environment. The group is led from headquarters in Barrow-in-Furness, Cumbria by an executive team supported by management throughout the Group who are committed to developing the business for the benefit of the shareholders, customers and employees.

Offshore Oil Services

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

Specialist Technical Services

Provision of services to the nuclear decommissioning industry, worldwide offshore ship to ship oil transfer, sale and hire of large pneumatic fenders and design and assembly of electrical penetrators for the offshore oil industry.

Defence

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

Marine Oil Services

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

Chairman's Statement



Tim Harris CBE
Chairman

“2005 was the year in which the transformation of James Fisher from a traditional shipping company into a marine services company came to fruition.”

Overview

2005 was the year in which the transformation of James Fisher from a traditional shipping company into a marine services company came to fruition and, for the first time, this is fully reflected in the accounts which show a profit from continuing operations of £10.7 million (2004 - £8.1 million), the trading results of which are ahead of market expectations.

In view of the increasing importance of our marine support services activity, which grew by 34% in 2005 and now accounts for 57% of profit from continuing operations, we are providing the individual results of the constituent parts of offshore oil services, specialist technical services and defence into three new divisions. Marine oil services, formerly James Fisher Tankships, is the Group's other division and has contributed the remaining 43% to profit from operations. Furthermore, we have recognised the cable layers as a discontinued business having sold Oceanic Pearl and have written down severely the remaining ship, Oceanic Princess, which we shall sell in due course. The write down charge and loss on sale amounting to £20.8 million has resulted in that division showing a pre tax loss of £12.9 million. The Group pre tax profit before separately disclosable items for 2005 would have been £15.7 million, well ahead of market expectations, but for these capital and discontinued business write-downs.

An operating cash flow of over £20 million again demonstrates the Group's sound cash generating ability and the gearing of only 54% is after the cable ships write down, accounting for a pension deficit of £13.5 million and financing three acquisitions costing over £22 million during the year. The Group is in a strong financial position with its core marine service businesses doing well and our oil related businesses benefiting from a strong oil price.

Dividend

Your Board is recommending a final dividend of 5.69p per share, a 15% increase, giving a total



		2005	2004
Revenue	+28%	£91.4 m	£71.2 m
Profit for year on continuing operations	+32%	£10.7 m	£8.1 m
Discontinued operations (loss)/profit		(£12.9 m)	£3.9 m
(Loss)/profit to equity holders		(£2.2 m)	£12.0 m
Basic (loss)/earnings per share		(4.50p)	24.82p
Basic earnings per share after adjustment for separately disclosable items	+41%	21.84p	15.47p



FenderCare Marine is the global leader in the provision of ship-to-ship ("STS") oil transfer and lightering services with regional operating bases throughout the Middle and Far East, Europe, the Mediterranean, the Baltic and West Africa.

for the year of 8.79p (2004 - 7.72p) - an increase of 14%. The dividend is payable on 12 May 2006, to shareholders on the register on 21 April 2006.

Offshore Oil Services

Divisional result: £4.0 million
(2004 - £2.9 million)

This division consists of the Scan Tech group of companies based in Stavanger, Norway and Aberdeen which hires specialist equipment to the offshore oil industry, primarily in the North Sea but increasingly in the developing oil areas of the former Soviet Republic, Mexico, West Africa and elsewhere globally. Segmental revenue was £14.90 million (2004 - £12.07 million), margins have improved to 27.0% (2004 - 23.9%). The main types of equipment provided are compressors, steam generators, hydraulic power packs, high pressure wash-down units and winches.

Typically, we customise units for particular customer requests and also provide specialist labour where necessary. Demand for our services was strong during 2005 and all parts of the business have produced significant organic growth.

We have also been marketing and operating the HydroDigger, a specialist subsea excavation tool, with increasing financial success.

In December 2005, we completed the acquisition of the businesses of the Monyana group for £11 million in cash. Monyana is the market leader in the UK sector of the North Sea and also fast growing within the Norwegian sector, in the refurbishment, design and supply of a wide range of winches and other marine equipment. It overlaps and strongly complements the Scan Tech group's activities and has been integrated with them. Jake Lorimer, one of the managing partners of Monyana, has become the Managing Director of all our businesses in Aberdeen.

Specialist Technical Services

Divisional result: £2.6 million
(2004 - £0.9 million)

This division includes our nuclear activities and other specialist marine services, of which FenderCare which was acquired in 2005 and Remote Marine Services are the most important. Segmental revenue was £22.28 million (2004 - £5.81 million), a segmental margin of 11.8% (2004 - 15.7%).

All of our nuclear decommissioning activities were merged into one company, James Fisher Nuclear (JFN) during the year. The primary expertise of JFN is the design, construction and operation of remote handling systems for nuclear decommissioning on the contaminated or radioactive side of the nuclear shield and in the

“The rescue of the seven Russian submariners in July by the James Fisher Rumic team, under Royal Navy command, not only confirmed the skill and courage of our submarine rescue team but also provided visible proof of our expertise which we are now actively marketing to a growing global market.”



“we have seen in deeds not in words what the brotherhood of the sea means...”

Russian Defence Minister, Sergei Ivanov

underwater storage ponds. 2005 was not the easiest year because of the upheaval in the industry caused by the creation of the new Nuclear Decommissioning Authority (NDA) and the changed role of British Nuclear Fuels plc from owner to operator. However, JFN is progressing well and we are seeking to expand both by organic growth and acquisition.

We bought the FenderCare group of companies for £11 million on 17 March 2005 and its results are included from that date. FenderCare is a worldwide market leader in supplying large-scale pneumatic fenders for shipping, offshore, port, construction and defence projects and is the largest global operator of ship-to-ship oil transfers. Although the former shareholders narrowly missed their earn out target for the year ended 30 September 2005 and the related £740,000 of deferred consideration was not paid, FenderCare is trading strongly and represents a most complementary and highly useful addition to James Fisher's marine service activities.

We acquired Remote Marine Services in December 2004, primarily for its nuclear decommissioning operation which was a direct competitor of our own James Fisher Rumic. Its other business - the design and assembly of electrical penetrators for borehole activities in the on and offshore drilling industry - has an excellent product reputation and significant

growth potential. It is doing well and we propose to increase its scope and marketing outreach in the usual James Fisher way.

Defence

Divisional result (incl. Foreland JV) £2.1 million (2004 - £2.7 million)

Our defence skills are twofold - we are recognised globally as a leader in submarine rescue and we bring commercial skills to support ships engaged in defence activities. Segmental revenue in 2005 was £9.33 million (2004 - £8.13 million), with segmental margin of 22.7% (2004 - 33.6%).

The principal reason for the fall in profits was the loss of income as a result of the exercise of the Oakleaf purchase option by the MoD in September 2004 - the contribution in 2004 had been £0.8 million. Also, James Fisher MIMIC had a quieter year owing to current Royal Navy spending restrictions but is beginning to expand overseas, having recently signed a maintenance management contract for the Malaysian coastguard vessels. Foreland Shipping Ltd (formerly AWR Shipping Ltd) had another good year with all six ro-ro ships working well, with the two commercial vessels on charter to Transfennica Deutschland GmbH until December 2007.

The rescue of the seven Russian submariners in July by the James Fisher Rumic team, under Royal Navy command, not only confirmed the skill and courage of our submarine rescue team but also provided visible proof of our expertise which we are now actively marketing to a growing global market. We have had a very busy year and have, amongst other things:

- completed a major refit of the UK Submarine Rescue (UKSRS) vehicle
- extended the contract with the MoD for the operation of UKSRS for a further two years
- signed a letter of intent with the MoD for the purchase of UKSRS for a consideration depending on results; we are now marketing the system, with the Royal Navy's active support, to foreign navies
- signed a letter of intent with Rolls Royce to jointly operate the new NATO Submarine Rescue Service (NSRS) when it enters service in 2007
- partnered with Singapore Technologies Marine Ltd to bid jointly to the Singapore Navy for a dedicated ship and submersible rescue service

“Over the last few years James Fisher has had a clear strategy to grow its marine service businesses both organically and by acquisition.”



Monyana Engineering Services, the market leader in hydraulic winches and marine equipment for rental and sale to the oil field services industry, was acquired in December 2005. It provides James Fisher Offshore Oil Services with increased penetration in a market segment in both the UK and Norwegian sectors of the North Sea. Its acquisition represents a substantial expansion of the Company's activities in Aberdeen and Norway.

When considering the defence result it is worth noting that, under existing accounting rules, all bid costs are written off until a letter of intent is signed, with no write back of costs even if the bid is successful. During 2005 we incurred bid costs of around £0.4 million which have all been charged against profit. We have also expanded our overhead as we are increasing our marketing scale and coverage and expect to see the benefit of this in future years.

Marine Oil Services
Divisional result £6.7 million
(2004 - £6.9 million)

The key to the marine oil services (formerly James Fisher Tankships) division's result in 2005 was the fleet renewal programme, which resulted in us operating 7% less capacity in 2005. Segmental revenue was £44.90 million (2004 - £45.15 million), with segmental margin of 15.0% (2004 - 15.3%). Over the last three years we have sold eight of our oldest vessels, these being replaced by Cumbrian Fisher (12,800 dwt February 2005), Clyde Fisher (12,800 dwt April 2005), Shannon Fisher (5,000 dwt March 2006) and Solway Fisher (5,000 dwt August 2006). The sale of the older vessels was stimulated by one particular incident for the industry, the loss of the Prestige off Spain in 2002, which led us to progress the programme more quickly than we had originally anticipated. Obviously we shall only receive the full benefit

from the new tonnage in the second half of 2006 and in 2007 when all the new vessels have been delivered. We shall then have one of the industry's most modern fleets.

The coastal tanker business has longstanding relationships with our customers, the oil majors, and most cargo is carried under contracts of affreightment (COAs) rather than spot. In recent years this has enabled us to develop a record of more reliable earnings, strong cash flow and, thanks in part to the tonnage tax and our ability to charter newbuilds rather than own them, a decent return on capital. This subsidiary has appointed a new Managing Director and market conditions are good. It is a niche marine service business and is core for James Fisher.

Cable Ships
Divisional loss £12.9 million
(2004 - profit £3.9 million)

We have said for some time that we did not see cable ships as part of James Fisher's core business because the operation is a capital intensive, commodity business which does not fit with our core marine services skills and strategy. We have been playing a waiting game, sheltered by the General Dynamics charter payments which expire during 2006. In October 2005 we determined it was time to sell Oceanic Pearl when we were able to

The 5400 dwt Shannon Fisher was launched on schedule in September 2005 at the Damen Shipyards facility in Galati, Romania. The vessel is the first of two petroleum product carriers ordered in April 2004. The double-hull state of the art Shannon Fisher, joined the Fisher fleet in

March 2006 and is employed in our Marine Oil Services operations; she will be joined by her sister vessel, Solway Fisher, in August 2006. This delivery will complete the current phase of newbuilding which will make the average age of the fleet eight years.



“We now provide employment for 471 shore staff and 406 sea staff. I would like to take this opportunity to thank them for their help and support in a constructive year for James Fisher.”

negotiate a US\$20 million sales price with a Norwegian buyer who wished to convert her for seismic work. It is our intention to sell Oceanic Princess too, once we receive an appropriate offer. In the meantime we have made an impairment charge to write the book value down to a prudent level. The cable laying market is still deeply recessed but there is some interest in cable ships for conversion for seismic, pipe-laying and other offshore work which we hope to take advantage of.

The accounting treatment for cable ships as a discontinued business is given in Note 5 to the financial statements. In short, we have taken the realised loss on Oceanic Pearl (£9.9 million), the impairment write down on Oceanic Princess (£10.9 million) and offset them by the actual 2005 divisional profit and discounted 2006 charter payments (£7.9 million) which produce overall a total charge of £12.9 million against the 2005 profit.

Directors and Employees

There have been no changes to the Board other than the appointment as a director of Simon Harris, the Managing Director of James Fisher Defence, in August 2005.

The James Fisher Shore Staff Pension Scheme was closed to new members in 2001. During 2005 the decision was taken to phase it out altogether

because costs were escalating disproportionately and it was becoming increasingly inequitable to offer substantially different pension benefits to employees doing the same job. With the agreement of the Trustees future benefit accrued has been capped at 1.5% per annum on salaries with the scheme ceasing to accrue benefit altogether in five years time.

In March 2005, a court case established that former as well as existing employers will have to make payments in respect of the funding deficit of the Merchant Navy Officers' Pension Fund (MNOF), of which James Fisher's share is now currently estimated at £3.0 million. Under the new International Financial Reporting Standards (IFRS), the liability for all defined benefit schemes for which James Fisher has a share are recorded on the balance sheet for the first time and note 25 of the financial statements gives full details of how these deficits are being addressed. Pension policy is not easy to change because pensions are a key element of staff welfare. However, with the help and understanding of the Trustees, we believe that we have dealt with the outstanding issues to protect the Group's exposure while being fair to our people.

We now provide employment for 471 shore staff and 406 sea staff. I would like to take this opportunity to thank them for their help and support in a constructive year for James Fisher.

“We have confidence in our core businesses to grow profits strongly for our shareholders.”

Outlook

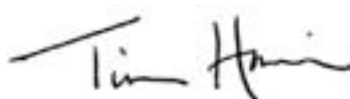
Over the last few years James Fisher has had a clear strategy to grow its marine service businesses both organically and by acquisition, as a technically based, commercially driven company, producing better quality earnings and the Group is fast achieving its objective of becoming the UK's leading marine provider. 2005 marks a turning point because the recognition of the cable ships as a discontinued business almost completes the company's transformation. All that remains is to sell Oceanic Princess for at least her present book value and, whilst it continues to generate income under the General Dynamics charter, we have time to find a buyer at a fair price. It is disappointing that market conditions have not allowed us to extricate ourselves from this business without loss but it is now time to put this longstanding problem behind us.

The remaining divisions in offshore oil and specialist technical services, defence and marine oil services are core and all have potential for growth. Our acquisition strategy of seeking small to medium sized companies identified by our own research, rather than enter public auctions, has proved successful and all our acquisitions to date are prospering. Since 2002 we have spent £52.3 million on acquisitions. We prefer to acquire entrepreneurially run businesses which are complementary and well-known to our existing operations. We are also demonstrating an ability to generate organic growth, particularly once the new operations have settled in and been integrated with our existing business.

Turning to prospects for 2006, defence will be very busy but the accounting treatment, requiring bid costs to be recognised up front whilst income is recognised over the full life of

contracts, will militate against any great immediate growth in reported earnings. Conversely, our companies serving the offshore market are well positioned in a strong market and should continue to do well again. We shall also benefit from a full twelve months from the Monyana acquisition for the first time. The specialist technical companies are in good shape and should be able to demonstrate real organic growth and will benefit from a full year's contribution for FenderCare for the first time. Marine oil services (Tankships) will benefit from the delivery of their new tonnage with an 8% increase in capacity and their earnings should improve at least proportionately.

Our markets remain strong and James Fisher is well placed to generate significant organic growth through 2006 and beyond. It also has the financial strength to continue its acquisition strategy when the right opportunities arise. Overall we have confidence in our core businesses to grow profits strongly for our shareholders.



Tim Harris
Chairman

13 March 2006

Operating and Financial Review



Nick Henry
Chief Executive

“Profit from the Group’s marine support services activities including joint ventures contribution increased to £8.8m compared to £6.5m in 2004 an increase of 34%.”

Group results

Revenue from continuing operations increased in 2005 by 28% over the previous year to £91.4m compared to £71.2m in 2004. Cable ship activities have been treated as a discontinued business, details of which are set out below. Details of the Group’s segmental revenue are provided in Note 2 of the financial statements on page *.

Profit on continuing operations after taxation was £10.7m compared to £8.1m in 2004 an increase of 32%, this improvement was built on the continued growth of the marine support services business.

Losses incurred on the discontinued cable ships business, which includes a provision for the disposal of the remaining vessel were £12.9m compared to a profit of £3.9m in 2004.

Marine support services

Profit from the Group’s marine support services activities including joint ventures contribution increased to £8.8m compared to £6.5m in 2004 an increase of 34%.

The marine support services activities now accounts for 57% of the Group’s profit from continuing operations.

The board’s strategy remains to increase the marine support services activity both by organic growth and by acquisition. The segmental information in the financial statements in Note 2 on pages * has been expanded to provide; a breakdown of each of the component parts, offshore oil services, specialist technical services and defence.

Offshore oil services

The segmental result from the Norwegian and Aberdeen companies was £4.0m compared to £2.9m in 2004.

The Norwegian and UK businesses both operated throughout the year in a strong market, with high levels of customer demand, both in the North Sea and other areas of the world where they operate.



“Cash flow from operating activities was £20.6m compared to £17.7m in 2004, reflecting the Group’s continuing strong cash generation.”

James Fisher Nuclear Limited facility in Egremont, Cumbria adjacent to the Sellafield Nuclear Plant provides bespoke solutions for remote operations and monitoring in the nuclear decommissioning industry. It designs and develops equipment for use on hazardous sites with its own facilities for testing equipment on large-scale mock-ups prior to installation.

On 7 December the acquisition was completed of the business and certain assets of Monyana Engineering Services Aberdeen, together with the entire issued share capital of Monyana EuroTech AS, a Norwegian business based in Stavanger.

Specialist technical services

This segment includes the FenderCare Group which was acquired on 17 March 2005 and the nuclear decommissioning and ship management businesses which also includes the offshore electrical penetrator business of Remote Marine Systems. Segment result for 2005 was £2.6m compared with £0.9m in 2004.

FenderCare which was acquired for £10.4m cash, failed to achieve the earn out target set for September 2005 and as a result the £0.74m deferred consideration was not required.

Nuclear decommissioning activity was affected by the changes in the structure of the industry, which led to delay in projects being awarded.

The design and assembly of electrical penetrators which are used by the offshore oil industry had a successful first year in the Group’s ownership.

Defence

Profit from the defence segment which included the contribution from Foreland Shipping Limited, our joint venture Company in which we hold a 25% shareholding was £2.1m against the previous years profit of £2.7m. The lower figure reflected the loss of the £0.8m contribution from Oakleaf, following the MoD decision to exercise their purchase option in September 2004. The

division also absorbed higher overhead and bid costs in 2005 and was also affected by a lower contribution from James Fisher MIMIC. The remaining operations all performed well including the Royal Navy Submarine Rescue Services operated by James Fisher Rumic and Foreland Shipping’s fleet of six vessels of which four are on charter to the MoD and two on term time charters, until the end of 2007.

Marine oil services

Segment result for 2005 was £6.7m down slightly on 2004 profit of £6.9m, this reduction reflected the fleet renewal programme which is underway. During 2005 three older vessels were sold and one time charter vessel redelivered. New tonnage was introduced with two Korean newbuild vessels delivered into service in February and April, and two further vessels built in Romania will be delivered in 2006 to complete the current re-tonnaging phase. The Tankships business continues to be supported by a high level of contract income.

All four newbuilding vessels have been introduced under 10 year term bareboat charters, which is possible as a result of the arrangements under UK Tonnage Tax.

The average age of the Tankship fleet is now 8 years, thus fulfilling one of the main requirements of the oil companies.

Cable ships

The cable ships segment has been treated as a discontinued business. The Oceanic Pearl was sold in October 2005 which resulted in a loss of £9.9m. The board have provided for a

“The proposed final dividend of 5.69 pence per ordinary share will result in a total distribution for the year of 8.79 pence per ordinary share, an increase of 14% over the level declared in 2004.”

diminution in the carrying value of the remaining cable ship *Oceanic Princess*, taking into account the remaining income from General Dynamics and the holding cost until the end of 2006 resulting in a loss of £10.9m. Further details of the discontinued business are given in Note 5.

Cash flow and financial position

Cash flow from operating activities was £20.6m compared to £17.7m in 2004, reflecting the Group's continuing strong cash generation. Proceeds from the disposal of plant and equipment generated £13.0m compared to £5.0m the previous year, the major assets sold during the year were the cable ship *Oceanic Pearl* and three tankers.

A second dividend of £1.0m was received during the year from Foreland Shipping Limited. The Group completed the acquisition of three businesses during 2005; Harsh Environment Systems, the FenderCare Group and in December the business and assets of Monyana Engineering Services, together with the shares of Monyana EuroTech AS. These acquisitions continue the development of our Marine Support Services activities. The cost of acquisitions net of cash acquired was £22.1m.

The Group's net debt at 31 December 2005 was £39.4m compared to £36.6m in 2004. This comprised borrowing of £49.1m (2004 £46.6m) and cash and short term deposits of £9.7m (2004 £10.0m).

The net debt to equity ratio at the year end was 53.8% compared with 43.9% in 2004. The reduction in equity from £83.3m in 2004 to £73.3m at 31 December 2005 is largely due to the treatment of cable ships as a discontinued business.

Taxation

The Group elected to enter the new UK tonnage tax regime from 1 January 2000. The election is for ten years and was renewed in August 2002. The Group pays tonnage tax calculated by reference to the net tonnage of qualifying vessels, which for the current year is £0.02m (2004 £0.03m).

The Group's activities which do not qualify under the tonnage tax regime remain subject to normal corporation tax. The UK corporation tax charge is £0.51m (2004 £0.83m).

The overall tax charge on continuing activities for the Group is £0.76m compared to a tax charge in 2004 of £2.13m.

The reduction in the overall tax charge is due to the benefit of tax relief on the special payments made during 2005 into the pension funds and a prior year credit of £0.33m relating to 2004. Also included in the 2004 tax charge was a provision for irrecoverable ACT of £0.39m.

The tonnage tax regime eliminates the need to provide for deferred tax on accelerated capital allowances for activities which fall within tonnage tax. Activities outside tonnage tax continue to provide for deferred tax in full.

Dividends and earnings per share

The proposed final dividend of 5.69 pence per ordinary share will result in a total distribution for the year of 8.79 pence per ordinary share, an increase of 14% over the level declared in 2004. The final dividend is covered 3.8 times from continuing operations.

Basic loss per ordinary share for 2005 was 4.50p compared to an earnings per share of 24.82p in 2004. As set out in Note 12, adjusting for the discontinued cable ships operation and separately disclosable items, the basic earning per share is 21.84p (2004: 15.47p).

Treasury

Treasury risk management

The Group maintains a centralised treasury function, which operates under board approved treasury policies and guidelines, covering funding and management of foreign exchange exposure and interest rate risk. Its purpose is to manage the financial risks of the business effectively and to secure finance at a minimum cost. Its activities are covered by guidelines, exposure limits,



■ Location of submarine rescue

On Friday 5th August the James Fisher Rumic Submarine Rescue Team was mobilised by the Ministry of Defence to assist in the rescue of seven Russian submariners trapped 625ft below the Pacific off Russia's far eastern Kamchatka peninsula. From the outset the team raced against time to reach the stranded submarine, drawing on support from the RAF, the

US Navy and local Russians to fly the team and equipment from its Renfrew base, transport it to a waiting ship, secure it to the vessel and reach the offshore location within 36 hours. It took about 5 hours to cut the discarded fishing nets which had trapped the submersible. This was achieved amid estimates that the Russian submariners had less than 10 hours air left to live.

“The board's strategy remains to increase the marine support services activity both by organic growth and by acquisition.”



controls and a system of authorities. 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 consequence of, underlying commercial transactions. During the year the Group was in a net debt position. The management of foreign exchange risk and interest rate risk is a board agenda item.

Finance and interest rate risk

The Group manages its exposure to interest rate fluctuations on its borrowings through the use of interest rate swaps to reduce the impact of adverse variations in market rates on the Group profit and cash flow. The Group maintains a mixture of fixed and floating rate borrowings to reduce the impact of variations in interest rates on the Group's profit and cash flows. Interest rate swaps to convert variable rate debt to fixed rates have been entered into which have remaining maturity periods of up to 17 months. At 31 December 2005 £15.1m (2004: £25.6m) of the Group's borrowings were at fixed rates of interest which represents 31% (2004: 55%) of gross borrowings.

Liquidity risk

The Group has continued to manage its cash in a manner designed to ensure maximum benefit is gained whilst ensuring security of investment sources. The Group's policy on investment of

surplus funds is to place deposits at institutions with strong credit ratings. As referred to in Note 21 the Group has cash balances and undrawn committed facilities to provide additional liquidity if required.

Foreign exchange risk

The Group has some overseas and international business operations and operates in a number of foreign currencies. Whilst the Group trades principally in Sterling the most important foreign currency to the Group is the US Dollar followed by the Norwegian Kroner.

Some of the Group's net operating assets are denominated in foreign currencies. The Group mitigates the effect of movements in exchange rates by borrowing in the same currencies as those in which the assets are denominated. A portion of the Group's income is in US Dollars and it is the Group's policy to hedge up to 12 months using forward contracts in order to mitigate the effect of short-term currency movements.

When the Group's businesses enter into capital expenditure or lease commitments in currencies other than their main functional currency these commitments are hedged in some instances using forward contracts and currency swaps in order to fix the cost when converted to the functional currency. Details of those hedges are given in Note 29.

“The Group has continued to manage its cash in a manner designed to ensure maximum benefit is gained whilst ensuring security of investment sources.”

Pensions

The Group operates two defined benefit schemes, the James Fisher and Sons Limited Pension and Life Assurance Scheme for Permanent Dockworkers which is a paid up scheme and the James Fisher and Sons Public Limited Company Pension Fund for Shore Staff, the latter scheme has been closed to new members since 2001. During 2005 it was decided with the agreement of the Trustees to phase out the scheme over a five year period with future benefits accrued being capped at 1.5% per annum on pensionable salaries.

The Scheme will cease to accrue benefits altogether in December 2010. The Company has also agreed with the trustees to make additional voluntary contributions of £3m of which £1.4m was paid in December 2005 and the remainder in the first half of 2006.

In March 2005, a court case established the Company as a former employer of members of the Merchant Navy Officers Pension Fund would become liable to fund part of the deficit. The Company's liability is currently estimated at £3.0m, this is to be paid over a 10 year period.

Financial reporting

In accordance with European Regulations for listed companies James Fisher and Sons Public Limited Company is required to have adopted International Financial Reporting Standards (IFRS) for its consolidated accounts for the accounting period commencing 1 January 2005. In August 2005 the Group published an interim statement under IFRS for the six months to 30 June 2005.

The major accounting changes which are required by the introduction of IFRS are:

- Pensions – The Group's obligations in respect of the deficits arising in the Group's Shore Staff and Dockworkers defined benefit pension schemes are recognised as liabilities on the balance sheet from 1 January 2004. Gearing has increased, as a result of the reduction in total shareholders' equity.

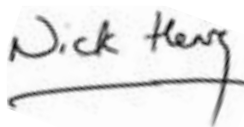
- From 1 January 2004, goodwill will no longer be amortised through the income statement and is instead included at carrying value at this date and is subject to an annual impairment review. The amortisation for the year ended 31 December 2004 has therefore been reversed as part of the IFRS restatement.
- The fair value of share options granted since 7 November 2002 and maturing after 1 January 2005 is recorded as an expense in the income statement.

There are also significant changes in the presentation of the financial statements including the presentation of the results of equity accounted joint ventures. Further details of the restatements are given in Note 32 to the accounts.

The Group has decided not to adopt retrospectively IAS 32 and IAS 39 in respect of financial instruments and has applied these from 1 January 2005. The principal effects of applying these standards are as follows:

From 1 January 2005 the 3.5% cumulative preference shares have been reclassified as long term debt. Changes in the fair value of certain types of hedging instruments are held on the balance sheet and recorded in a hedging reserve until the related transaction occurs or ceases to be expected to take place at which point they are transferred to the income statement.

The accounts of our 25% owned joint venture, Foreland Holdings Limited, have been restated using equity accounting on an IFRS basis. There have been no changes to the results of the joint venture arising from the restatement.



Nick Henry
Chief Executive Officer

Board of Directors



- 1 Tim Harris
 - 2 Nick Henry
 - 3 Ian Serjent
 - 4 Michael Shields
 - 5 Simon Harris
 - 6 Anthony Cooke
 - 7 Maurice Storey
 - 8 Charles Rice
- * Audit Committee
† Remuneration and Nominations Committees

Executive Chairman

Timothy C.Harris (aged 58)
Executive Chairman
Joined the board in September 2001 and became chairman on 1 January 2002. Formerly Chief Executive Officer of P&O's cruise interests and of P&O Nedlloyd Container Line Limited. He was also President of the Chamber of Shipping from March 1995 to March 1996. He is also currently Non-Executive Chairman of Clarksons plc and a Non-Executive Director of Neptune Orient Line Limited.

Executive Directors

Nicholas P.Henry (aged 44)
Chief Executive Officer
Joined James Fisher in February 2003 as Managing Director of James Fisher Tankships Limited, after working for 20 years for P&O and has extensive experience in shipping, including fleet management. He was appointed Chief Executive Officer in December 2004.

Ian M.Serjent (aged 63)
Marine and Technical Services Director
Joined James Fisher from Ocean in 1974 as superintendent progressing to Technical Director in 1982 and has over 30 years experience in operational management, the offshore industry and ship construction and conversion. He joined the board in March 1998 and was appointed Marine and Technical Services Director in January 2002.

Michael J.Shields (aged 58)
Group Finance Director
Joined the Group in 1964 and has worked extensively throughout the Group's chartering, ship operations and previous port activities. In 1983 he became group accountant and treasurer, first becoming a main board director in 1986. He was appointed Group Finance Director in 1996.

Simon A.Harris (aged 45)
Managing Director James Fisher Defence
Joined James Fisher in March 2004 as Commercial Director of James Fisher (Shipping Services) Ltd and was appointed Managing Director of James Fisher Defence in January 2005. He was previously Operations Director of Houlder Ltd and Project Director during negotiations for the £1bn Strategic Sealift PFI contract in which James Fisher has a 25% holding. He joined the board in August 2005.

Non Executive Directors

Anthony R.C.B.Cooke (aged 64)* †
Non-executive director
Joined the board in January 2002. He has wide experience in commercial shipping, having been Chairman of Andrew Weir Shipping Limited and was President of the Chamber of Shipping in 1997. He is currently Chairman of the Baltic Exchange, and a director of the West of England Shipowners Mutual Insurance Company. He is also a fellow of the Institute of Chartered Accountants of England and Wales.

Maurice Storey (aged 62)* †
Non-executive director
Joined the board in December 2003. He has wide experience in operational management of ships and marine services having been responsible for ships and port operations as main board director for Stena Line UK Limited. He retired from the Maritime Coastguard Agency where he held the position of Chief Executive. He is currently Chairman of Hatsu Marine Limited and president of the Institute of Marine Engineering, Science and Technology and Vice President of the Chamber of Shipping.

Charles J.Rice (aged 52)* †
Non-executive director
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 Trans European Division progressing to a main board director of P&O in 2001. He was Managing Director of Starcross Foods Limited until November 2005 and is currently a director of the Transport Research Foundation unit.

Report of Directors

The directors present their report and the Group financial statements of James Fisher and Sons Public Limited Company for the financial year ended 31 December 2005.

Principal group activities, review of operations and results

The operating and financial review on pages 8 to 12 describes the principal activities, operations, performance and financial position of the Group. The results of the Group are set out in detail on pages 32 to 38 and in the accompanying notes. Further information is given in the Chairman's Statement on pages 2 to 7. The principal subsidiaries, joint venture and associated undertakings are listed on page 90.

Changes in group

On 18 January 2005, the Group acquired Harsh Environment Systems Limited (Harsh), a privately owned company, for a total consideration of £1.60m in cash. Harsh provides bespoke solutions for remote operations and monitoring in the nuclear decommissioning industry.

On 17 March 2005 the Group acquired the entire issued share capital of Fender Care Marine Services Group Limited and Fender Care Solutions Limited (FenderCare), which were under common ownership, for a cash consideration of £10.39m. FenderCare provides fendering services and equipment and marine services solutions in the ship to ship market.

On 7 December 2005 the Group acquired the business and certain assets of Monyana Engineering Services, a partnership, and the entire issued share capital of Monyana EuroTech AS (Monyana) which were under common ownership for a cash consideration of £10.98m.

Further details of the acquisitions are shown in Note 18.

Results and dividends

The Group loss for the financial year after taxation amounted to £2.20m. The directors recommend a final ordinary dividend of 5.69p per share amounting to £2.78m making 8.79 pence per share and £4.31m for the year. Because of the implementation of IFRS dividends are now recognised in the accounts in the year in which they are paid, or in the case of a final dividend, when approved by shareholders, such that the amount recognised in the 2005 accounts as described in note 13, is made up of last years final dividend, and this year's interim. Preference dividends of £3,500 were also paid during the year, which following the application of IAS 32 and IAS 39 from 1 January 2005 to the financial statements, is reflected in finance costs.

The final dividend if approved will be paid on 12 May 2006 to ordinary shareholders whose names were on the register on 21 April 2006.

Directors and interests

The current members of the board are listed on page 13.

Mr. Simon Harris was appointed as a director on 23 August 2005. He joined the Company from Houlder Ltd in March 2004. He is Managing Director of James Fisher Defence Limited. In accordance with the regulations of the Company he will retire at the forthcoming annual general meeting and, being eligible will offer himself for election.

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

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

Brief biographical details of all directors are shown on page 13.

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	
	2005	2004 or date of appointment
	No.	No.
T.C. Harris	110,188	92,484
N.P. Henry	10,322	2,400
I.M. Serjent	216,047	137,438
M.J. Shields	166,256	157,484
S.A. Harris	5,415	5,415
A.R.C.B. Cooke	21,684	21,684
M. Storey	—	—
C.J. Rice	—	—

There have been no changes in directors' interests from 1 January 2006 to 14 March 2006, other than those reported below.

- (i) Mr N.P.Henry increased his holdings by 1,035 ordinary shares to 11,357 ordinary shares on 12 January 2006.
- (ii) Mr I.M.Serjent reduced his holdings by 25,000 ordinary shares to 191,047 ordinary shares on 9 January 2006. This arose through the disposal of 50,000 ordinary shares of 25p each in the Company and an exercise of options over 25,000 ordinary shares with an exercise price of 122p.

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 contracts of service 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 2005 or at any time during 2005.

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

Substantial shareholders

On 14 March 2006 the following were interested in 3 per cent or more of the Company's issued share capital:

	Ordinary Shares	
	No.	%
Rowland Frederick Hart Jackson (non-beneficial)	8,932,060	18.09
Schroder Investment Management	8,438,968	17.09
Therapia Investments Limited	3,030,351	6.14
Hermes Pension Management	2,639,568	5.35
M&G Investment Management	2,193,409	4.44
Legal and General Investment Management	1,862,898	3.77
	Preference Shares	
	No.	%
Therapia Investments Limited	100,000	100

No other person has notified an interest in the ordinary shares of the Company required to be disclosed to the Company in accordance with S198-S208 of the Companies Act 1985.

Financial Instruments

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

Charitable and political contributions

During the financial year the Group made no political contributions (2004 £nil).

Charitable contributions made during the financial year totalled £428 (2004 £348).

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, in-house training is provided for administrative staff.

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

The Savings Related Share Option Scheme (the "2005" 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 during the six months 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.

Report of Directors continued

The Company also operates an Executive Share Option Scheme (the "2005" 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 scheme each time it is operated. The fair value of the options granted in any year of operation of the scheme shall not exceed 100% of an option holder's annual base salary. The options can be exercised following attainment of a performance target linked to the Company's total shareholder return ("TSR") relative to a comparator Group over a three year period.

The comparator Group comprise a selection of those companies in the FTSE Small Cap Index with turnover at the date of grant ranging between 75% and 125% of that of the Company.

Special business at the Annual General Meeting

At the Annual General Meeting on 4 May 2006 resolutions 8, 9 and 10 will be special business. The special business covers: approval for the directors authority to allot shares, the partial disapplication of pre-emption rights and the Company's authority to purchase its own shares.

Details of the resolutions are set out in the Notice of Annual General Meeting on pages 91 and 92 and the explanatory Notes on page 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 2005 the Group and Company had an average number of 46 days and 36 days purchases outstanding in trade creditors respectively (2004 Group 64 days, Company 58 days).

Environmental policy

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

Auditors

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

By Order of the Board

J.P. Vick
Secretary

13 March 2006

Corporate Governance Statement

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

Statement of compliance with the code

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

Board of directors

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

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

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

Board balance and independence

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

The board considers the non-executive directors combine broad business and commercial experience to bring independent and objective judgement to bear on issues of strategy, performance, resource and standards of conduct. The balance between non-executive and executive directors enables the board to provide clear and effective leadership and maintain the highest standards of integrity across the Company's business activities. The names and biographies of all board members are set out on page 13.

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.

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

Re-election of directors

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

The names of the directors standing for re-election at the 2006 Annual General Meeting are contained on page 14.

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 will be given a comprehensive induction to the Group's business, including visits to the Group's major activities and meetings with senior management.

Corporate Governance Statement *continued*

Performance evaluation

A performance evaluation of the board and its committees during 2005 was conducted in December 2005. The evaluation was conducted internally on a confidential basis and was led by the senior independent non-executive director in conjunction with the Executive Chairman. The performance evaluation included a review of the conduct of, and processes for: board and committee meetings, information received, corporate governance issues and overall performance as well as an assessment of the contribution of individual directors. The non-executive directors have met to discuss the performance of the Executive Chairman. The performance evaluation was designed to assist the board in further improving performance. A performance review will be conducted on an annual basis.

Board committees

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

Audit committee

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

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

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

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

Remuneration and nomination committees

Membership of the remuneration and nomination committees comprises the three independent non-executive directors with attendance by the Executive Chairman. The remuneration committee is chaired by Mr. A.R.C.B. Cooke, the senior independent non-executive director, and is responsible for formulating and reviewing the Group's executive remuneration policy and making recommendations to the board on the remuneration arrangements for directors. The Executive Chairman is not present when his own terms and conditions are discussed. The report on directors' remuneration is shown on pages 22 to 29.

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

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

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	6	4	3
Number of meetings attended in 2005			
Mr. T.C. Harris	6	*	*
Mr. N.P. Henry	6	*	*
Mr. I.M. Serjent	6	n/a	n/a
Mr. M. J. Shields	6	*	n/a
Mr. S.A. Harris	2	n/a	n/a
Mr. A.R.C.B. Cooke	6	4	3
Mr. M. Storey	6	4	3
Mr. C. J. Rice	6	4	3

*attends by invitation

Mr. S.A. Harris was not eligible to attend all of the meetings during the year, but attended all the meetings for which he was eligible.

Relations with shareholders

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

Internal control

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

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

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

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

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

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

Control environment

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

Information systems

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

Main control procedures

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

Monitoring

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

Whistle-blowing policy

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

Corporate Social Responsibility Statement

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

The following statement on Corporate Social Responsibility has been compiled to include elements of guidelines drawn from the Association of British Insurers (ABI) and guidelines issued by the Government/CBI initiative to promote environmental reporting.

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

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

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

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

Ethical code of conduct

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

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

Human resources

The Group holds its employees in high regard and recognises that their skills, knowledge and expertise contribute to the Group's success. The Group operates an equal opportunities policy which provides that it will not discriminate on the grounds of race, creed, colour, nationality, ethnic or national origins, gender, age, marital status, language, religion, political views or disability. Any complaints of discrimination will be viewed seriously and dealt with according to the Group's disciplinary procedures. The Group will also not tolerate sexual, physical or mental harassment of employees.

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

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

Stakeholders

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

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

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

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

Health, safety and environment

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

- Operating vessels and transporting cargo safely and efficiently.
- Providing high quality equipment to clients.
- Conducting world wide Ship to Ship (STS) Transfer Operations
- Avoiding injuries to personnel and loss of life.
- Conserving and protecting the environment.
- Protecting owners' assets that are entrusted to the Group.
- Complying with statutory and classification rules and requirements.
- Applying recognised industry standards.
- Continuous development of skills and systems.
- Preparing for emergencies.

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

It is the policy of the Group to:

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

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

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

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

The objectives of the Safety Management System are:

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

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

Report on directors' remuneration

The directors' remuneration report covers all directors, both executive and non-executive, and is set out on pages 22 to 29.

The report has been approved by the board and signed on its behalf by the chairman of the remuneration committee. A resolution to approve this report will be proposed at the Company's Annual General Meeting to be held on 4 May 2006.

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 independent non-executive directors of the Company. The members of the committee during the year were:

Mr. Anthony Cooke (chairman and senior independent non-executive director).

Mr. Maurice Storey.

Mr. Charles Rice.

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 set out in the Combined Code on Corporate Governance, and has applied the principles in Section 1 of the Code throughout the year.

	Number of Meetings held	Number of Meetings attended
Mr. A.R.C.B. Cooke (chairman)	3	3
Mr. M. Storey	3	3
Mr. C. J. Rice	3	3

The committee met three times in the period under review. There was a full attendance record. Mr. T.C.Harris, as executive chairman of the board, also attended committee meetings, at the invitation of the chairman of the committee.

The committee appointed an independent firm of remuneration consultants, Hewitt Associates, as its principal external adviser during 2005 on matters of executive directors' remuneration. Hewitt Associates also provided advice to the Company during the year on pension-related matters. Mr. T.C.Harris was consulted on matters relating to the other executive directors who report to him.

Remuneration policy for executive directors

Main principles

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

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

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

The Company also seeks to align the interests of shareholders and employees at all levels by giving employees opportunities and encouragement to build up a shareholding interest in the Company. Through a series of share plan initiatives, under the UK Savings – Related Share Option Scheme, the majority of employees of the Company, and its wholly owned subsidiaries, will have the opportunity to take up a shareholding interest. In September 2005 an offer was made to all eligible staff.

Elements of remuneration

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

The committee has reviewed the reward structure during the period and has decided that the operation of the Share Matching Scheme should be suspended, and that the Executive Share Option Scheme and the Long-Term Incentive Plan should provide the long-term incentives for executive directors.

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

Base salary

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

Benefits in kind

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

Annual cash bonus

Each executive director is eligible to participate in an annual performance-based cash bonus scheme. The committee reviews and sets bonus targets and levels of eligibility annually. 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 2005 was 70% of base salary.

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

In 2005 the Share Matching Scheme was suspended, details of the awards under this scheme are shown on pages 28 and 29. Under the Share Matching Scheme incorporated in the Long Term Incentive Plan, which was approved by the shareholders in 2001, executive directors and senior management could elect to invest up to a maximum of 100% of bonus in ordinary shares to be held by the Employee Benefits Trust. Provided that the shares lodged are held in the Trust for three years, the participant will receive the original shares, plus additional shares equal in number to the original shares. The committee does not intend to make further awards under the Share Matching Scheme after the 2004 bonus.

Bonuses for the year to 31 December 2005 are shown in the table on page 25. Other senior executives also achieved a cash bonus for last year, of which 70% is attributable to financial targets derived from the strategic and annual plan and 30% of the bonus is based on individual achievement and personal objectives.

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. It is not the committee's current intention to make maximum awards to any individual under both the Long Term Incentive Plan and Executive Share Option Scheme (ESOS) in any one financial year, and in normal circumstances the committee would expect to maintain award levels under the Long Term Incentive Plan at 50% of salary annually unless option grants were reduced or unavailable. Under the current performance target, no award vests unless the increase in the Company's diluted earnings per ordinary share over the performance period at least equals the rate of inflation plus 9%. Earnings per share was selected as a performance condition as an appropriate measure of profitable growth to generate shareholder value. The committee has agreed that this measure should continue to apply for awards made in 2006.

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 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 and is at least 9%.

Report on directors' remuneration continued

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

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

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

The committee has concluded that due to the nature of the Company's business and the fact that many of its competitors are private companies there is no index that adequately represents a relevant industry peer group. It has decided therefore to compare performance to quoted companies of comparable size in the FTSE Small Cap index with turnover at the date of grant ranging between 75% and 125% of that of the Company. The TSR performance of this Group will be tracked and communicated to the Company by Hewitt Associates.

If at the end of a performance period, usually three years, the Company ranks in the upper quartile of the comparator group, all of the options will vest. If the ranking is at the median level, 40% of the options will vest. No options will vest for performance below median. For intermediate rankings between upper quartile and median, a proportionate number of options will vest reducing on a straight-line basis. Options which do not vest at the end of the performance period will lapse. Details of awards made to directors under the ESOS are on 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 an HM Revenue and Customs approved all-employee share plan. HM Revenue and Customs does not permit performance conditions to be attached to the exercise of options. Under the Scheme, participants are granted options over James Fisher and Sons Public Limited Company ordinary shares. Each participant may save up to £250 per month over a three, five or seven year savings period to purchase the Company's shares. For the 2005 grant option, the exercise price was at market value of an ordinary share at the time the options were granted.

Executive chairman's remuneration package

Mr. Tim Harris, executive chairman has an agreed annual salary of £220,000 per year. In 2005 he was entitled to participate in the annual bonus scheme and awarded LTIP shares. The executive chairman is not in the Company's pension scheme but he is a member of the Company's health scheme and he receives a cash sum in lieu of a company car. Details of the executive chairman and other directors' emoluments are set out on page 25.

Service contracts

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

	Contract date	Unexpired term	Notice period
T.C. Harris	01.01.02	6 months	6 months
N.P. Henry	06.12.04	12 months	12 months
I.M. Serjent	11.03.98	12 months	12 months
M.J. Shields	10.05.95	12 months	12 months
S.A. Harris	01.03.04	12 months	12 months

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

A.R.C.B. Cooke	01.01.06	12 months	n/a
M. Storey	01.01.06	12 months	n/a
C.J. Rice	01.01.06	12 months	n/a

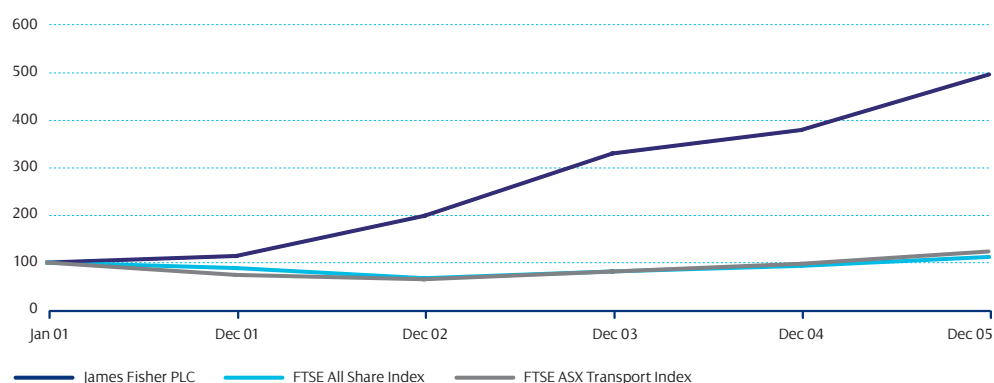
Remuneration policy for non-executive directors

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 and FTSE ASX Transport Index. These indices show the share price growth plus reinvested dividends and provide a basis for comparison with relevant equity indices of which the group is a member.

The James Fisher PLC Total Return Index vs. FTSE All Share Index vs. FTSE ASX Transport Index for the period 1 January 2001 to 31 December 2005 (rebased 1 January 2001)



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	2005 Total £000	2004 Total £000
Executive						
T.C. Harris	220	154	2	16	392	310
N.P. Henry	132	92	–	13	237	15
I.M. Serjent	111	39	12	–	162	179
M.J. Shields	108	53	9	–	170	155
S.A. Harris*	34	13	–	3	50	–
R.A.F. Buchanan	–	–	–	–	–	303
Non-executive						
A.R.C.B. Cooke	29	–	–	–	29	27
M. Storey	26	–	–	–	26	25
C.J. Rice	26	–	–	–	26	19
Sir David W. Hardy	–	–	–	–	–	9
Aggregate emoluments	686	351	23	32	1,092	1,042

* from date of appointment

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

Mr. S.A. Harris was appointed a director on 23 August 2005.

Mr. R.A.F. Buchanan resigned on 6 December 2004.

Sir David W. Hardy retired on 30 April 2004.

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

Report on directors' remuneration continued

External directorships

The executive directors are permitted to serve as non-executive directors of other companies, provided the appointment is first approved by the remuneration committee. Directors are allowed to retain their fees from such appointments. During the year Mr T.C.Harris earned £100,000, (2004: £55,000) under this arrangement.

In addition, Mr T.C.Harris was appointed a non-executive director of another company during the year, the basis of remuneration for which has not yet been finalised.

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 2005 or date of appointment No.	Granted No.	Exercised No.	Cancelled No.	31 December 2005 No.	Gains on exercise 2005 £000
T.C. Harris	130,282	67,278	–	–	197,560	–
N.P. Henry	4,372	40,367	–	–	44,739	–
I.M. Serjent	170,423	33,945	(75,000)	–	129,368	154
M. J. Shields	168,829	33,028	(65,000)	–	136,857	124
S.A. Harris	–	19,099	–	–	19,099	–
Total	473,906	193,717	(140,000)	–	527,623	278

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 2005 or date of appointment No.	Granted during year No.	Exercised during year No.	Cancelled during year No.	31 December 2005 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
	130,282	67,278	–	–	197,560			
N.P. Henry	4,372	–	–	–	4,372	211p*	01.12.06	01.06.07
	–	40,367	–	–	40,367	327p**	22.06.08	22.06.15
	4,372	40,367	–	–	44,739			
I.M. Serjent	100,000	–	(75,000)	–	25,000	122p*	17.10.00	17.10.07
	70,423	–	–	–	70,423	142p*	10.03.06	10.03.13
	–	33,945	–	–	33,945	327p**	22.06.08	22.06.15
	170,423	33,945	(75,000)	–	129,368			
M. J. Shields	100,000	–	(65,000)	–	35,000	122p*	17.10.00	17.10.07
	62,324	–	–	–	62,324	142p*	10.03.06	10.03.13
	3,060	–	–	–	3,060	211p*	01.12.06	01.06.07
	3,445	–	–	–	3,445	143p*	01.11.07	01.05.08
	–	33,028	–	–	33,028	327p**	22.06.08	22.06.15
	168,829	33,028	(65,000)	–	136,857			
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
	–	19,099	–	–	19,099			

* 1995 Executive Share Option Scheme

** 2005 Executive Share Option Scheme

* 1995 Savings Related Share Option Scheme

** 2005 Savings Related Share Option Scheme

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

The options under the 2005 scheme are exercised following the attainment of a performance target linked to the Company's total shareholder return ("TSR") relative to a comparator group over a three year period. The comparator group is selected from those companies in the FTSE Small Cap index with turnover at the date of grant ranging between 75% and 125% of that of the Company.

The market value of the 25p ordinary share at 31 December 2005 was 380p having ranged between 400p and 283p during the financial year.

Further details of share options exercised are as follows:

- (i) On 8 April 2005 Mr M.J.Shields exercised options over 65,000 shares under the Executive Share Option Scheme (1995) with an exercise price of 122p per share. The market price at the exercise date was 313p.
- (ii) On 15 June 2005 Mr I.M.Serjent exercised options over 75,000 shares under the Executive Share Option Scheme (1995) with an exercise price of 122p per share. The market price at the exercise date was 327.5p.

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

- (i) On 9 January 2006, Mr I.M.Serjent exercised options over 25,000 shares under the Executive Share Option Scheme (1995) with an exercise price of 122p per share. The market price at the exercise date was 382p.

Long Term Incentive Plan (LTIP)

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

At 1 January 2005 and 31 December 2005 the number of shares under conditional share option awards held were as follows:

	1 January 2005 or date of appointment No.	Granted No.	Vested/ exercisable No.	Cancelled No.	31 December 2005 No.
T.C. Harris	100,223	33,639	–	–	133,862
N.P. Henry	7,366	20,183	–	–	27,549
I.M. Serjent	54,265	16,972	–	–	71,237
M.J. Shields	49,660	16,514	–	–	66,174
S.A. Harris	6,138	7,263	–	–	13,401
	217,652	94,571	–	–	312,223

		1 January 2005 or date of appointment No.	Granted No.	Vested/ exercisable No.	Cancelled No.	31 December 2005 No.	Exercise price	End of performance period
T.C. Harris	3 Year Award	66,211	–	–	–	66,211	Nil	5 March 2006
	3 Year Award	34,012	–	–	–	34,012	Nil	9 March 2007
	3 Year Award	–	33,639	–	–	33,639	Nil	17 March 2008
		100,223	33,639	–	–	133,862		
N.P. Henry	3 Year Award	7,366	–	–	–	7,366	Nil	9 March 2007
	3 Year Award	–	20,183	–	–	20,183	Nil	17 March 2008
		7,366	20,183	–	–	27,549		
I.M. Serjent	3 Year Award	35,790	–	–	–	35,790	Nil	5 March 2006
	3 Year Award	18,475	–	–	–	18,475	Nil	9 March 2007
	3 Year Award	–	16,972	–	–	16,972	Nil	17 March 2008
		54,265	16,972	–	–	71,237		
M.J. Shields	3 Year Award	32,807	–	–	–	32,807	Nil	5 March 2006
	3 Year Award	16,853	–	–	–	16,853	Nil	9 March 2007
	3 Year Award	–	16,514	–	–	16,514	Nil	17 March 2008
		49,660	16,514	–	–	66,174		
S.A. Harris	3 Year Award	6,138	–	–	–	6,138	Nil	9 March 2007
	3 Year Award	–	7,263	–	–	7,263	Nil	17 March 2008
		6,138	7,263	–	–	13,401		

The scheme is unapproved for HM Revenue and Customs purposes.

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 continued

Share Matching Scheme

As stated on page 23 the committee does not intend to make further awards under the Share Matching Scheme.

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

	1 January 2005 or date of appointment No.	Granted No.	Vested No.	31 December 2005 No.
T.C. Harris	45,288	30,007	–	75,295
N.P. Henry	5,750	7,579	–	13,329
I.M. Serjent	23,929	6,117	–	30,046
M. J. Shields	31,257	14,868	–	46,125
S.A. Harris	–	5,415	–	5,415
	106,224	63,986	–	170,210

		1 January 2005 or date of appointment No.	Granted No.	Vested/ exercisable No.	31 December 2005 No.	Exercise price	End of performance period
T.C. Harris	3 Year Award	12,585	–	–	12,585	Nil	5 March 2006
	3 Year Award	32,703	–	–	32,703	Nil	9 March 2007
	3 Year Award	–	30,007	–	30,007	Nil	17 March 2008
		45,288	30,007	–	75,295		
N.P. Henry	3 Year Award	5,750	–	–	5,750	Nil	9 March 2007
	3 Year Award	–	7,579	–	7,579	Nil	17 March 2008
		5,750	7,579	–	13,329		
I.M. Serjent	3 Year Award	17,006	–	–	17,006	Nil	5 March 2006
	3 Year Award	6,923	–	–	6,923	Nil	9 March 2007
	3 Year Award	–	6,117	–	6,117	Nil	17 March 2008
		23,929	6,117	–	30,046		
M. J. Shields	3 Year Award	15,052	–	–	15,052	Nil	5 March 2006
	3 Year Award	16,205	–	–	16,205	Nil	9 March 2007
	3 Year Award	–	14,868	–	14,868	Nil	17 March 2008
		31,257	14,868	–	46,125		
S.A. Harris	3 Year Award	–	5,415	–	5,415	Nil	17 March 2008

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

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

Directors' pension entitlements

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

	Age at 31 December 2005	Accrued pension 1 January 2005 £000	Accrued pension 31 December 2005 £000	Increase £000	Increase after indexation £000	Transfer value of increase after indexation £000
I.M. Serjent	63	59	62	3	2	85
M.J. Shields	58	62	69	7	5	278

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 each director's accrued benefits is as follows:

	Transfer value of accrued benefits 31 December 2005 £000	Transfer value of accrued benefits 31 December 2004 £000
I.M. Serjent	1,235	1,150
M.J. Shields	1,287	1,009

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

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

Mr N.P.Henry and Mr S.A.Harris are members of the Groups' defined contribution scheme. The Company's contribution is 7% of base salary amounting to £11,000 (2004: £1,000).

The directors' interests in shares are shown in the director's report on page 14.

On behalf of the board

Anthony R.C.B. Cooke

Board remuneration committee chairman

13 March 2006

Statement of Directors' Responsibilities

Accounts, including adoption of going concern basis

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

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

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

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

Independent Auditors' Report

To the members of James Fisher and Sons Public Limited Company

We have audited the group and parent company financial statements (the "financial statements") of James Fisher & Sons Public Limited Company for the year ended 31 December 2005 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Recognised Income and Expense, and the related notes 1 to 32. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union as set out in the statement of directors' responsibilities. Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions are not disclosed.

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

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the unaudited part of the directors' remuneration report, the chairman's statement, the operating and financial review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- The group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2005 and of its result for the year then ended;
- The parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2005; and
- The financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRSs

As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 December 2005 and of its result for the year then ended.

Ernst & Young LLP
Registered auditor

Liverpool
13 March 2006

Group Income Statement

For the year ended 31 December 2005

		Year ended 31 December 2005			Year ended 31 December 2004		
	Notes	Before separately disclosable items £000	Separately disclosable items note (6) £000	Total £000	Before separately disclosable items £000	Separately disclosable items note (6) £000	Total £000
Group revenue	4	91,411		91,411	71,153		71,153
Cost of sales		(73,931)		(73,931)	(55,726)		(55,726)
Gross profit		17,480		17,480	15,427		15,427
Administrative expenses		(5,413)		(5,413)	(4,874)		(4,874)
Profit from operations before separately disclosable items	2	12,067		12,067	10,553		10,553
Pension benefit curtailment		–	2,000	2,000	–	–	–
(Loss)/profit on ship disposals		–	(1,617)	(1,617)	–	475	475
Profit from operations	7	12,067	383	12,450	10,553	475	11,028
Finance costs							
Finance income (revenue)		304	–	304	330	–	330
Finance costs		(2,591)	–	(2,591)	(2,511)	–	(2,511)
Exchange (loss)/gain on loan conversion		–	(130)	(130)	–	155	155
Share of post tax results of joint ventures	4,9 16	(2,287) 1,413	(130) –	(2,417) 1,413	(2,181) 1,219	155 –	(2,026) 1,219
Profit on continuing operations before taxation		11,193	253	11,446	9,591	630	10,221
Taxation	10	(538)	(216)	(754)	(2,123)	–	(2,123)
Profit for the year on continuing operations		10,655	37	10,692	7,468	630	8,098
Discontinued operations							
(Loss)/profit for the year from discontinued operations	5			(12,889)			3,886
Preference dividend	1			(2,197)			11,984 (4)
(Loss)/profit attributable to equity holders of the parent				(2,197)			11,980
Earnings per share (EPS)							
Basic EPS from continuing operations	12			pence 21.91			pence 16.77
Diluted EPS from continuing operations	12			21.72			16.56
Basic (loss)/EPS on (loss)/profit from total operations	12			(4.50)			24.82
Diluted (loss)/EPS on (loss)/profit from total operations	12			(4.50)			24.52
Adjusted earnings per share							
Basic adjusted EPS from continuing operations	12			21.84			15.47
Diluted adjusted EPS from continuing operations	12			21.64			15.27

Group Statement of Recognised Income and Expense

For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Income and expenses recognised directly in equity			
Exchange differences on translation of foreign operations:			
Currency translation differences		26	(126)
Net investment hedge		9	303
		35	177
Fair value of losses on cash flow hedges		(134)	–
Share of fair value gains of cash flow hedges in joint venture		169	–
Actuarial (losses)/gains on defined benefit schemes	25	(4,531)	400
		(4,461)	577
Transfers to the income statement			
On cash flow hedges		36	–
Tax on items taken directly to equity		123	(120)
Net (expense)/income recognised directly in equity		(4,302)	457
(Loss)/profit for the year		(2,197)	11,980
Total recognised (expense)/income for the year	23	(6,499)	12,437
All recognised (expense)/income is attributable to the equity holders of the parent			
Effects of changes in accounting policy:			
	23		
Net gain on cash flow hedges on first time adoption of IAS 39		20	–
Loss on cash flow hedges in joint ventures on first time adoption of IAS 39		(125)	–
		(105)	–

Company Statement of Recognised Income and Expense

For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £000	Year ended 31 December 2004 £000
Income and expenses recognised directly in equity			
Fair value of losses on cash flow hedges		(134)	–
Actuarial (losses)/gains on defined benefit schemes	25	(4,531)	400
		(4,665)	400
Transfers to the income statement			
On cash flow hedges		36	–
Tax on items taken directly to equity		123	(120)
Net (expense)/income recognised directly in equity		(4,506)	280
Profit for the year		871	13,027
Total recognised (expense)/income for the year	23	(3,635)	13,307
All recognised (expense)/income is attributable to the equity holders of the parent			
Effects of changes in accounting policy:			
Net gain on cash flow hedges on first time adoption of IAS 39	23	20	–

Group Balance Sheet

As at 31 December 2005

	Notes	31 December 2005 £000	31 December 2004 £000
Assets			
Non current assets			
Goodwill	14	36,168	21,254
Property, plant and equipment	15	67,081	103,091
Investment in joint ventures	16	2,587	1,810
Financial assets	17	1,368	1,157
Deferred tax assets	11	1,197	1,391
		108,401	128,703
Current assets			
Inventories	19	5,797	4,028
Trade and other receivables	20	21,026	14,901
Cash and cash equivalents	21	9,725	10,045
		36,548	28,974
Non-current assets classified as held for sale	5	7,959	–
Total Assets		152,908	157,677
Equity and Liabilities			
Capital and reserves			
Called up share capital	22	12,345	12,305
Cumulative preference shares	22	–	100
Share premium	23	23,960	23,810
Treasury shares	23	(1,184)	(1,212)
Other reserves	23	178	177
Retained earnings	23	38,030	48,151
Total equity		73,329	83,331
Non current liabilities			
Other payables	24	593	14
Retirement benefit obligations	25	13,536	12,800
Derivative financial instruments	29	18	–
Cumulative preference shares	29	100	–
Interest-bearing loans and borrowings	27	42,695	38,472
		56,942	51,286
Current liabilities			
Trade and other payables	24	14,802	13,280
Current tax		1,370	1,601
Derivative financial instruments	29	102	–
Interest-bearing loans and borrowings	27	6,363	8,179
		22,637	23,060
Total liabilities		79,579	74,346
Total equity and liabilities		152,908	157,677

The accounts were approved by the board of directors on 13 March 2006 and were signed on its behalf by:

TC Harris

Executive Chairman

Company Balance Sheet

As at 31 December 2005

	Notes	31 December 2005 £000	31 December 2004 £000
Assets			
Non current assets			
Property, plant and equipment	15	7,308	1,149
Investments	17	82,433	74,797
Financial assets	17	1,368	1,157
Deferred tax assets	11	2,023	1,942
		93,132	79,045
Current assets			
Inventories	19	2	4
Trade and other receivables	20	1,776	1,250
Current tax		999	–
Cash and cash equivalents	21	1,789	5,175
		4,566	6,429
Total Assets		97,698	85,474
Equity and Liabilities			
Capital and reserves			
Called up share capital	22	12,345	12,305
Cumulative preference shares	22	–	100
Share premium	23	23,960	23,810
Treasury shares	23	(1,184)	(1,212)
Other reserves	23	(78)	–
Retained earnings	23	11,150	18,217
Total equity		46,193	53,220
Non current liabilities			
Retirement benefit obligations	25	13,536	12,800
Derivative financial instruments	29	18	–
Cumulative preference shares	29	100	–
Interest-bearing loans and borrowings	27	22,250	3,000
		35,904	15,800
Current liabilities			
Trade and other payables	24	15,499	15,802
Current tax		–	152
Derivative financial instruments	29	102	–
Interest-bearing loans and borrowings	27	–	500
		15,601	16,454
Total liabilities		51,505	32,254
Total equity and liabilities		97,698	85,474

The accounts were approved by the board of directors on 13 March 2006 and were signed on its behalf by:

TC Harris

Executive Chairman

Group Cash Flow Statement

For the year ended 31 December 2005

	Notes	31 December 2005 £000	31 December 2004 £000
Group profit from operations		12,450	11,028
Adjustments to reconcile Group operating profit to net cash inflows from operating activities			
(Loss)/profit from operations from discontinued operations		(12,928)	3,893
Adjustments for:			
Depreciation		7,670	8,259
Profit on sale of property, plant and equipment		(51)	(59)
Pension benefit curtailment		(2,000)	–
Impairment of non-current assets		10,885	–
Loss/(profit) on ship disposals		11,565	(475)
Income tax payments		(1,404)	(1,583)
Increase in trade and other receivables		(3,014)	(2,697)
Decrease/(increase) in inventories		258	(150)
Decrease in trade and other payables		(3,285)	(790)
Share based compensation		432	289
Cash flows from operating activities		20,578	17,715
Investing activities			
Dividends from joint venture undertakings		1,068	1,000
Proceeds from the sale of property, plant and equipment		12,995	4,966
Interest received		363	314
Acquisition of subsidiaries, net of cash acquired		(22,077)	(6,250)
Acquisition of property, plant and equipment		(7,357)	(3,649)
Loans to joint venture repaid		–	225
Acquisition of available for sale financial asset		(211)	–
Refund of payment to acquire property, plant and equipment		–	3,851
Sale of shipbuilding contracts		–	7,293
Cash flows (used in)/from investing activities		(15,219)	7,750
Financing activities			
Proceeds from the issue of share capital		190	346
Preference dividend paid		(4)	(4)
Interest paid		(2,871)	(2,482)
Proceeds from other non-current borrowings		20,524	12,574
Purchase less sales of own shares by ESOP		7	(616)
Repayment of borrowings		(19,547)	(27,409)
Dividends paid		(3,927)	(3,410)
Cash flows from financing activities		(5,628)	(21,001)
Net (decrease)/increase in cash and cash equivalents		(269)	4,464
Cash and cash equivalents at 1 January 2005	21	10,045	5,455
Net foreign exchange difference		(51)	126
Cash and cash equivalents at 31 December 2005	21	9,725	10,045

Company Cash Flow Statement

For the year ended 31 December 2005

	Notes	31 December 2005 £000	31 December 2004 £000
Operating activities			
Loss from operations		(11,210)	(1,652)
Adjustments for:			
Depreciation		216	209
Loss on sale of property, plant and equipment		1	10
Profit on ship disposals		–	(589)
Loss on disposal of investments		–	10
Pension curtailment		(2,000)	–
Income tax payments		(228)	(594)
Increase/(reduction) in provision against investments		9,470	(400)
Decrease in inventories		2	1
Decrease in trade and other receivables		(529)	334
(Decrease)/increase in trade and other payables		(1,926)	3,468
Share based compensation		418	277
Cash flows from operating activities		(5,786)	1,074
Investing activities			
Dividends from subsidiaries		11,175	15,100
Proceeds from the sale of property, plant and equipment		31	3,067
Interest received		532	577
Acquisition of subsidiaries, net of cash acquired		(3)	(1,193)
Acquisition of property, plant and equipment		(6,407)	(798)
Acquisition of available for sale financial asset		(211)	–
Cash flows from investing activities		5,117	16,753
Financing activities			
Proceeds from the issue of share capital		190	346
Preference dividend paid		(4)	(4)
Interest paid		(630)	(375)
Net loans advanced to subsidiaries		(17,103)	(5,537)
Proceeds from other non-current borrowings		18,750	–
Purchase less sales of own shares by ESOP		7	(616)
Repayment of borrowings		–	(6,500)
Dividends paid		(3,927)	(3,410)
Cash flows from financing activities		(2,717)	(16,096)
Net (decrease)/increase in cash and cash equivalents		(3,386)	1,731
Cash and cash equivalents at 1 January 2005	21	5,175	3,444
Cash and cash equivalents at 31 December 2005	21	1,789	5,175

Notes to the financial statements

For the year ended 31 December 2005

General information

This is the first year in which the Group has prepared financial statements under International Financial Reporting Standards ("IFRS"). Comparatives have therefore, with the exceptions noted below, been restated from UK Generally Accepted Accounting Practice ("UK GAAP") to comply with IFRS. The Group issued a press release in August 2005 which contained reconciliations to IFRS from previously published UK GAAP financial statements. These reconciliations are summarised in Note 32 and are also available on the Company's web site at www.jamesfisher.co.uk.

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

The Group financial statements consolidate the financial statements of James Fisher and Sons Public Limited Company ("the Company") and all of its subsidiary undertakings for the year ended 31 December 2005.

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

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

The Company and consolidated financial statements were approved for issue by the Board of Directors on 13 March 2006.

As permitted by section 230 of the Companies Act 1985, a separate income statement and related notes for the holding company have not been presented in these financial statements. The profit after taxation in the holding company was £871,000 (2004 £13,027,000).

Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS adopted by the European Union ("EU") as at 13 March 2006 and are applied in accordance with the provisions of the Companies Act 1985.

1 Significant accounting policies

A summary of the principal accounting policies, which have been applied consistently throughout the year and the preceding year, with the exception of those relating to the treatment of financial instruments as required by the provisions of IAS 32 and IAS 39 which have been applied from 1 January 2005, is set out below.

First time adoption

In general the Group is required to apply its accounting policies determined under IFRS fully retrospectively to determine the opening IFRS balance sheet. In order to ease the transition to IFRS the accounting standard IFRS 1 "First Time Adoption of International Financial Reporting Standards" includes several exceptions to this principle, some of which are mandatory and some permissive. In preparing these initial statements the Group has applied the following exemptions to the restatement of historical data:

- **Business combinations** – The provisions of IFRS 3 "Business Combinations" have been applied prospectively from 1 January 2004. The accounting treatments applied to business combinations that occurred prior to this date have not been revised in the opening IFRS balance sheet at 1 January 2004.
- **Cumulative translation differences arising on the consolidation of subsidiaries** – IAS 21 "The Effects of Changes in Foreign Exchange Rates" requires that such differences be held in a separate translation reserve. This reserve has been deemed to be nil at 1 January 2004.
- **Financial instruments** – The provisions of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement" have not been applied to the comparative financial statements for the year ended 31 December 2004. The Group has applied these standards prospectively from 1 January 2005. For the comparative period the Group has continued to account for its foreign exchange contracts and interest rate swaps under UK GAAP. The principal impacts of applying these standards from 1 January 2005 are:
 - The 3.5% cumulative preference shares which have a book and fair value of £100,000 have been reclassified from equity to long term debt. From 1 January 2005 the dividend on the shares of £3,500 per annum is classified as an interest expense.
 - The Group has not recognised the fair value of hedging derivatives in its 2004 IFRS comparative balance sheet and income statement.
 - From 1 January 2005 the fair value of these derivatives used for hedging purposes has been included in a hedging reserve and released to the income statement in the year when the hedged commitment affects profit or loss. The impact of this change is to recognise in reserves a gain on the fair value of cash flow hedges of £20,000 in the Group and Company and a loss of £125,000 in reserves of the Group being the Group's share of the loss on fair value of cash flow hedges in the Group's joint venture, Foreland Holdings Limited.
- **Employee benefits** – The Group has elected to recognise all cumulative actuarial gains and losses relating to its defined benefit pension schemes in equity at 1 January 2004, the date of transition. The Group has elected to recognise all future actuarial gains and losses in equity in the statement of recognised income and expense.
- **Share based payments** – In respect of share based payments, the Group has applied the exemption in IFRS 1 "First time adoption of IFRS" and has only applied the standard to equity settled awards granted after 7 November 2002 that had not vested on or before 1 January 2005.

Notes to the financial statements continued

Basis of preparation of Group accounts

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

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.

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

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.

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

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

(ii) Company

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

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

The Company's investment in subsidiaries and joint ventures

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

Financial assets

Non application of IAS 32 and IAS 39

The accounting policy set out below is based on the requirements of IAS 32 and IAS 39. As noted in the section "First time adoption", the Group has chosen not to apply IAS 32 and IAS 39 to the comparatives for the year ended 31 December 2004.

The impact of applying this exemption is that the 2004 IFRS comparatives continue to be accounted for on the same basis as under UK GAAP.

The Group recognises two classes of financial assets:

- Loans and receivables
- Available for sale financial assets

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

Goodwill

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

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

For goodwill arising on acquisitions prior to 1 January 2004 amortisation ceases at transition to IFRS and it is carried at its previous carrying amount subject to provision for impairment. For the purposes of determining impairment of purchased goodwill carried in the balance sheet, all goodwill is allocated against the appropriate combination of business units deemed to obtain advantage from the benefits acquired with the goodwill. These are designated as cash generating units ("CGU"). Impairment is then assessed by comparing the recoverable amount of the relevant CGU with the carrying value of the CGU's assets and liabilities and related goodwill. Where the recoverable amount of the CGU is less than its carrying amount including goodwill, an impairment loss is recognised.

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

Separately disclosable items

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

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment. Refit costs are capitalised separately and amortised over 30 months. Other subsequent expenditure is capitalised only when it increases the future economic benefits associated with the item 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 annual instalments over their remaining estimated useful lives.

The principal rates used are:

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

No depreciation is charged on assets under construction.

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

Notes to the financial statements continued

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 item into use attributable finance costs are capitalised and included in the cost of the relevant item.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment of assets

At each reporting date the Group assesses whether there are any indications that an asset has been impaired. If any indication exists the Group makes an estimate of the recoverable amount of the asset concerned. The recoverable amount is determined as the higher of its fair value less disposal costs and its value in use. These calculations are determined for an individual asset unless that asset does not generate cash flows 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 or group of assets 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 the current market assessment of the time value of money and risks specific to the asset. Impairment losses on continuing operations are recognised in the income statement.

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 and 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.

Taxation

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

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

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

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

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

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

Derivatives and financial instruments

Non application of IAS 32 and IAS 39

The accounting policy set out below is based on the requirements of IAS 32 and IAS 39. As noted in the section "First time adoption", the Group has chosen not to apply IAS 32 and IAS 39 to the comparatives for the year ended 31 December 2004. The impact of applying this exemption is that in the 2004 financial statements hedging derivatives continue to be accounted for on the same basis as under UK GAAP, under which the fair value of outstanding derivatives was excluded from the balance sheet. Following application of these standards on 1 January 2005, the fair value of hedging derivatives has been included in the balance sheet of the Group.

The 3.5% cumulative preference shares continue to be accounted for as equity as at 31 December 2004. From 1 January 2005 they have been reclassified from equity to long term debt.

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

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

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

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

Cash flow hedges

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

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

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

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

Hedge effectiveness is measured by assessing the ability of the derivative instrument to offset changes in the fair values or cash flows of hedged items.

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

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

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

Fair Value Hedges

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

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

Derivatives that do not qualify for hedge accounting

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

Calculation of fair values

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

Notes to the financial statements continued

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

The policy set out below is identical in all material respects to that previously adopted under UK GAAP.

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 using the effective interest method being recognised in the income statement over the term of such instruments at a constant rate on the carrying amount, and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounting for leases

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.

Pension Plans

(i) Defined contribution scheme

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

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

(ii) Defined benefit scheme

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

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

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

The liability represents the present value of the defined benefit obligations at the balance sheet date, less the fair value of the scheme assets together with adjustments for previously unrecognised actuarial gains or losses and past service costs.

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

Actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, have been recognised in the Group's equity. 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 equity in the statement of recognised income and expense.

Equity-settled share based payments

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

For options granted since 7 November 2002 the fair value of employee services rendered in exchange for the grant of options is recognised as a cumulative expense in the income statement with a corresponding credit to equity.

The total amount, which is expensed over the specified period until the options can be exercised (the vesting period), is determined by the fair value of the option at the date of grant.

The fair value of the option is determined by an external valuer using mathematical modelling techniques, including the Black-Scholes option pricing model and the Binomial model.

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

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

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 and other equity instruments 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.

Segmental reporting

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

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

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

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

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 are not completed at the balance sheet date, revenue is recognised in proportion to the stage of completion of the transaction. Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due.

Rentals receivable under operating leases are credited to revenue on a straight line basis over the lease term.

Dividends are recognised when the Group's right to receive payment is established.

Revenue from interest income is recognised as interest accrues using the effective interest method, that is, the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

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 Company's earnings per share.

Notes to the financial statements continued

Non-current assets held for sale

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

Cash and cash equivalents

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

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

New standards and interpretations not applied

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

International Accounting Standards (IAS/IFRSs)		Effective Date
IFRS 1	Amendment relating to IFRS 6	1 January 2006
IFRS 4	Insurance Contracts (Amendment to IAS 39 and IFRS 4 – Financial Guarantee Contracts)	1 January 2006
IFRS 6	Exploration for and Evaluation of Mineral Assets	1 January 2006
IFRS 6	Amendment relating to IFRS 6	1 January 2006
IFRS 7	Financial Instruments: Disclosures	1 January 2007
IAS 1	Amendment – Presentation of Financial Statements: Capital Disclosures	1 January 2007
IAS 19	Amendment – Actuarial Gains and Losses, Group Plans and Disclosures	1 January 2006
IAS 39	Fair Value Option	1 January 2006
IAS 39	Amendments to IAS 39 – Transition and Initial Recognition of Financial Assets and Financial Liabilities (Day 1 profits)	1 January 2006
IAS 39	Cash Flow Hedge Accounting	1 January 2006
IAS 39	Amendment to IAS 39 and IFRS 4 – Financial Guarantee Contracts	1 January 2006
IAS 21	Amendment relating to IAS 21 – The Effects of Changes in Foreign Exchange Rates – Net Investment in Foreign Operations	1 January 2006
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 4	Determining whether an arrangement contains a lease	1 January 2006
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	1 December 2006
IFRIC 7	Applying the restatement approach under IAS 29 Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8	Scope of IFRS 2	1 May 2006
IFRIC 9	Reassessment of Embedded Derivatives	1 June 2006

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

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

2 Segmental information

Primary reporting format business segments

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2005 and 2004.

Year ended 31 December 2005	Continuing Operations				Total £000	Discontinued Operations Cable Ships £000	Total £000
	Offshore Oil Services £000	Specialist Technical Services £000	Defence £000	Marine Oil Services £000			
Revenue							
Group revenue	14,936	25,898	9,679	44,903	95,416	9,019	
Inter segment sales	(37)	(3,622)	(346)	–	(4,005)	–	
Segmental revenue	14,899	22,276	9,333	44,903	91,411	9,019	
Result							
Segmental result before ship disposals	4,017	2,551	782	6,733	14,083	4,510	
Common costs					(2,016)		
Profit from operations before separately disclosable items and joint ventures					12,067		
Pension benefit curtailment					2,000		
Impairment of non-current assets					–	(10,885)	
Recognition of rentals due on sold ship					–	3,395	
Loss on ship disposals					(1,617)	(9,948)	
Profit/(loss) from operations before joint ventures					12,450	(12,928)	
Finance income (revenue)					304	42	
Finance costs					(2,591)	–	
Exchange loss on loan conversion					(130)	–	
					(2,417)	42	
Share of post tax results of joint ventures	–	79	1,334	–	1,413	–	
Profit/(loss) before tax					11,446	(12,886)	
Taxation					(754)	(3)	
Profit/(loss) attributable to equity holders					10,692	(12,889)	
Assets & Liabilities							
Segment assets	39,501	24,908	8,867	58,347	131,623	5,095	136,718
Investment in joint ventures	–	398	2,189	–	2,587	–	2,587
Non-current assets classified as held for sale					–	7,959	7,959
Unallocated assets					5,644	–	5,644
Total assets					139,854	13,054	152,908
Segment liabilities	(1,922)	(2,802)	(1,441)	(6,820)	(12,985)	(1,437)	(14,422)
Unallocated liabilities					(65,157)	–	(65,157)
Total liabilities					(78,142)	(1,437)	(79,579)
Other segment information							
Capital expenditure:							
Property, plant & equipment	7,242	3,733	71	3,317	14,363	588	14,951
Unallocated					53	–	53
					14,416	588	15,004
Depreciation	939	400	118	3,838	5,295	2,189	7,484
Impairment provision					–	10,885	10,885
Unallocated					186	–	186
					5,481	13,074	18,555

Notes to the financial statements continued

Year ended 31 December 2004	Continuing Operations				Total £000	Discontinued Operations Cable Ships £000	Total £000
	Offshore Oil Services £000	Specialist Technical Services £000	Defence £000	Marine Oil Services £000			
Revenue							
Group revenue	12,071	9,576	8,260	45,148	75,055	7,600	
Inter segment sales	–	(3,768)	(134)	–	(3,902)	–	
Segmental revenue	12,071	5,808	8,126	45,148	71,153	7,600	
Result							
Segmental result before ship disposals	2,884	914	1,509	6,909	12,216	3,893	
Common costs					(1,663)		
Profit from operations before separately disclosable items and joint ventures					10,553		
Profit on ship disposals					475		
Profit from operations before joint ventures					11,028	3,893	
Finance income (revenue)					330	–	
Finance costs					(2,511)	–	
Exchange gain on loan conversion					155	–	
					(2,026)	–	
Share of post tax results of joint ventures					–	–	1,219
Profit before tax					10,221	3,893	
Taxation					(2,123)	(7)	
Profit attributable to equity holders					8,098	3,886	
Assets & Liabilities							
Segment assets	24,496	8,860	8,274	62,657	104,287	42,095	146,382
Investment in joint ventures	–	–	1,810	–	1,810	–	1,810
Unallocated assets					9,485		9,485
Total assets					115,582	42,095	157,677
Segment liabilities	(1,763)	(728)	(1,691)	(6,051)	(10,233)	(1,595)	(11,828)
Unallocated liabilities					(62,518)		(62,518)
Total liabilities					(72,751)	(1,595)	(74,346)
Other segment information							
Capital expenditure:							
Property, plant & equipment	2,402	833	92	1,078	4,405	(3,851)	554
Unallocated					747		747
					5,152	(3,851)	1,301
Depreciation	851	66	111	4,680	5,708	2,342	8,050
Unallocated					209		209
					5,917	2,342	8,259

Unallocated net liabilities comprise certain assets and liabilities of the parent company, loans, pension liabilities and taxation.

Geographical segments

The following table represents revenue, expenditure and certain asset information regarding the Group's geographical segments by location for the years ended 31 December 2005 and 2004.

	UK & Ireland		Norway		Rest of the World		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Revenue								
Continuing activities								
Sales to external customers	68,964	52,145	8,110	6,643	18,342	16,267	95,416	75,055
Inter-segment sales	(4,005)	(3,902)	–	–	–	–	(4,005)	(3,902)
Segmental revenue	64,959	48,243	8,110	6,643	18,342	16,267	91,411	71,153
Discontinued activities								
Sales to external customers	–	–	–	–	9,019	7,600	9,019	7,600
Segment assets	109,210	123,161	25,091	23,221	2,417	–	136,718	146,382
Investment in joint ventures	2,189	1,810	–	–	398	–	2,587	1,810
Non-current assets classified as held for sale	7,959	–	–	–	–	–	7,959	–
Unallocated corporate assets							5,644	9,485
							152,908	157,677
Segment liabilities								
Unallocated corporate liabilities	(9,376)	(9,635)	(2,941)	(2,193)	(2,105)	–	(14,422)	(11,828)
							(65,157)	(62,518)
							(79,579)	(74,346)
Capital expenditure:								
Property, plant and equipment	14,211	871	793	430	–	–	15,004	1,301

3 Pro Forma adjusted segmental information

The directors present below an analysis of segmental results adjusted to remove the effect of classifying the cable ship operation as discontinued and to reflect the inclusion of the Group's interest in joint ventures. This provides a comparison of current performance against the previous year of the Group as previously structured.

		2005 £000	2004 £000
Marine Support Services			
Offshore Oil Services		4,017	2,884
Specialist Technical Services		2,551	914
Defence		782	1,509
		7,350	5,307
Joint Ventures	– Defence	1,334	1,219
	– Specialist Technical Services	79	–
		1,413	1,219
Total Marine Support Services		8,763	6,526
Marine Oil Services		6,733	6,909
Cable Ships		4,510	3,893
Common costs		(2,016)	(1,663)
		17,990	15,665
Net Interest		(2,245)	(2,181)
Profit from operations before separately disclosable items		15,745	13,484
(Loss)/profit on ship disposals		(11,565)	475
Impairment of non current assets		(10,885)	–
Recognition of rentals due on sold ship		3,395	–
Pension benefit curtailment		2,000	–
Exchange (loss)/gain on loan conversion		(130)	155
(Loss)/profit before tax		(1,440)	14,114

Notes to the financial statements continued

4 Revenue

Revenue disclosed in the income statement is analysed as follows:

Continuing operations

	2005 £000	2004 £000
Sale of goods and services	81,150	62,316
Rental income	10,261	8,837
Revenue	91,411	71,153
Finance revenue	304	330
Total revenue	91,715	71,483

Discontinued operations

	2005 £000	2004 £000
Rental income	9,019	7,600
Finance revenue	42	–
Total revenue	9,061	7,600

5 Discontinued operations

Discontinued operations relate to the withdrawal of the Group from cable laying activities. Following the disposal in 2005 of the cable ship CS Oceanic Pearl the remaining vessel, CS Oceanic Princess, will be disposed of and has therefore been reclassified as an asset held for sale.

An impairment review has been performed by the directors, taking into account the expected disposal proceeds and costs and revenues anticipated to arise during the period prior to disposal, discounted at an appropriate rate which takes into account the risks associated with the relevant cash flows. As a result an impairment provision of £10,885,000 has been made against the carrying value of the vessel and charged to the income statement. The discount rates used to assess the cash flows were between 4.5% and 10%.

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

The results of discontinued operations are presented below:

	2005 £000	2004 £000
Revenue	9,019	7,600
Cost of sales	(4,509)	(3,707)
Gross profit	4,510	3,893
Loss on ship disposal	(9,948)	–
Recognition of rentals due on sold ship	3,395	–
	(2,043)	3,893
Impairment of non-current assets	(10,885)	–
(Loss)/profit from operations	(12,928)	3,893
Finance income		
Movement in discount on receivables	42	–
(Loss)/profit before tax from discontinued operations	(12,886)	3,893
Taxation	(3)	(7)
Net (loss)/profit attributable to discontinued operations	(12,889)	3,886

Taxation is payable on profit from operations under the tonnage tax regime as explained in Note 10.

Non current assets held for sale

Other than the vessel CS Oceanic Princess, there are no other assets or liabilities of the cable ship operations which are classified as held for sale.

At 31 December 2005 the carrying value of the CS Oceanic Princess was £7,959,000.

The net cash flows attributable to discontinued operations are:

	2005 £000	2004 £000
Operating cash flows	7,085	7,019
Investing cash flows	(5,522)	(1,818)
Financing activities	–	(3,900)
	1,563	1,301

(Loss)/earnings per share from discontinued operations (pence):

	2005 p	2004 p
Basic	(26.41)	8.05
Diluted	(26.41)	7.95

6 Separately disclosable items

Separately disclosable items consist of:

	2005 £000	2004 £000
Pension benefit curtailment	2,000	–
(Loss)/profit on ship disposals	(1,617)	475
Exchange (loss)/gain on loan conversion	(130)	155
	253	630

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

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

The tax arising on these items is £216,000 (2004: £nil).

7 Profit from operations

Profit from operations represents profits from the ordinary trading activities of the Group before taxation, financing costs and the Group's share of its activities carried out through joint ventures.

This is stated after charging/(crediting):

	2005 £000	2004 £000
Profit on sale of property, plant and equipment, excluding ships	(51)	(59)
Depreciation of property, plant and equipment		
ships	4,802	5,472
refit costs	1,203	1,551
others	1,665	1,236
Total depreciation charge	7,670	8,259
Net foreign currency differences	(37)	357
Cost of inventories recognised as an expense	19,234	10,561
Operating lease rentals:		
property	511	452
bareboat charter	4,312	2,958
others	56	46
	4,879	3,456

Notes to the financial statements continued

Auditors' remuneration comprises the following:

	2005 £000	2004 £000
Audit Services ¹	216	133
Audit related services ²	45	–
	261	133
Further assurance services ³	213	52
Tax services	42	23
Other services	11	7
	266	82
Total audit and non audit services	527	215

1 Audit services includes audit fees relating to businesses located overseas of £57,000 (2004: 26,000). Audit fees related to the Company were £50,000 (2004: £45,000).

2 Audit related services comprises fees in relation to the conversion to IFRS.

3 Further assurance services include due diligence work in respect of acquisitions.

8 Staff costs and directors' emoluments

a) Staff costs including executive directors

	2005 £000	2004 £000
Wages & salaries	21,114	13,337
Social security costs	1,718	1,274
Pension costs – defined contribution plans	286	141
Pension costs – defined benefit plans (see Note 25)	703	801
Share based compensation	432	289
	24,253	15,842

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

	2005 No.	2004 No.
Technical and administrative	471	300
Seafarers	271	282
	742	582

From 1 April 2004 most seafarers became employees of the Group. Prior to that date seafarers were employed by agencies and seconded to the Group for a fee. The cost of seafarers prior to that date has been excluded from the above figures.

b) Directors' emoluments

	2005 £000	2004 £000
Directors' emoluments	1,092	1,042
Aggregate gains made by directors on the exercise of options	278	760
Amounts receivable under long term incentive plans	–	328
Pension contributions to defined contribution schemes	11	1
Number of directors accruing benefits under:		
Defined benefit schemes	2	3
Defined contribution schemes	2	1

9 Finance income/(costs)

	2005 £000	2004 £000
Bank interest receivable	304	330
Interest payable on:		
Bank loans and overdrafts	(2,555)	(2,377)
Preference dividend	(4)	–
Other interest	(55)	(134)
	(2,614)	(2,511)
Bank interest capitalised*	23	–
	(2,591)	(2,511)
Exchange (loss)/gain on loan conversion	(130)	155

* Interest capitalised relates to the construction of new vessels

10 Taxation

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

The tax charge is made up as follows:

	2005 £000	2004 £000
<i>Current tax:</i>		
UK tonnage tax	(24)	(32)
UK corporation tax	(514)	(832)
	(538)	(864)
Tax over/(under)provided in previous years	327	(409)
Foreign tax	(567)	(477)
Total current tax	(778)	(1,750)
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	21	(380)
Total taxation expense included in group income statement	(757)	(2,130)
Share of joint ventures' current tax	(72)	(61)
The total tax charge in the income statement is allocated as follows:		
Taxation on continuing operations	(754)	(2,123)
Taxation attributable to discontinued operations	(3)	(7)
	(757)	(2,130)

Notes to the financial statements continued

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

	2005 £000	2004 £000
<i>Deferred tax:</i>		
Deferred tax relating to the actuarial gains and losses on defined benefit pension schemes	123	(120)

Reconciliation of effective tax rate

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

	2005 £000	2004 £000
Profit before tax from continuing operations	11,518	10,282
(Loss)/profit before tax from discontinued operations	(12,886)	3,893
	(1,368)	14,175
At UK statutory tax rate of 30% (2004 30%)	(410)	4,252
Difference due to application of tonnage tax to all vessel disposals and operating activities	2,015	(3,251)
Expenses not deductible for tax purposes	146	676
Chargeable gains	–	13
(Over)/under provision in previous years	(327)	21
Share base payments	180	13
Special pension contribution	(409)	–
Lower taxes on overseas income	(40)	(34)
Pension curtailment	(384)	–
Irrecoverable ACT relating to previous years	–	388
Other	(14)	52
Total tax expense	757	2,130

The effective income tax rate on profit from continuing operations was 6.6% (2004 20.7%).

11 Deferred income tax

Group

Deferred tax at 31 December relates to the following:

	Group Balance sheet		Group Income statement	
	2005 £000	2004 £000	2005 £000	2004 £000
<i>Deferred tax assets</i>				
Retirement benefits	2,005	1,882	–	–
Share based payments	225	45	180	(13)
	2,230	1,927		
<i>Deferred tax liabilities</i>				
Accelerated capital allowances for tax purposes	(479)	(464)	57	(367)
Pension curtailment	(216)	–	(216)	–
Acquisitions	(338)	(7)	–	–
Fair value adjustments on acquisition	–	(65)	–	–
	(1,033)	(536)		
Deferred income tax credit/(charge)			21	(380)
Net deferred income tax asset	1,197	1,391		

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

	2005 £000	2004 £000
Balance at 1 January	1,391	1,963
Credited/(charged) to equity in statement of recognised income and expense	123	(120)
Credited/(charged) to income statement	21	(380)
Acquired with subsidiaries	(338)	(72)
Balance at 31 December	1,197	1,391

At 31 December 2005 the Group has no recognised or unrecognised deferred income tax liability (2004 £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries and joint ventures. The Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

Company

Deferred tax at 31 December relates to the following:

	Company Balance sheet		Company Income statement	
	2005 £000	2004 £000	2005 £000	2004 £000
<i>Deferred tax assets</i>				
Retirement benefits	2,005	1,882	–	–
Share based payments	225	45	180	(13)
	2,230	1,927		
<i>Deferred tax liabilities</i>				
Accelerated capital allowances for tax	9	15	(6)	(2)
Pension curtailment	(216)	–	(216)	–
	(207)	15		
Deferred income tax charge			(42)	(15)
Net deferred income tax asset	2,023	1,942		

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

	2005 £000	2004 £000
Balance at 1 January	1,942	2,077
Included in statement of recognised income and expense	123	(120)
Charged to income statement	(42)	(15)
Balance at 31 December	2,023	1,942

At 31 December 2005 the Company has no recognised or unrecognised deferred income tax liability (2004 £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. The Group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

12 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 shares in issue during the year, after excluding 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 equity holders of the parent by the weighted average number of shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on the following profits and numbers of shares:

	2005 £000	2004 £000
(Loss)/profit attributable to equity holders	(2,197)	11,984
Preference dividend*	–	(4)
Adjusted (loss)/profit attributable to equity holders	(2,197)	11,980
Loss/(profit) attributable to discontinued activities	12,889	(3,886)
Profit on continuing activities attributable to equity holders	10,692	8,094

* Following the adoption of IAS 32 and IAS 39 the preference dividend has been included in finance costs in 2005 (see note 1).

Notes to the financial statements continued

Weighted average number of shares

	2005 Number of shares	2004 Number of shares
For basic earnings per share**	48,797,076	48,261,182
Exercise of share options and LTIPs+	430,920	605,628
For diluted earnings per share	49,227,996	48,866,810

** Excludes 510,237 (2004:563,008) shares owned by the James Fisher & Sons Public Limited Company Employee Share Ownership Trust.

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

	£000	2005 p	£000	2004 p
Basic (loss)/earnings per share	(2,197)	(4.50)	11,980	24.82
Basic (loss)/earnings per share attributable to discontinued operations	12,889	26.41	(3,886)	(8.05)
Basic earnings per share on profit on continuing operations	10,692	21.91	8,094	16.77
Diluted earnings per share on profit on continuing operations	10,692	21.72	8,094	16.56

Adjusted Earnings per Share

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

	£000	2005 p	£000	2004 p
Basic earnings per share on profit on continuing operations	10,692	21.91	8,094	16.77
Adjustments:				
Exchange loss/(gain) on loan conversion	130	0.27	(155)	(0.32)
Loss/(profit) on ship disposals	1,617	3.31	(475)	(0.98)
Pension benefit curtailment (including tax effect of £216,000)	(1,784)	(3.65)	–	–
Basic adjusted earnings per share from continuing operations	10,655	21.84	7,464	15.47
Diluted earnings per share on profit on continuing operations	10,692	21.72	8,094	16.56
Adjustments:				
Exchange loss/(gain) on loan conversion	130	0.26	(155)	(0.32)
Loss/(profit) on ship disposals	1,617	3.28	(475)	(0.97)
Pension benefit curtailment (including tax effect of £216,000)	(1,784)	(3.62)	–	–
Diluted adjusted earnings per share from continuing operations	10,655	21.64	7,464	15.27

13 Dividends paid and proposed

	2005 £000	2004 £000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend for 2004 4.95p (2003 4.30p)	2,440	2,110
Interim dividend for 2005 3.10p (2004 2.77p)	1,531	1,359
Less dividends on own shares held by ESOP	(44)	(59)
	3,927	3,410
Proposed for approval at Annual General Meeting (not recognised as a liability at 31 December)		
Equity dividends on ordinary shares:		
Final dividend for 2005 5.69p (2004 4.95p)	2,781	2,440

14 Goodwill

GROUP

Cost and net book value

	2005 £000	2004 £000
At 1 January 2005	21,254	17,397
Exchange differences	11	24
Additions	14,903	3,833
At 31 December 2005	36,168	21,254

Impairment of goodwill

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

Scan Tech Norway – represents the Norwegian based part of the Offshore Oil Services segment including Scan Tech Norway, Air Supply and Reanco.

Scan Tech UK – comprises the UK based part of the Offshore Oil Services segment including Scan Tech UK and Monyana.

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

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

FenderCare – The FenderCare fendering and marine services business included in the Specialist Technical Services segment.

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

The recoverable amount of these units has been assessed based on value in use calculations using cash projections based on financial budgets approved by the board for the next financial year together with projections derived from those budgets for the following four years. Cash flows beyond that date are extrapolated using a lower rate of 5% (2004: 5%) reflecting the expected long term average growth for these businesses.

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

	2005 £000	2004 £000
Scan Tech Norway	13,855	13,681
Scan Tech UK	6,592	541
Nuclear	3,059	1,662
Defence	5,370	5,370
Fendercare	7,292	–
	36,168	21,254

Key assumptions used in the value in use calculations were:

Gross margin

Discount rate

Costs and payroll inflation

Growth rates used to extrapolate cash flows beyond the budget period.

Gross margins are based on the levels achieved in the current period as adjusted for expected improvements in the forecast period.

Discount rates reflect management's estimate of the return required from the business to reflect the cost of funds plus an appropriate risk premium. The weighted average discount rate used was 6% (2004: 6%).

Cost and payroll inflation reflects management's estimate of future growth based on knowledge of the market and comparable businesses.

Growth rate assumptions reflect management's assessment of the future prospects of the business taking into account future investment and marketing strategies.

Notes to the financial statements continued

15 Property, plant and equipment

	Analysis of ships		Total Ships £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
	Ships £000	Refit £000				
GROUP Cost:						
At 1 January 2004	148,413	6,036	154,449	2,081	6,761	163,291
Additions	159	912	1,071	597	2,364	4,032
Cash settlement	(3,851)	–	(3,851)	–	–	(3,851)
Acquisition of subsidiary undertaking	–	–	–	917	203	1,120
Disposals	(23,497)	(2,954)	(26,451)	–	(519)	(26,970)
Exchange differences	–	–	–	16	80	96
At 31 December 2004	121,224	3,994	125,218	3,611	8,889	137,718
Additions	2,415	1,359	3,774	649	3,099	7,522
Acquisition of subsidiary undertaking	–	–	–	2,785	4,697	7,482
Disposals	(35,011)	(1,773)	(36,784)	–	(608)	(37,392)
Exchange differences	–	–	–	1	15	16
Discontinued operations	(24,462)	(542)	(25,004)	–	–	(25,004)
At 31 December 2005	64,166	3,038	67,204	7,046	16,092	90,342
GROUP Depreciation:						
At 1 January 2004	41,634	3,975	45,609	294	2,933	48,836
Provided during the year	5,472	1,551	7,023	83	1,153	8,259
Disposals	(19,255)	(2,954)	(22,209)	–	(329)	(22,538)
Exchange differences	–	–	–	2	68	70
At 31 December 2004	27,851	2,572	30,423	379	3,825	34,627
Provided during the year	4,802	1,203	6,005	155	1,510	7,670
Disposals	(10,992)	(1,567)	(12,559)	–	(325)	(12,884)
Exchange differences	–	–	–	–	8	8
Impairment	10,885	–	10,885	–	–	10,885
Discontinued operations	(16,898)	(147)	(17,045)	–	–	(17,045)
At 31 December 2005	15,648	2,061	17,709	534	5,018	23,261
Net book value at 31 December 2005	48,518	977	49,495	6,512	11,074	67,081
Net book value at 31 December 2004	93,373	1,422	94,795	3,232	5,064	103,091

Impairment

The impairment during the period of £10,885,000 arises on reducing the carrying value of the CS Oceanic Princess to its recoverable amount on reclassification as held for sale as referred to in Note 5. Recoverable amount is the anticipated fair value less estimated selling costs. The fair value is based on the Directors' best estimate with regard to recent transactions for similar assets within the same industry.

The cash settlement in 2004 relates to a claim connected with the conversion of the CS Oceanic Princess and CS Oceanic Pearl.

Property, plant and equipment held under leasing arrangements

Included in ships are assets with a cost of £3,030,000 (2004 £705,000) and accumulated depreciation of £684,000 (2004 £466,000) which relate to items for use under operating leases.

Included in property, plant and equipment is aggregate interest capitalised of £4,099,000 (2004 £4,105,000).

	Total Ships £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
COMPANY				
Cost:				
At 1 January 2004	8,404	482	918	9,804
Additions	–	590	157	747
Disposals	(8,404)	–	(276)	(8,680)
Inter group transfers	–	–	75	75
At 31 December 2004	–	1,072	874	1,946
Additions	–	7	46	53
Disposals	–	–	(149)	(149)
Inter group transfers	8,731	–	70	8,801
At 31 December 2005	8,731	1,079	841	10,651
COMPANY				
Depreciation:				
At 1 January 2004	5,980	163	614	6,757
Provided during the year	24	40	145	209
Disposals	(6,004)	–	(188)	(6,192)
Inter group transfers	–	–	23	23
At 31 December 2004	–	203	594	797
Provided during the year	30	64	122	216
Disposals	–	–	(117)	(117)
Inter group transfers	2,394	–	53	2,447
At 31 December 2005	2,424	267	652	3,343
Net book value at 31 December 2005	6,307	812	189	7,308
Net book value at 31 December 2004	–	869	280	1,149

Included in property, plant and equipment is aggregate interest capitalised of £154,000 (2004 £nil).

16 Investment in joint ventures

The Group has a 25% equity interest in Foreland Holdings Limited, a shipowning and operating company. On 17 March 2005 the Group acquired, via the acquisition of FenderCare Marine Services Group Limited, a 40% equity interest in FenderCare Nigeria Limited, Silvertide Inc, Asteria Navigation Inc and FCN Limited (the FCN businesses). The FCN businesses are marine services companies operating ship to ship transfers in the West Africa region.

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

	Foreland £000	2005 FCN £000	Total £000	2004 Foreland £000
Current assets	7,331	414	7,745	6,610
Non-current assets	47,182	293	47,475	45,779
Current liabilities	(2,781)	(309)	(3,090)	(2,487)
Non-current liabilities	(49,543)	–	(49,543)	(48,092)
	2,189	398	2,587	1,810
Revenue	8,239	734	8,973	8,105
Cost of sales	(4,221)	(532)	(4,753)	(4,085)
Administrative expenses	(163)	(123)	(286)	(144)
Profit from operations	3,855	79	3,934	3,876
Finance costs				
Finance income (revenue)	222	–	222	184
Finance costs	(2,671)	–	(2,671)	(2,780)
Profit before tax	1,406	79	1,485	1,280
Taxation	(72)	–	(72)	(61)
Net profit attributable to equity holders	1,334	79	1,413	1,219

Notes to the financial statements continued

	Foreland £000	2005 FCN £000	Total £000	2004 Foreland £000
Movement on investment in joint ventures				
At 1 January 2005	1,810	–	1,810	1,591
Share of fair value losses on cash flow hedges on restatement (see Note 1)	(125)	–	(125)	–
Restated at 1 January 2005	1,685	–	1,685	1,591
Acquisitions	–	340	340	–
Profit for the period	1,334	79	1,413	1,219
Dividends received	(999)	(69)	(1,068)	(1,000)
Share of fair value gains on cash flow hedges	169	–	169	–
Exchange adjustments	–	48	48	–
At 31 December 2005	2,189	398	2,587	1,810

17 Financial assets**Group and Company**

	2004 £000
Unlisted securities	
Cost	
At 1 January and 31 December 2004	3,858
Amount provided	
At 1 January and 31 December 2004	2,701
Net book value	
At 1 January and 31 December 2004	1,157
	2005 £000
At 1 January 2005	1,157
Additions	211
Fair value at 31 December 2005	1,368

The requirement of IAS 39 in relation to the valuation of financial assets have been applied from 1 January 2005. The comparatives have been included under UK GAAP and are shown at cost after provision for impairment.

Financial assets at 31 December 2005 represents a 19.99% equity interest in SEML De Co-operation Transmanche, an unlisted company incorporated in France, whose main activity is a port and ferry operator.

On 1 July the Group took up its entitlement to acquire additional shares following a share issue by the investee. The shares were issued to provide additional funds for the company to meet its obligations relating to pension scheme liabilities. The acquisition of additional shares did not result in any change in the percentage holding attributable to the Group.

The Directors' have reviewed the current valuation of the unlisted investment by considering the current prospects of the business and having evaluated the related risks to those prospects do not believe that any adjustment to the current fair valuation is required.

Investments

Company	Subsidiary undertakings		Joint ventures £000	Total £000
	shares £000	loans £000		
Cost				
At 1 January 2004	30,147	39,108	51	69,306
Exchange adjustments	–	318	–	318
Additions/increases	1,193	17,048	–	18,241
Disposals/Repayments	(10)	(11,829)	(51)	(11,890)
At 31 December 2004	31,330	44,645	–	75,975
Exchange adjustments	–	9	–	9
Additions/increases	3	45,075	–	45,078
Repayments	–	(27,981)	–	(27,981)
At 31 December 2005	31,333	61,748	–	93,081
Amount provided				
At 1 January 2004	445	1,133	51	1,629
Released	–	(400)	(51)	(451)
At 31 December 2004	445	733	–	1,178
Provided	–	9,470	–	9,470
At 31 December 2005	445	10,203	–	10,648
Net book value at 31 December 2005	30,888	51,545	–	82,433
Net book value at 31 December 2004	30,885	43,912	–	74,797

A list of subsidiary undertakings is included on page 90.

18 Business combinations

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

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

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

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

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

The fair value adjustment in FenderCare relates to the elimination of goodwill arising on the acquisition of subsidiaries.

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

Notes to the financial statements continued

Net cash flow in respect of the acquisition comprises:

	£000
Cash consideration and expenses	24,077
Cash at bank and in hand acquired	(2,464)
Interest-bearing loans and borrowings acquired	1,300
	22,913

Contributions to Group results

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

Had the business combinations taken place at the beginning of the year, the Group loss after tax from continuing operations for the year would have been £1,186,000 and the revenue from continuing operations would have been £102,356,000.

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

Following a detailed review of operations undertaken during the current year, the provisional fair values attributed to the net assets at acquisition of Remote Marine Systems Limited and Nuclear Decommissioning Limited have been revised resulting in an increase in goodwill attributable to the acquisition of these businesses of £140,000. These adjustments relate principally to inventory and taxes on income. Additional deferred consideration arising from the acquisition of Reanco Team AS of NOK 2,000,000 (£163,000) has also been recognised in goodwill.

19 Inventories

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Work in progress	1,909	3,099	–	–
Consumable stores	1,215	929	2	4
Finished goods	2,673	–	–	–
	5,797	4,028	2	4

20 Trade & other receivables

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade receivables	15,900	10,597	228	308
Amounts owed by group undertakings	–	–	865	429
Other non-trade receivables	1,977	1,971	361	126
Prepayments and accrued income	3,149	2,333	322	387
	21,026	14,901	1,776	1,250

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

21 Cash and cash equivalents

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Short-term deposits	–	2,000	–	2,000
Cash at bank and in hand	9,725	8,045	1,789	3,175
	9,725	10,045	1,789	5,175

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £9,725,000 (2004: £10,045,000).

At 31 December 2005, the Group has available £21,000,000 of undrawn committed bank facilities (2004: £8,500,000), all of which fall for review within one year.

Further analysis of the movements on cash and cash equivalents are given in Note 28.

22 Share capital

	2005 £000	2004 £000
Group & company		
Authorised		
66,320,000 ordinary shares of 25p each	16,580	16,580
100,000 3.5% cumulative preference shares of £1 each	100	100
Allotted and called up		
49,379,958 (2004 49,219,958) ordinary shares of 25p each	12,345	12,305
100,000 3.5% cumulative preference shares of £1 each	100	100

As referred to in the "First time adoption" section of significant accounting policies, following the adoption of IAS 32 and IAS 39 relating to the accounting for financial instruments the 3.5% cumulative preference shares have been reclassified from equity to long term debt.

Rights attached to shares

The shareholders have the following rights to receive dividends:

£1 cumulative preference shares receive 3.5% per annum on the par value
25p ordinary shares as declared from time to time by the directors

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

Treasury shares

	2005 £000	2004 £000
510,237(2004 563,008) ordinary shares of 25p	1,184	1,212

The Company has established an employee share ownership trust, the James Fisher and Sons Public Limited Company Employee Share Ownership Trust, in connection with the Savings Related Share Option Scheme, Executive Share Option Scheme and Long Term Incentive Plan for employees including directors. Options over these shares have been granted to directors and senior employees. These shares are classified as treasury shares in the accounts of the Group and Company. The market value of these shares at 31 December 2005 was £1,938,901 (2004 £1,669,319). The trust has not waived its right to receive dividends.

During the year 160,000 ordinary shares with an aggregate nominal value of £40,000 were issued under the Company's executive share option scheme at option prices of 65p, 67p and 122p per share, giving rise to a total consideration of £189,700.

Notes to the financial statements continued

23 Reconciliation of movements in equity
GROUP

	Capital		Retained earnings £000	Reserves		Total £000
	Share capital £000	Share premium £000		Other reserves £000	Treasury shares £000	
At 1 January 2004	12,311	23,558	39,387	–	(971)	74,285
Total recognised income and expense in the period	–	–	12,260	177	–	12,437
Ordinary dividends paid	–	–	(3,410)	–	–	(3,410)
Share-based compensation expense	–	–	289	–	–	289
Arising on the issue of shares	94	252	–	–	–	346
Purchase less sale of shares	–	–	–	–	(616)	(616)
Transfer on disposal of shares	–	–	(375)	–	375	–
At 31 December 2004	12,405	23,810	48,151	177	(1,212)	83,331
Restatement	(100)	–	–	(105)	–	(205)
At 1 January 2005	12,305	23,810	48,151	72	(1,212)	83,126
Total recognised income and expense in the period	–	–	(6,605)	106	–	(6,499)
Ordinary dividends paid	–	–	(3,927)	–	–	(3,927)
Share-based compensation expense	–	–	432	–	–	432
Purchase less sale of shares	–	–	–	–	7	7
Arising on the issue of shares	40	150	–	–	–	190
Transfer on disposal of shares	–	–	(21)	–	21	–
At 31 December 2005	12,345	23,960	38,030	178	(1,184)	73,329

Other reserves

	Translation reserve £000	Hedging reserve £000	Total £000
At 31 December 2004	177	–	177
Restatement	–	(105)	(105)
At 1 January 2005	177	(105)	72
Cash flow hedges:			
Transferred to the income statement	–	36	36
Fair value losses in the period	–	(134)	(134)
Share of fair value gains of joint ventures	–	169	169
Recognised income in the period including the effect of net investment hedges	35	–	35
At 31 December 2005	212	(34)	178

COMPANY

	Capital		Retained earnings £000	Reserves		Total £000
	Share capital £000	Share premium £000		Other reserves £000	Treasury shares £000	
At 1 January 2004	12,311	23,558	8,418	–	(971)	43,316
Total recognised income in the period	–	–	13,307	–	–	13,307
Ordinary dividends paid	–	–	(3,410)	–	–	(3,410)
Share-based compensation expense	–	–	277	–	–	277
Arising on the issue of shares	94	252	–	–	–	346
Purchase less sale of shares	–	–	–	–	(616)	(616)
Transfer on disposal of shares	–	–	(375)	–	375	–
At 31 December 2004	12,405	23,810	18,217	–	(1,212)	53,220
Restatement	(100)	–	–	20	–	(80)
At 1 January 2005	12,305	23,810	18,217	20	(1,212)	53,140
Total recognised income and expense in the period	–	–	(3,537)	(98)	–	(3,635)
Ordinary dividends paid	–	–	(3,927)	–	–	(3,927)
Share-based compensation expense	–	–	418	–	–	418
Arising on the issue of shares	40	150	–	–	–	190
Purchase less sale of shares	–	–	–	–	7	7
Transfer on disposal of shares	–	–	(21)	–	21	–
At 31 December 2005	12,345	23,960	11,150	(78)	(1,184)	46,193

Other reserves

	Translation reserve £000	Hedging reserve £000	Total £000
At 31 December 2004	–	–	–
Restatement	–	20	20
At 1 January 2005	–	20	20
Cash flow hedges:			
Losses transferred to the income statement	–	36	36
Fair value losses in the period	–	(134)	(134)
Total realised income in the period including the effect of net investment hedges	–	–	–
At 31 December 2005	–	(78)	(78)

Restatement

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

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

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

Translation reserve

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

Hedging reserve

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

Notes to the financial statements continued

24 Trade and other payables

Non current liabilities

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Accruals and deferred income	593	14	–	–
	593	14	–	–

Current liabilities

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Trade payables	6,978	4,726	1,067	770
Amounts owed to group undertakings	–	–	13,827	14,380
Taxation and social security	1,046	711	139	179
Other payables	840	758	137	152
Accruals and deferred income	5,911	6,798	329	321
Deferred consideration	27	287	–	–
	14,802	13,280	15,499	15,802

25 Retirement benefit obligations

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

	2005 £000	2004 £000
Shore staff pension scheme	8,100	10,200
Dockworkers pension scheme	2,400	2,600
MNOPF pension scheme	3,036	–
	13,536	12,800

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

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

The Company is currently contributing 15.5% of pensionable pay plus regular contributions of £15,000 per month into the Shore Staff Scheme and £14,700 per month into the Dockworkers' Scheme.

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

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

The last actuarial valuations performed using the projected unit credit method have been updated to 31 December 2005 by the Company's actuary, Hewitt Bacon & Woodrow. The principal assumptions used in updating the latest valuations for each of the schemes were:

	2005 %pa	2004 %pa
Inflation	2.9	2.9
Rate of general long term increase in salaries	1.5	4.4
Rate of increase of pensions in payment – Dockworkers	3.0	3.0
Rate of increase in pensions in payment – Shore staff	2.8	2.7
Discount rate for scheme liabilities	4.7	5.3
Post retirement mortality:		
Shore Staff Scheme		
Current pensioners at 65 male	20.8	20.8
Current pensioners at 65 female	23.6	23.6
Future pensioners at 65 male	21.5	21.5
Future pensioners at 65 female	24.3	24.3
Dockworkers Scheme		
Current pensioners at 65 male	19.2	19.2
Current pensioners at 65 female	21.9	21.9
Future pensioners at 65 male	20.0	20.0
Future pensioners at 65 female	22.6	22.6
Expected rates of return on assets		
Equities	7.6	8.0
Gilts/Corporate bonds	4.1/4.5	4.5/5.0
Property	6.6	5.5
Insurance policies	4.5	5.3
Cash/net current assets	4.5	4.5

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

	Shore Staff		Dockworkers		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Equities	17,200	14,700	2,900	2,200	20,100	16,900
Gilts/Corporate bonds	5,200	4,600	–	–	5,200	4,600
Property	–	–	100	50	100	50
Insurance policies	–	–	2,500	2,400	2,500	2,400
Cash/net current assets	1,200	100	400	50	1,600	150
Fair value of scheme assets	23,600	19,400	5,900	4,700	29,500	24,100
Present value of scheme liabilities	(31,700)	(29,600)	(8,300)	(7,300)	(40,000)	(36,900)
Net pension liabilities recognised in the balance sheet	(8,100)	(10,200)	(2,400)	(2,600)	(10,500)	(12,800)

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

	Shore Staff		Dockworkers		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Current service cost	(300)	(400)	–	–	(300)	(400)
Past service cost	–	–	–	–	–	–
Curtailment benefits	2,000	–	–	–	2,000	–
Interest cost on benefit obligation	(1,600)	(1,500)	(400)	(400)	(2,000)	(1,900)
Expected return on plan assets	1,300	1,200	300	300	1,600	1,500
	1,400	(700)	(100)	(100)	1,300	(800)
Actual return on plan assets	3,800	1,600	800	600	4,600	2,200

Movements in the benefit liability during the year

	Shore Staff		Dockworkers		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
At 1 January	(10,200)	(10,200)	(2,600)	(3,000)	(12,800)	(13,200)
Expense recognised in the income statement	1,400	(700)	(100)	(100)	1,300	(800)
Contributions paid to scheme	1,500	600	600	200	2,100	800
Actuarial (loss)/gain	(800)	100	(300)	300	(1,100)	400
At 31 December	(8,100)	(10,200)	(2,400)	(2,600)	(10,500)	(12,800)

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

Notes to the financial statements continued

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

	Shore Staff		Dockworkers		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
As at 1 January	(29,600)	(28,100)	(7,300)	(7,100)	(36,900)	(35,200)
Current service cost	(300)	(400)	–	–	(300)	(400)
Interest cost	(1,600)	(1,500)	(400)	(400)	(2,000)	(1,900)
Contributions by scheme participants	(100)	(100)	–	–	(100)	(100)
Actuarial (gains)/losses on scheme liabilities	(3,200)	(300)	(800)	–	(4,000)	(300)
Net benefits paid out	1,100	800	200	200	1,300	1,000
Curtailments	2,000	–	–	–	2,000	–
As at 31 December	(31,700)	(29,600)	(8,300)	(7,300)	(40,000)	(36,900)

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

	Shore Staff		Dockworkers		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
As at 1 January	19,400	17,900	4,700	4,100	24,100	22,000
Expected return on scheme assets	1,300	1,200	300	300	1,600	1,500
Actuarial (gains)/losses on scheme assets	2,400	400	500	300	2,900	700
Contributions by employer	1,500	600	600	200	2,100	800
Contributions by scheme participants	100	100	–	–	100	100
Net benefits paid out	(1,100)	(800)	(200)	(200)	(1,300)	(1,000)
As at 31 December	23,600	19,400	5,900	4,700	29,500	24,100

History of experience gain and losses:

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

MNOPF Pension Scheme

As was reported in the chairman's AGM statement in 2005, a court case on 22 March 2005 has established that both existing and former participating employers will be liable to make payments in respect of the funding deficit of the Merchant Navy Officers' Pension Fund ("MNOPF"). The Company has been informed by the Trustees of the MNOPF that it will be required to make annual payments of £418,000 into the fund for a period of ten years commencing October 2005 representing its share of the deficit disclosed in the actuarial valuation carried out as at 31 March 2003. The Trustees have also indicated that it may make calls for further contributions in the future, if new deficits arise or if other employers liable for contributions are not able to pay their share.

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 Company has concluded that the recognition of the liability should be accounted for as an actuarial adjustment, and it is therefore recorded in equity in the statement of recognised income and expense. The Company has been notified by the Trustees of the MNOPF that its share of the net deficit of the MNOPF is 1.39 per cent. The disclosures given below are based on this allocation.

Information supplied by the Trustees of the MNOPF has been reviewed by the Company's actuaries using the assumptions outlined in the table above. The following disclosures relate to the Company's share of the assets and liabilities within the MNOPF. As no current contributing members within the MNOPF are employed by the Company or any of its subsidiaries, the Company is not liable for future accrual; it is only liable for contributions to correct any deficit.

The assets and liabilities attributable to the Group and Company are shown below. Note that the assets and liabilities are both shown as at 31 March 2003 and have not been updated to 31 December 2005. The adjustment line reflects the overall adjustment required to the deficit as at 31 March 2003 to allow for the following:

Market condition changes between 31 March 2003 and 31 December 2005; and that the Group has to disclose the position according to the requirements of IFRS, whereas the contributions were calculated using the MNOPF's funding basis.

	2005 £000
Equities	9,620
Gilts/Corporate bonds	4,606
Property	1,839
Cash/net current assets	212
Scheme assets	16,277
Scheme liabilities	(18,974)
Deficit before adjustment	(2,697)
Adjustment	(339)
Net pension deficit	(3,036)

Expense recognised in the income statement

	2005 £000
Current service cost	–
Past service cost	–
Interest cost on benefit obligation	(23)
Expected return on plan assets	–
	(23)

Movements in the benefit liability during the year

	2005 £000
At 1 January	–
Expense recognised in the income statement	(23)
Contributions paid to scheme	418
Actuarial loss	(3,431)
At 31 December	(3,036)

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

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

	2005 £000
As at 1 January	–
Current service cost	–
Interest cost	23
Contributions by scheme participants	–
Actuarial losses on scheme liabilities	3,431
Contributions paid to scheme	(418)
As at 31 December	3,036
Fair value of scheme assets	–
Defined benefit obligation	(3,036)
Deficit in scheme	(3,036)
Experience gains/(losses) on scheme assets	–
Experience gains/(losses) on scheme liabilities	(3,426)

The cumulative amount of actuarial gains and losses recognised since 1 January 2004 in the Group and Company statement of total recognised income and expense is £(4,131,000) (2004: £400,000). The directors are unable to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £12,800,000 in the Group and the Company is attributable to actuarial gains and losses since inception of those pension schemes. Consequently the directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group and Company statements of recognised income and expense before January 2004.

Defined Contribution Schemes operated by the Company

The Company also operates defined contribution arrangements for employees in the UK 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 £93,000 (2004 £71,000).

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 £193,000 (2004 £79,000).

Notes to the financial statements continued

26 Share based payments

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

Executive Share Option Scheme 1995 ("1995 ESOS")

Share options up to a maximum limit of four times base salary may be awarded to board directors and senior executives. The exercise price is determined at the date of grant and may be no lower than the market price on the date of grant. The options vest if the increase in the Company's diluted earnings per ordinary share over a continuous period of three years is at least equal to 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. This scheme expired in 2005. The last award made under this scheme was on 10 March 2003.

Share Matching Scheme ("SMS")

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

Executive Share Option Scheme 2005 ("2005 ESOS")

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

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

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

Long Term Incentive Plan ("LTIP")

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

The expense recognised for share based payments relating to equity settled share based payments transactions is £432,000 (2004 £289,000).

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 2001 Annual General Meeting) over 425,010 ordinary shares of 25p each.

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

	2005		2004		"Nil" Options	
	No	WAEP	No	WAEP	2005 No	2004 No
Outstanding at 1 January*	779,930	1.37p	1,316,433	1.24p	330,439	747,208
Granted during the year	320,056	3.36p	–	–	94,571	195,883
Forfeited during the year	(38,170)	1.14p	(134,209)	1.49p	–	(69,010)
Exercised	(186,358)	1.13p**	(402,294)†	0.90p	–**	(543,642)†
Expired during the year	–	–	–	–	–	–
Outstanding at 31 December	875,458	2.16p	779,930	1.37p	425,010	330,439
Exercisable at 31 December	80,000		261,000		–	–

* Included in this balance are options over 226,763 (2004 290,619) shares that have not been recognised in accordance with IFRS 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with IFRS 2.

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

† The weighted average share price at the date of exercise for the options exercised is £2.29.

For the share options outstanding at 31 December 2005, the weighted average remaining contractual life is 93.2 months (2004: 29.5 months).

The weighted average fair value of options granted during the year was £1.52 (2004 £2.72). The range of exercise prices for options outstanding at the end of the year was £0.65 – £3.52 (2004 £0.65 – £2.11).

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

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

	2005	2004
LTIP		
Dividend yield (%)	2.34%	3.66%
Expected life of option (years)	3 years	3 years
Share price at date of grant	£3.295	£3.175
SMS		
Dividend yield (%)	2.34%	3.66%
Expected life of option (years)	3 years	3 years
Share price at date of grant	£3.295	£2.880
2005 ESOS		
Dividend yield (%)	2.34%	N/A
Expected life of option (years)	6.5 years	N/A
Share price at date of grant	£3.295	N/A
Expected share price volatility (%)	25.5% – 31.2%	N/A
Risk free interest rate (%)	4.22%	N/A
SAYE		
Dividend yield (%)	2.14%	N/A
Expected life of option (years)	3.26 – 7.26	N/A
Share price at date of grant	£3.768	N/A
Expected share price volatility (%)	23.5% – 28.9%	N/A
Risk free interest rate (%)	4.23% – 4.26%	N/A

The expected share price 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 continued

27 Interest-bearing loans and borrowings

Non current liabilities

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans	42,695	38,472	22,250	3,000
Unsecured loan notes	–	–	–	–
	42,695	38,472	22,250	3,000

Current liabilities

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Bank loans	6,363	7,679	–	–
Unsecured loan notes	–	500	–	500
	6,363	8,179	–	500

Bank loans comprise the following:

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
£12,000,000 variable rate loan 2009	12,000	–	12,000	–
£10,250,000 variable rate loan 2009	10,250	–	10,250	–
£3,000,000 variable rate loan 2008	–	3,000	–	3,000
£3,500,000 variable rate loan 2008	3,088	2,676	–	–
£6,208,000 variable rate loan 2006	730	1,461	–	–
£6,175,000 variable rate loan 2008	–	1,090	–	–
£17,600,000 variable rate loan 2011	–	12,320	–	–
\$4,000,000 variable rate loan 2006	466	833	–	–
£16,200,000 variable rate 2011	6,237	7,395	–	–
\$5,000,000 variable rate loan 2006	265	805	–	–
£6,647,000 variable rate loan 2010	2,761	3,313	–	–
£3,307,000 variable rate loan 2007	595	991	–	–
£22,000,000 variable rate loan 2010	9,212	10,863	–	–
NOK 30,000,000 variable rate loan 2013	1,830	1,075	–	–
NOK 3,831,000 variable rate loan 2014	319	329	–	–
\$1,500,000 variable rate loan 2007	655	–	–	–
US Dollar Letter of credit facilities	650	–	–	–
	49,058	46,151	22,250	3,000
Less current instalments due on bank loans	(6,363)	(7,679)	–	–
	42,695	38,472	22,250	3,000

£12,000,000 variable rate loan 2009

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 22 December 2008 subject to certain conditions or converted into term loans at that date which are then repayable in equal quarterly instalments over a period of three years. The loan carries interest at 1% above LIBOR.

£10,250,000 variable rate loan 2009

This loan is unsecured and represents a revolving credit facility which may be repaid or redrawn at 1 August 2006 subject to certain conditions or converted into term loans at that date which are then repayable in equal quarterly instalments over a period of three years. The loan carried interest at 1% to 1.75% above LIBOR. The amount paid varies according to the Company's performance against certain loan covenants.

£3,500,000 variable rate loan 2008

This loan is secured against property, plant and equipment and carries interest at 1% above LIBOR. Following the final drawdown on this facility in August 2006 the loan will be repaid in three instalments, at six monthly intervals. The first two instalments are £500,000, the final instalment being £2,500,000.

£6,208,000 variable rate loan 2006

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

\$4,000,000 variable rate loan 2006

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

£16,200,000 variable rate loan 2011

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

\$5,000,000 variable rate loan 2006

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

£6,647,000 variable rate loan 2010

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

£3,307,000 variable rate loan 2007

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

£22,000,000 variable rate loan 2010

This loan is secured against property, plant and equipment and carries interest at 1% above LIBOR. The loan is repayable in quarterly instalments of £412,500 increasing to £500,000 for the final eleven payments.

NOK 30,000,000 variable rate loan 2013

This loan is an unsecured revolving credit facility and carries interest at 1% above 3 month NIBOR. The loan is repayable in equal quarterly instalments. At 31 December 2005 the amount drawn was NOK 22,625,000 (2004: NOK 12,500,000).

NOK 3,831,000 variable rate loan 2014

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

\$1,500,000 variable rate loan 2007

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

US Dollar Letter of credit facilities

These do not carry interest and have a maturity of less than six months.

28 Reconciliation of net debt

	1 January 2004 £000	Acquisitions £000	Cash Flow £000	Other Non Cash £000	Exchange Movement £000	31 December 2004 £000
Cash in hand and at bank	3,920	–	3,999	–	126	8,045
Short term deposits	1,535	–	465	–	–	2,000
Cash and cash equivalents	5,455	–	4,464	–	126	10,045
Debt due after 1 year	(51,633)	(300)	–	13,383	78	(38,472)
Debt due within 1 year	(9,674)	(34)	14,835	(13,383)	77	(8,179)
	(61,307)	(334)	14,835	–	155	(46,651)
Net debt	(55,852)	(334)	19,299	–	281	(36,606)

	1 January 2005 £000	Restatement* £000	Acquisitions £000	Cash Flow £000	Other Non Cash £000	Exchange Movement £000	31 December 2005 £000
Cash in hand and at bank	8,045	–	–	1,731	–	(51)	9,725
Short term deposits	2,000	–	–	(2,000)	–	–	–
Cash and cash equivalents	10,045	–	–	(269)	–	(51)	9,725
Debt due after 1 year	(38,472)	(100)	–	–	(4,146)	(77)	(42,795)
Debt due within 1 year	(8,179)	–	(1,300)	(977)	4,146	(53)	(6,363)
	(46,651)	(100)	(1,300)	(977)	–	(130)	(49,158)
Net debt	(36,606)	(100)	(1,300)	(1,246)	–	(181)	(39,433)

*As stated in Note 1, the 100,000 3.5% cumulative preference shares of £1 each previously recorded in equity have been reclassified as long term debt on adoption of IAS 32 and IAS 39 prospectively from 1 January 2005.

Notes to the financial statements continued

29 Financial instruments

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

Interest risk

The Group uses derivative financial instruments to hedge exposure to fluctuations in interest rates. The interest rate profile of the Group's financial assets and liabilities are set out in the table below. The Group uses interest rate swaps to convert interest rates on certain borrowings from floating rates to fixed rates. These fixed rate swaps range between 3.94% and 5.48%. 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 2005 a general increase of one percentage point would reduce the Group's profits before tax by £288,000. Interest rate swaps have been included in this calculation.

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

Group	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	More than 5 years £000	Total £000
Floating rate						
Cash	9,725	–	–	–	–	9,725
£12,000,000 variable rate loan 2009	–	(4,000)	(4,000)	(4,000)	–	(12,000)
£10,250,000 variable rate loan 2009	–	(3,417)	(3,417)	(3,416)	–	(10,250)
£3,500,000 variable rate loan 2008	–	(235)	(2,853)	–	–	(3,088)
£6,208,000 variable rate loan 2006	(730)	–	–	–	–	(730)
\$4,000,000 variable rate loan 2006	(466)	–	–	–	–	(466)
£16,200,000 variable rate loan 2011	(1,158)	(1,158)	(1,158)	(1,158)	(1,605)	(6,237)
\$5,000,000 variable rate loan 2006	(265)	–	–	–	–	(265)
£6,647,000 variable rate loan 2010	(552)	(552)	(552)	(552)	(553)	(2,761)
£3,307,000 variable rate loan 2007	(396)	(199)	–	–	–	(595)
£22,000,000 variable rate loan 2010	(1,650)	(1,650)	(1,913)	(2,000)	(1,999)	(9,212)
NOK 30,000,000 variable rate loan 2013	(243)	(243)	(243)	(243)	(858)	(1,830)
NOK 3,831,000 variable rate loan 2014	(34)	(34)	(34)	(34)	(183)	(319)
\$1,500,000 variable rate loan 2007	(219)	(436)	–	–	–	(655)
US Dollar Letter of credit facilities	(650)	–	–	–	–	(650)
Less interest rate swaps	2,808	2,808	3,858	5,158	368	15,000
	6,170	(9,116)	(10,312)	(6,245)	(4,830)	(24,333)

Fixed rate

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	More than 5 years £000	Total £000
£12,000,000 variable rate loan 2009	–	–	(1,000)	(4,000)	–	(5,000)
£16,200,000 variable rate loan 2011	(1,158)	(1,158)	(1,158)	(1,158)	(368)	(5,000)
£22,000,000 variable rate loan 2010	(1,650)	(1,650)	(1,700)	–	–	(5,000)
Cumulative preference shares	–	–	–	–	(100)	(100)
	(2,808)	(2,808)	(3,858)	(5,158)	(468)	(15,100)

Company

Floating rate

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

Fixed rate

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

The interest rate profile of the financial assets and liabilities at 31 December 2004 is as follows:

**Group
Floating rate**

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	More than 5 years £000	Total £000
Cash	8,045	–	–	–	–	8,045
£3,000,000 variable rate loan 2008	–	(1,500)	(1,500)	–	–	(3,000)
£3,500,000 variable rate loan 2008	(209)	(1,588)	(879)	–	–	(2,676)
£6,208,000 variable rate loan 2011	–	–	–	–	(1,461)	(1,461)
£6,175,000 variable rate loan 2008	(726)	(364)	–	–	–	(1,090)
£17,600,000 variable rate loan 2011	(1,760)	(1,760)	(1,760)	(1,760)	(5,280)	(12,320)
\$4,000,000 variable rate loan 2006	(416)	(417)	–	–	–	(833)
£16,200,000 variable rate loan 2011	(1,158)	(1,158)	(1,158)	(1,158)	(2,763)	(7,395)
\$5,000,000 variable rate loan 2006	(568)	(237)	–	–	–	(805)
£6,647,000 variable rate loan 2010	(552)	(552)	(552)	(1,220)	(437)	(3,313)
£3,307,000 variable rate loan 2007	(396)	(397)	(198)	–	–	(991)
£22,000,000 variable rate loan 2010	(1,650)	(1,650)	(1,650)	(1,650)	(4,263)	(10,863)
NOK 30,000,000 variable rate loan 2013	(214)	(215)	(214)	(214)	(218)	(1,075)
NOK 3,831,000 variable rate loan 2014	(30)	(30)	(30)	(30)	(209)	(329)
Less interest rate swaps	4,196	5,696	5,696	2,596	6,816	25,000
	4,562	(4,172)	(2,245)	(3,436)	(7,815)	(13,106)

Fixed rate

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	More than 5 years £000	Total £000
Cash equivalents	2,000	–	–	–	–	2,000
£3,000,000 variable rate loan 2008	–	(1,500)	(1,500)	–	–	(3,000)
£17,600,000 variable rate loan 2011	(1,430)	(1,430)	(1,430)	(1,430)	(4,280)	(10,000)
£16,200,000 variable rate 2001	(783)	(783)	(783)	(783)	(1,868)	(5,000)
£6,647,000 variable rate loan 2010	(333)	(333)	(333)	(333)	(668)	(2,000)
£22,000,000 variable rate loan 2010	(1,650)	(1,650)	(1,650)	(50)	–	(5,000)
Unsecured loan notes	(500)	–	–	–	–	(500)
Cumulative preference shares	–	–	–	–	(100)	(100)
	(2,696)	(5,696)	(5,696)	(2,596)	(6,916)	(23,600)

**Company
Floating rate**

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	More than 5 years £000	Total £000
Cash	3,175	–	–	–	–	3,175
£3,000,000 variable rate loan 2008	–	(1,500)	(1,500)	–	–	(3,000)
Less interest rate swaps	–	1,500	1,500	–	–	3,000
	3,175	–	–	–	–	3,175

Notes to the financial statements continued

Fixed rate

	Within 1 year £000	1–2 years £000	2–3 years £000	3–4 years £000	More than 5 years £000	Total £000
Cash equivalents	2,000	–	–	–	–	2,000
£3,000,000 variable rate loan 2008	–	(1,500)	(1,500)	–	–	(3,000)
Unsecured loan notes	(500)	–	–	–	–	(500)
Cumulative preference shares	–	–	–	–	(100)	(100)
	1,500	(1,500)	(1,500)	–	(100)	(1,600)

The unsecured loan notes were interest free. The preference shares carry a fixed rate of 3.5%.

In addition there are financial assets of £1,368,000 (2004: £1,157,000) on which no interest is earned and have no fixed maturity.

Credit Risk

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

Foreign currency risk

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

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

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

Hedges – Group and Company

Fair value hedges

At 31 December the Group held a forward currency contract designated to hedge the income receivable under the CS Oceanic Pearl charter which is on the balance sheet. The terms of the contract are as follows:

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

Cash flow hedges

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

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

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

At 1 January 2005 the Group held one forward currency contract which was designated as an effective hedge against future receipts of income under the CS Oceanic Pearl and CS Oceanic Princess charters. The terms of the contract are shown below:

	Maturity	Exchange rate
Forward contract to hedge expected future income		
Sell		
US\$ 2,000,000	31 March 2005	1.9013

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

Interest rate swaps

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

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

The following contract expired during 2005:

£10,000,000	21 February 2005	3.75%
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Net Investment in foreign operations

The Company funded the acquisition of the goodwill arising on acquisition of Scan Tech Holdings AS and Air Supply AS by means of an interest bearing loan to its Norwegian Holding Company of NOK 161,000,000. The goodwill arising on these acquisitions is treated as being an asset of the Group and is denominated in sterling. This acts as a hedge against movements in the net investment in these businesses.

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

	Assets £000	Liabilities £000
Interest rate swaps – cash flow hedges	–	56
Forward foreign exchange contracts – cash flow hedges	–	46
Total	–	102
Non-current portion		
Interest rate swaps – cash flow hedges	–	18
Forward foreign exchange contracts – cash flow hedges	–	–
Total	–	18

Fair values

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

Group

	2005		2004	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Short-term financial liabilities and current portion of long-term borrowings	(6,363)	(6,363)	(8,179)	(8,179)
Long-term borrowings	(42,695)	(42,695)	(38,472)	(38,472)
Preference shares	(100)	(100)	(100)	(100)
Cash and cash equivalents	9,725	9,725	10,045	10,045
Financial assets	1,368	1,368	1,157	1,157
Forward exchange contracts:				
Assets	–	–	–	12
Liabilities	(46)	(46)	–	–
Interest rate swaps:				
Assets	–	–	–	87
Liabilities	(74)	(74)	–	(79)
Unrecognised gains	–	–	–	20

Notes to the financial statements continued

Company

	2005		2004	
	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Short-term financial liabilities and current portion of long-term borrowings	–	–	–	–
Long-term borrowings	(22,250)	(22,250)	(3,500)	(3,500)
Preference shares	(100)	(100)	(100)	(100)
Cash and cash equivalents	1,789	1,789	5,175	5,175
Financial assets	1,368	1,368	1,157	1,157
Forward exchange contracts:				
Assets	–	–	–	12
Liabilities	(46)	(46)	–	–
Interest rate swaps:				
Assets	–	–	–	87
Liabilities	(74)	(74)	–	(79)
Unrecognised gains	–	–	–	20

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

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

As discussed in Note 17 the fair value of the financial assets has been assessed by the Directors with reference to the current prospects of the investments and risks associated with those prospects.

30 Commitments and contingencies

Operating leases

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

	Group		Company	
	2005 £000	2004 £000	2005 £000	2004 £000
Within one year	6,238	4,337	48	48
After one year but not more than five years	25,713	17,603	182	187
After five years	22,706	16,732	238	281
	54,657	38,672	468	516

The Group uses operating leases to acquire access to plant and machinery. 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	
	2005 £000	2004 £000	2005 £000	2004 £000
	2,402	868	–	87

Contingent liabilities

- In the ordinary course of the Company's business, counter indemnities have been given to bankers in respect of custom bonds, foreign exchange commitments and bank guarantees.
- A Group VAT registration is operated by the Company and 16 Group undertakings in respect of which the Company is jointly and severally liable for all amounts due to HM Customs and Excise under the arrangement.
- A guarantee and indemnity has been issued to HSBC plc in respect of the loan facility of Foreland Shipping Limited, the total guarantee at 31 December 2005 was £2,783,000.
- A guarantee has been issued to HSBC plc in respect of the obligations of a subsidiary, James Fisher Tankships Limited, in relation to bareboat charters relating to the m.t. Chartsman and m.t. Steersman. The total guarantee at 31 December 2005 was £1,266,000.
- A guarantee has been issued to charter parties in respect of obligations of a subsidiary, James Fisher Tankships Limited, in respect of charters relating to five vessels. The charters expire between 2012 and 2016.

31 Related party transactions

Compensation of key management to the Group

	2005 £000	2004 £000
Short-term employee benefits	1,183	915
Post-employment benefits	363	443
Termination payments	–	127
Share based payments	410	271
	1,956	1,756

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 29.

Transactions with related parties

Foreland Shipping Limited

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

FCN businesses

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

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

		Services to related parties £000	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Foreland Shipping Limited	2005	394	–	–	30	–
	2004	398	–	–	27	–
FCN businesses	2005	–	17	40	104	–

On 15 August 2005 the Group acquired land and building at Seething, Norwich from a Director of FenderCare for a consideration of £572,000. The transaction was conducted on an arms length basis at a valuation agreed prior to the purchase of the business of Fender Care Marine Solutions Limited by the Group on 17 March 2005.

32 Transition to IFRS

For all previously reported periods up to and including 31 December 2004 the Group prepared its financial statements in accordance with United Kingdom generally accepted accounting practice ("UK GAAP"). The financial statements for the year ended 31 December 2005 are the first that the Group is required to prepare in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

Exemptions applied

In general the Group is required to determine its IFRS accounting policies and apply them retrospectively as if they had always been in place. There are however certain exemptions to this general transition requirement, some of which are optional, which are set out in IFRS 1 – First Time Adoption of International Financial Reporting Standards. The Group has adopted the following exemptions in preparing its transitional IFRS statements:

- Business combinations ("IFRS 3"), the Group has elected not to restate business combinations which took place prior to 1 January 2004, the transition date to IFRS.
- IAS 19 – Employee Benefits, requires surpluses and deficits in defined benefit schemes to be recognised on the balance sheet with separate recognition of the operating and financing costs of the schemes within the income statement. Of the various options available the Group has chosen to recognise the deficit arising in the pension schemes at the date of transition directly in equity. Future actuarial gains and losses which arise in the schemes will be recognised in equity in the statement of recognised income and expense.
- In applying the provisions of IFRS 2 – Share Based Payment, the Group has adopted the exemption to apply this standard only to awards commencing after 7 November 2002 and vesting after 1 January 2005. No charge is recognised in respect of awards existing prior to that date.
- The Group has taken advantage of the exemption available under IAS 21, The Effects of Changes in Foreign Exchange Rates, to "zero" the foreign currency translation reserve at the transition date.

Notes to the financial statements continued

- Certain items of property, plant and equipment are carried on the balance sheet at fair value at the date of acquisition. As permitted under IFRS 1, the Group has elected to regard those fair values as deemed cost at the date of transition.
- IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement in respect of financial instruments have been applied prospectively from 1 January 2005. The Group has not therefore recognised the fair value of hedging derivatives in its IFRS comparatives and has reclassified the 3.5% cumulative preference shares from equity to long term debt on 1 January 2005.

Accounting policies applied in the year ended 31 December 2004

As noted above the Group and Company have adopted IAS 32 and IAS 39 with effect from 1 January 2005. The new accounting policies as applied for the year ended 31 December 2005 are set out in note 1. For accounting periods up to the year ended 31 December 2004 the following accounting policies were applied in respect of financial instruments in the financial statements of the Group and Company:

Derivatives and other financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Forward foreign currency contracts

The criteria for forward foreign currency contracts are:

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

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a committed future transaction, are not recognised until the transaction occurs.

Interest rate swaps

The Group's criteria for interest rate swaps are:

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate.

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the Group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

Nature of the main adjustments to comply with IAS 32 and IAS 39

Had IAS 32 and IAS 39 been applied from 1 January 2004 the following adjustments would have been necessary in the financial statements for the year ended 31 December 2004:

- all derivatives would have been brought onto the balance sheet at fair value;
- available for sale investments would have been carried at fair value rather than cost;
- cumulative preference shares would have been reclassified from equity to non-current liabilities.

**Group reconciliation of equity
as at 1 January 2004**

	Reformatted UK GAAP as previously reported	Adjustments					Restated in accordance with IFRS
		Goodwill	Pensions	Share based payments	Dividend recognition	Corporate taxes	
		IFRS 3 1 £'000	IAS 19 3 £'000	IFRS 2 4 £'000	IAS 10 5 £'000	IAS 12 6 £'000	
Assets							
Non current assets							
Goodwill	17,397						17,397
Property, plant and equipment	114,455						114,455
Investment in joint venture	1,591						1,591
Financial assets	1,157						1,157
Deferred tax assets	(200)					2,163	1,963
	134,400						136,563
Current assets							
Inventories	2,377						2,377
Trade and other receivables	18,895						18,895
Cash and cash equivalents	5,455						5,455
	26,727						26,727
Total assets	161,127	-	-	-	-	2,163	163,290
Equity and liabilities							
Capital and reserves							
Called up share capital	12,211						12,211
Cumulative preference shares	100						100
Share premium	23,558						23,558
Other reserves	(971)						(971)
Retained earnings	48,356		(13,200)		2,068	2,163	39,387
Total equity	83,254						74,285
Non current liabilities							
Other payables	-						-
Retirement benefit obligations	-		13,200				13,200
Interest-bearing loans and borrowings	51,633						51,633
	51,633						64,833
Current liabilities							
Trade and other payables	15,289				(2,068)		13,221
Current tax	1,277						1,277
Interest-bearing loans and borrowings	9,674						9,674
	26,240						24,172
Total liabilities	77,873		13,200		(2,068)		89,005
Total equity and liabilities	161,127	-	-	-	-	2,163	163,290

Notes to the financial statements continued

Group reconciliation of equity
as at 31 December 2004

	Adjustments								Restated in accordance with IFRS £'000
	Reformatted UK GAAP as previously reported	Goodwill	foreign exchange	Pensions	Share based payments	Dividend recognition	Corporate taxes	Translation reserve	
	Notes £'000	IFRS 3 1 £'000	IAS 21 2 £'000	IAS 19 3 £'000	IFRS 2 4 £'000	IAS 10 5 £'000	IAS 12 6 £'000	IAS 21 7 £'000	
Assets									
Non current assets									
Goodwill	20,250	915	24				65		21,254
Property, plant and equipment	103,091								103,091
Investment in joint venture	1,810								1,810
Financial assets	1,157								1,157
Deferred tax assets	(287)						1,678		1,391
	126,021								128,703
Current assets									
Inventories	4,028								4,028
Trade and other receivables	14,901								14,901
Cash and cash equivalents	10,045								10,045
	28,974								28,974
Total assets	154,995	915	24	-	-	-	1,743	-	157,677
Equity and liabilities									
Capital and reserves									
Called up share capital	12,305								12,305
Cumulative preference shares	100								100
Share premium	23,810								23,810
Treasury shares	(1,212)								(1,212)
Other reserves	-		24					153	177
Retained earnings	56,038	915		(12,800)		2,408	1,743	(153)	48,151
Total equity	91,041								83,331
Non current liabilities									
Other payables	14								14
Retirement benefit obligations	-			12,800					12,800
Interest-bearing loans and borrowings	38,472								38,472
	38,486								51,286
Current liabilities									
Trade and other payables	15,688					(2,408)			13,280
Current tax	1,601								1,601
Interest-bearing loans and borrowings	8,179								8,179
	25,468								23,060
Total liabilities	63,954			12,800		(2,408)			74,346
Total equity and liabilities	154,995	915	24	-	-	-	1,743	-	157,677

**Group reconciliation of profit and loss
for the period ending 31 December 2004**

	Reformatted UK GAAP as previously reported	Adjustments			Discontinued operations IFRS 5 £'000	Restated in accordance with IFRS £'000
		Goodwill IFRS 3 1 £'000	Share based payments IFRS 2 4 £'000	Corporate taxes IAS 12 6 £'000		
	Notes £'000					
Group revenue	78,753				(7,600)	71,153
Cost of sales	(59,433)				3,707	(55,726)
Gross profit	19,320				(3,893)	15,427
Administrative expenses	(5,958)	915	169			(4,874)
Profit from operations before separately disclosable items	13,362	915	169		(3,893)	10,553
Profit on ship disposals	475					475
Profit from operations	13,837	915	169		(3,893)	11,028
Finance costs						
Finance income (revenue)	330					330
Finance costs	(2,511)					(2,511)
Exchange gain on loan conversion	155					155
	(2,026)					(2,026)
Share of post tax results of joint ventures	1,219					1,219
Profit on continuing activities before taxation	13,030	915	169		(3,893)	10,221
Taxation	(1,830)			(300)	7	(2,123)
Profit for the year on continuing operations						8,098
Profit for the year from discontinued operations					3,886	3,886
						11,984
Preference dividend	(4)					(4)
Profit attributable to equity holders	11,196	915	169	(300)	–	11,980

Notes to the financial statements **continued****Company reconciliation of equity
as at 1 January 2004**

	Reformatted UK GAAP as previously reported	Adjustments			Corporate taxes IAS 12 IAS 12 6 £'000	Restated in accordance with IFRS £'000
		Pensions IAS 19 3 £'000	Share based payments IFRS 2 4 £'000	Dividend recognition IAS 10 5 £'000		
	Notes £'000					
Assets						
Non current assets						
Property, plant and equipment	3,047					3,047
Investments	67,677					67,677
Financial assets	1,157					1,157
Deferred tax assets	–				2,077	2,077
	71,881					73,958
Current assets						
Inventories	5					5
Trade & other receivables	11,683			(10,100)		1,583
Cash and cash equivalents	3,444					3,444
	15,132					5,032
Total assets	87,013	–	–	(10,100)	2,077	78,990
Equity and liabilities						
Capital and reserves						
Called up share capital	12,211					12,211
Cumulative preference shares	100					100
Share premium	23,558					23,558
Other reserves	(971)					(971)
Retained earnings	27,573	(13,200)		(8,032)	2,077	8,418
Total equity	62,471					43,316
Non current liabilities						
Retirement benefit obligations	–	13,200				13,200
Interest-bearing loans and borrowings	10,000					10,000
	10,000					23,200
Current liabilities						
Trade and other payables	14,382			(2,068)		12,314
Current tax	160					160
	14,542					12,474
Total liabilities	24,542	13,200		(2,068)		35,674
Total equity and liabilities	87,013	–	–	(10,100)	2,077	78,990

Company reconciliation of equity as at 31 December 2004

	Reformatted UK GAAP as previously reported	Adjustments				Restated in accordance with IFRS
		Pensions IAS 19 3 £'000	Share based payments IFRS 2 4 £'000	Dividend recognition IAS 10 5 £'000	Corporate taxes IAS 12 6 £'000	
Assets						
Non current assets						
Property, plant and equipment	1,149					1,149
Investments	74,797					74,797
Financial assets	1,157					1,157
Deferred tax assets	–				1,942	1,942
	77,103					79,045
Current assets						
Inventories	4					4
Trade & other receivables	5,925			(4,675)		1,250
Cash and cash equivalents	5,175					5,175
	11,104					6,429
Total assets	88,207	–	–	(4,675)	1,942	85,474
Equity and liabilities						
Capital and reserves						
Called up share capital	12,305					12,305
Cumulative preference shares	100					100
Share premium	23,810					23,810
Treasury shares	(1,212)					(1,212)
Retained earnings	31,342	(12,800)		(2,267)	1,942	18,217
Total equity	66,345					53,220
Non current liabilities						
Retirement benefit obligations	–	12,800				12,800
Interest-bearing loans and borrowings	3,000					3,000
	3,000					15,800
Current liabilities						
Trade and other payables	18,210			(2,408)		15,802
Interest bearing loans and borrowings	500					500
Current tax	152					152
	18,862					16,454
Total liabilities	21,862	12,800		(2,408)		32,254
Total equity and liabilities	88,207	–	–	(4,675)	1,942	85,474

Restatement of equity from UK GAAP to IFRS

1. Goodwill and business combinations

Under IFRS 3 – Business Combinations – goodwill is not amortised but must be tested annually for impairment. Following the requirements of IFRS 1 – First time adoption of IFRS – goodwill amortisation ceased from 1 January 2004 with the value at that date being adopted as the fair value of goodwill. The Group has also elected to apply the exemption available under IFRS 1 to apply IFRS 3 prospectively from the transition date. The impact on the Group's financial statements of this policy is that all goodwill previously amortised in the year ended 31 December 2004 has been written back to the balance sheet and income statement.

2. Goodwill and accounting for foreign currencies

Under IAS 21 – The Effects of Changes in Foreign Exchange Rates, where an entity has previously accounted for goodwill arising on the acquisition of a foreign operation as being an asset of the entity and is therefore denominated in the currency of the entity, such goodwill must now be treated as being the asset of the acquired foreign operation. As a result this goodwill must be treated as being denominated in a foreign currency and translated into the Group's functional currency; sterling. As noted above the Group has decided to adopt the exemptions under IFRS in respect of applying IFRS 3 prospectively. IFRS 1 also allows this aspect of IAS 21 to be applied prospectively and as a result the restatement made only relates to the acquisition of Reanco Team AS on 7 December 2004.

Notes to the financial statements continued

3. Pensions

IAS 19 – Employee benefits, requires that the Group's obligations to fund its defined benefit pension schemes be recognised in the financial statements. This requires the inclusion of the pension deficits arising in respect of the Shore Staff and Dockworkers defined benefit schemes on the balance sheet and separate recognition of the operating and financing costs of the schemes within the income statement. There are several options available for the recognition of actuarial gains and losses. The Group has adopted the method permitted by the recent amendment to IAS 19 and will recognise any further variations arising in a particular period in full in equity in the statement of recognised income and expense.

These accounting treatments do not affect the cash funding of the schemes.

The impact of the changes can be summarised as follows:

Income statement Group and Company

	December 2004 £'000
Pension charge under UK GAAP	800
Current service costs	(500)
Interest costs	(1,900)
expected return on assets	1,600
Impact on profit before tax	–

Balance sheet Group and Company

	January 2004 £'000	December 2004 £'000
Deficits at date of transition	(13,200)	(13,200)
Pension costs under IFRS	–	(800)
Contributions paid	–	800
Actuarial gains & losses	–	400
Deficit reported in balance sheet	(13,200)	(12,800)

4. Share-based payments

IFRS 2 – Share-based payment, requires that the Group calculate the fair value at the date of grant of awards of share options made to Directors and employees. The fair value is then amortised in the income statement over the vesting period of the options with a corresponding credit to equity. These requirements apply to all grants of shares made after 7 November 2002 and vesting after 1 January 2005. IFRS does not contain any equivalent of UITF 38 – Accounting for ESOP Trusts. Amounts in relation to options over shares held in the Group's employee share ownership trust previously expensed to the income statement under UITF 17 Employee share schemes have therefore been removed from the income statement with an equivalent restatement of reserves.

The impact of the changes can be summarised as follows:

Income statement

	Group December 2004 £'000	Company December 2004 £'000
Share based payments under UK GAAP	458	458
share-based payment cost under IFRS 2	(289)	(277)
Adjustment to income statement	169	181

The amounts charged to the income statement are reinstated in the reserves of the Group and Company.

The adjustment recorded in the Company differs from that in the Group as the individual portion of the cost of share based payments is recognised by each subsidiary.

5. Dividend recognition

Under IAS10 – Events after the Balance Sheet Date – dividends are not recognised until they are declared. The final dividends declared after the end of the relevant accounting period have therefore been reversed, resulting in an increase in net assets at the end of each accounting period.

In the accounts of the Company this policy has also been applied to the recognition of dividends received and receivable from subsidiaries.

Dividends will no longer be shown as appropriations on the face of the income statement but instead will be shown within the analysis of movements on reserves.

6. Taxation

The changes to the Group's tax charges can be summarised as follows:

	Group		Company	
	January 2004 £'000	December 2004 £'000	January 2004 £'000	December 2004 £'000
Deferred taxation	2,163	1,743	2,077	1,942
Corporation tax	–	–	–	–
Decrease in tax charge	2,163	1,743	2,077	1,942

As a result of the application of IAS 12 in relation to deferred tax, there has been a significant change in the deferred tax provision arising partly from changes in calculation rules applied to assets and liabilities previously recognised under UK GAAP and partly from the recognition of items under IFRS not previously recognised under UK GAAP. These include share based payments and the deficits on the Group's defined benefit schemes which were reported in UK GAAP under FRS 17 for disclosure purposes only. The impact of the changes outlined above were as follows:

	Group		Company	
	January 2004 £'000	December 2004 £'000	January 2004 £'000	December 2004 £'000
Deferred tax liability under UK GAAP	(200)	(287)	–	–
Impact of IAS 12 on assets and liabilities recognised under UK GAAP	103	(184)	17	15
Relating to fair value adjustments on the acquisition of Remote Marine Systems Limited	–	(65)	–	–
Relating to recognition of pension schemes deficits	2,002	1,882	2,002	1,882
Relating to recognition of share based payments	58	45	58	45
Deferred tax asset under IFRS	1,963	1,391	2,077	1,942

Deferred tax assets and liabilities are presented net as they relate to the same tax authority. The adjustment in relation to the acquisition of Remote Marine Systems relates to the fair value adjustment made to the carrying value of freehold land and buildings at acquisition. This adjustment is included in goodwill. Deferred tax is calculated on the difference between the carrying value of an asset or liability in the accounts of the Group and its taxable value (tax base). Application of IFRS has resulted in changes in the value of the tax base of some items from its UK GAAP basis resulting in adjustments to the deferred tax liability in respect of certain assets and liabilities already recognised under UK GAAP.

7. Translation reserve

Following the adoption of IAS 21 – The Effects of Changes in Foreign Exchange Rates, the translation reserve arising on the Group's net investment in overseas operations since 1 January 2004 is shown as a separate component of equity.

Restatement of reported profit for the year ended 31 December 2004 from UK GAAP to IFRS

8. Discontinued activities

Following the decision in 2005 to classify the Cable ship business as a discontinued operation, the comparative information for the year ended 31 December 2004 has been restated in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

9. Results of Joint Ventures

The requirements of IFRS relating to the disclosure of the results of joint ventures on the face of the income statement are substantially different to UK GAAP. The results for joint ventures are now shown as a single entry which represents the post tax result. Gross revenue is no longer reported separately. The changes in the presentation in the income statement of the Group are shown below.

The adoption of IAS 32 and IAS 39 by the Group from 1 January 2005 has also been reflected in the accounts of the joint venture from that date and consequently no restatement of the position at 31 December 2004 has been made.

Notes to the financial statements continued

Income statement Group	UK GAAP as previously reported £'000	Adjustments £'000	December 2004 £'000
Revenue	8,105	(8,105)	–
Share of operating profit	3,876	(3,876)	–
Net interest payable	(2,596)	2,596	–
Taxation	(61)	61	–
Share of post tax results of joint venture		1,219	1,219
	1,219	–	1,219

10. Effect of remeasurement

The effect of the above GAAP differences on reported profit of the Group for the year ended 31 December 2004 is as follows:

Profit attributable to equity holders of the parent

	December 2004 £'000
As reported under UK GAAP	7,446
Goodwill (see 1)	915
Share based payments (see 4)	169
Increase in reported profit before tax	1,084
Deferred taxation (see 6)	(300)
Equity dividends (see 5)	3,750
Profit attributable to equity holders of the parent	11,980

The effect of the above GAAP differences on reported profit of the Company for the year ended 31 December 2004 is as follows:

Profit attributable to equity holders of the parent

	December 2004 £'000
As reported under UK GAAP	3,686
Share based payments (see 4)	181
Dividends receivable from subsidiaries (see 5)	5,425
Increase in reported profit before tax	5,606
Deferred taxation (see 6)	(15)
Equity dividends (see 5)	3,750
	13,027

Restatement of cash flow statement from UK GAAP to IFRS

The transition from UK GAAP to IFRS does not have any impact on the reported cash flows of the Group. The format of the IFRS cash flow is different to that under UK GAAP with the number of reported headings reduced to three; operating activities, investing activities and financing activities.

Cash and cash equivalents reported under IFRS include cash at bank and in hand together with highly liquid interest bearing securities with original maturities of three months or less, and bank overdrafts. Under UK GAAP the highly liquid interest bearing securities were not classified as cash equivalents and were reported as an appropriation of cash.

Group Financial Record

for the five years ended 31 December

	2001 £000	2002 £000	2003 £000	2004 £000	2005 £000
Goodwill	617	2,721	17,397	21,254	36,168
Property, plant and equipment	137,827	126,109	114,455	103,091	67,081
Financial assets	1,795	2,397	2,748	2,967	3,955
Other assets	23,245	20,937	26,727	30,365	37,745
Non-current assets classified as held for sale	–	–	–	–	7,959
Total assets employed	163,484	152,164	161,327	157,677	152,908
Financed by					
Called up share capital	12,068	12,138	12,211	12,305	12,345
Retained earnings	62,767	70,453	70,943	70,926	60,984
Equity shareholders' interest	74,835	82,591	83,154	83,231	73,329
Cumulative preference shares	100	100	100	100	100
Interest-bearing loans and borrowings	68,483	52,972	61,307	46,651	49,058
Other liabilities	18,768	16,354	16,566	27,695	30,421
Provisions for liabilities and charges	1,298	147	200	–	–
Total funds invested	163,484	152,164	161,327	157,677	152,908
Revenue, profit and reserves					
Revenue	67,567	71,111	77,215	71,153	91,411
Profit before tax on continuing operations	8,077	9,718	5,380	10,221	11,446
Taxation	(436)	318	(1,050)	(2,123)	(754)
Profit after taxation	7,641	10,036	4,330	8,098	10,692
Discontinued operations	–	–	–	3,886	(12,889)
Dividends	(2,484)	(2,836)	(3,254)	(4)	–
Transferred to/(from) reserves	5,157	7,200	1,076	11,980	(2,197)
	pence	pence	pence	pence	pence
Continuing operations					
Basic earnings per ordinary share	16.01	21.11	9.04	16.77	21.91
Diluted earnings per ordinary share	15.91	20.63	8.70	16.56	21.72

The results for 2001 to 2003 are as previously stated under UK GAAP.

Subsidiary Undertakings

Details of the investments 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 follows; # 100% unless stated

Name of company	Principal activities	Place of business
(Incorporated in Great Britain unless otherwise stated)		
Trading		
JAMES FISHER AND SONS (SEAFLOOR DYNAMEX) LIMITED	Underwater excavation engineers	ABERDEEN
JAMES FISHER SCAN TECH UK LIMITED	Engineering	ABERDEEN
SCAN TECH AIR SUPPLY UK LIMITED	Engineering*	ABERDEEN
MONYANA ENGINEERING SERVICES LIMITED	Engineering*	ABERDEEN
MELDRUM TESTING SERVICES LIMITED	Engineering*	ABERDEEN
JAMES FISHER (SHIPPING SERVICES) LIMITED	Ship operators	BARROW-IN-FURNESS
JAMES FISHER (LOGISTICS) LIMITED	Ship owning	BARROW-IN-FURNESS
JAMES FISHER (RO-RO) LIMITED	Investment	BARROW-IN-FURNESS
JAMES FISHER DEFENCE LIMITED	Marine Services	BARROW-IN-FURNESS
JAMES FISHER NUCLEAR (HOLDINGS) LIMITED	Investment	BARROW-IN-FURNESS
JAMES FISHER (CREWING SERVICES) LIMITED	Crewing Agents	BARROW-IN-FURNESS
JAMES FISHER FENDERCARE LIMITED	Investment	BARROW-IN-FURNESS
JAMES FISHER (ABERDEEN) LIMITED	Investment	BARROW-IN-FURNESS
JAMES FISHER (CYPRUS) LIMITED (Incorporated in Cyprus)	Crewing Agents	CYPRUS
JAMES FISHER RUMIC LIMITED	Marine Services	DALTON-IN-FURNESS
HARSH ENVIRONMENT SYSTEMS LIMITED	Engineering*	EGREMONT
JAMES FISHER (GIBRALTAR) LIMITED (Incorporated in Gibraltar)	Ship owning*	GIBRALTAR
JAMES FISHER (GUERNSEY) LIMITED	Crewing Agents	GUERNSEY
JAMES FISHER HONG KONG LIMITED (Incorporated in Hong Kong)	Crewing agents*	HONG KONG
JAMES FISHER TANKSHIPS HOLDINGS LIMITED	Investment	LONDON
JAMES FISHER TANKSHIPS LIMITED	Ship operators*	LONDON
REMOTE MARINE SYSTEMS LIMITED	Engineering*	MALTON
JAMES FISHER NUCLEAR LIMITED	Engineering*	MALTON
JAMES FISHER MIMIC LIMITED	Marine Services	MANCHESTER
MONYANA EUROTECH AS (Incorporated in Norway)	Engineering*	NORWAY
JAMES FISHER NORWAY AS (Incorporated in Norway)	Investment	NORWAY
JAMES FISHER SCAN TECH HOLDINGS AS (Incorporated in Norway)	Engineering*	NORWAY
JAMES FISHER SCAN TECH AS (Incorporated in Norway)	Engineering*	NORWAY
SCAN TECH AIR SUPPLY AS (Incorporated in Norway)	Engineering*	NORWAY
REANCO TEAM AS (Incorporated in Norway)	Engineering*	NORWAY
FENDERCARE MARINE SOLUTIONS LIMITED	Marine Services*	SEETHING
FENDERCARE MARINE SERVICES GROUP LIMITED	Marine Services*	SEETHING
* held by a subsidiary undertaking		
Joint venture and associated undertakings		
FCN LIMITED***	Marine Services	WEST AFRICA
FENDERCARE NIGERIA LIMITED***	Marine Services	WEST AFRICA
FORELAND HOLDINGS LIMITED **	Ship owning	LONDON
SILVERTIDE INC***	Marine Services	WEST AFRICA
** 25% shareholding		
*** 40% shareholding		

Fleet List

Vessel	Built	D.W.T	Type
James Fisher and Sons Public Limited Company Owned			
m.t. "THAMES FISHER"	1997	4,765	Clean products tanker
James Fisher Tankships Limited Owned			
m.t. "SEVERN FISHER"	1983/1998	11,227	Clean products tanker
m.t. "FORTH FISHER"	1987	4,972	Clean products tanker
m.t. "GALWAY FISHER"	1997	4,967	Clean products tanker
m.t. "SOLENT FISHER"	1997	4,970	Clean products tanker
m.t. "MERSEY FISHER"	1998	4,765	Clean products tanker
m.t. "MILFORD FISHER"	1998	4,973	Clean products tanker
Long Term Bareboat Charter			
m.t. "CHARTSMAN"	1993	6,397	Clean products tanker
m.t. "RUDDERMAN"	1994	6,418	Clean products tanker
m.t. "STEERSMAN"	1994	6,403	Clean products tanker
m.t. "PEMBROKE FISHER"	1997	14,204	Clean products tanker
m.t. "CUMBRIAN FISHER"	2004	12,800	Clean products tanker
m.t. "CLYDE FISHER"	2005	12,800	Clean products tanker
m.t. "SHANNON FISHER"	2006	5,421	Clean products tanker
James Fisher (Shipping Services) Limited Owned			
m.t. "HUMBER FISHER"	1998	4,765	Clean products tanker
James Fisher (Logistics) Limited Owned			
C.S. "OCEANIC PRINCESS"	1983/2001	11,121	Cable laying ship

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of James Fisher and Sons Public Limited Company will be held at the Abbey House Hotel, Abbey Road, Barrow-in-Furness on Thursday 4 May 2006 at noon for the following purposes:

Ordinary Business

Resolution 1

To approve the report on directors' remuneration (as set out on pages 22 to 29 of the Annual Report and Accounts) for the year ended 31 December 2005.

Resolution 2

To receive the director's report and the financial statements for the year ended 31 December 2005.

Resolution 3

To declare a final dividend of 5.69p per ordinary share payable on 12 May 2006 to shareholders on the Register as at 21 April 2006.

Resolution 4

To re-elect Mr M.Storey as a director of the Company.

Resolution 5

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

Resolution 6

To elect Mr S.A.Harris as a director of the Company.

Resolution 7

To re-appoint Ernst & Young LLP as auditors of the Company until the conclusion of the next Annual General Meeting and authorise the directors to fix their remuneration.

Special Business

As special business to consider and, if thought fit, pass the following resolutions which, in the case of Resolution 8, will be proposed as an Ordinary Resolution and the case of Resolutions 9 and 10 will be proposed as Special Resolutions:

Resolution 8

That the directors of the Company be and are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined in the said section) up to an aggregate nominal amount of £4,075,909 being the nominal amount of the authorised but unissued ordinary share capital at the date of passing this resolution, such authority to expire at the conclusion of the next Annual General Meeting of the Company, but to be capable of previous revocation and variation from time to time by the Company in general meeting provided that the Company may make any offer or agreement before the expiry of this authority that would or might require relevant securities to be allotted after this authority has expired and the directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired.

Resolution 9

Special Resolution

That subject to the passing of Resolution 8 above the directors of the Company be and are hereby empowered pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) pursuant to the authority conferred by that Resolution as if Section 89 (1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £617,562 such authority to expire at the close of the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power hereby conferred had not expired.

Notice of Annual General Meeting **continued**

Resolution 10

Special Resolution

The Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) on the London Stock Exchange of up to a maximum aggregate of 2,400,000 ordinary shares of 25p each in the capital of the Company at a price per share of not less than 25p and not more than 105 per cent of the average of the middle market quotations for such ordinary share as derived from the London Stock Exchange Official List, for the five business days immediately preceding the day of purchase; unless previously renewed, revoked or varied, such authority will expire at the close of the next Annual General Meeting of the Company, save that the Company may purchase ordinary shares at any later date where such purchase is pursuant to any contract or contracts made by the Company before the expiry of this authority.

By order of the Board

J.P.Vick
Secretary

13 March 2006

Registered office:
Fisher House, Barrow-in-Furness,
Cumbria, LA14 1HR

Notes

Accounts are sent to all members of the Company. Both the ordinary and preference shareholders are entitled to attend and vote at the meeting.

Any member entitled to vote at the above meeting may appoint one or more proxies to attend, speak and, on a poll, vote instead of him. A proxy need not be a member of the Company. Completion of the Form of Proxy will not preclude a member from attending and voting in person. Forms of Proxy, duly executed, must reach the Company's Registrar's office, Capita Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the meeting.

The register of interests of the directors (and their families) in the share capital of the Company and copies of the directors' service contracts are available for inspection at the registered office of the Company during usual business hours and will also be available at the place of the Annual General Meeting from 11.30 a.m. on the date of the meeting until the close of the meeting.

A final dividend can only be paid after it has been approved by the shareholders in general meeting and may not exceed the amount recommended by the board. The directors recommend a final dividend of 5.69p per ordinary share for payment to ordinary shareholders who are on the register at the close of business on 21 April 2006. If approved the final dividend will be paid on 12 May 2006.

Special Business Explanatory Notes

Resolution 8 gives authority to the directors to allot equity securities up to a total nominal amount of £4,075,909 being the nominal amount of the authorised but unissued share capital. The authority will expire at the conclusion of the Annual General Meeting to be held in 2007 and replaces a similar authority granted on 29 April 2005 which expires at the conclusion of the forthcoming Annual General Meeting.

The passing of Resolution 9, a special resolution, will permit the directors, until the conclusion of the Annual General Meeting of the Company to be held in 2007, to make issues of equity securities on a non pre-emptive basis up to an aggregate nominal amount of £617,562 being equal to 5% of the nominal amount of the issued ordinary share capital. The power will, if granted, replace the similar power conferred on the directors on 29 April 2005 and which will lapse at the conclusion of the forthcoming Annual General Meeting.

Resolution 10 gives the Company authority to purchase in the market up to 2,400,000 of its ordinary shares of 25p each (representing approximately 5 per cent of the issued share capital). The authority will expire at the conclusion of the Annual General Meeting to be held in 2007 and replaces a similar authority granted on 29 April 2005 which expires at the conclusion of the forthcoming Annual General Meeting. The directors have no present intention of using the authority and in reaching their decision to purchase ordinary shares will take into account, amongst other things the Company's cash resources and capital requirements and the effect of any purchase on earnings per share.

Financial Calendar

19 April 2006	Ex dividend date for 2005 final dividend
21 April 2006	Record date
4 May 2006	Annual General Meeting
12 May 2006	Payment of 2005 final dividend
August 2006	Announcement of 2006 interim results

Registered Office and Advisers

Secretary and registered office

Jonathan P. Vick
James Fisher and Sons Public Limited Company
Fisher House, P.O. Box 4
Barrow-in-Furness, Cumbria LA14 1HR

Registrars

Capita IRG Plc, Bourne House
34 Beckenham Road, Beckenham, Kent BR3 4TU

Auditors

Ernst & Young LLP
Silkhouse Court, Tithebarn Street, Liverpool L2 2LE

Bankers

HSBC Bank plc
8 Canada Square
London E14 5HQ

Lloyds TSB Bank plc
25 Gresham Street
London EC2Y 7HH

Bank of Scotland
1st Floor
No.8 Princes Parade
Princes Dock, Liverpool, L3 1DL


Merchant bankers

E.C.Hambro Rabben & Partners Ltd
11 Albermarle Street, London W15 4HH

Stockbrokers

Evolution Beeson Gregory Limited
9th Floor, 100 Wood Street, London EC2V 7AN

Brewin Dolphin
Commercial Union House, 39 Pilgrim Street
Newcastle upon Tyne, Tyne & Wear NE1 6RQ

An aerial photograph of a coastline, showing a mix of blue water and light-colored land. A solid blue rectangular overlay covers the bottom-left portion of the image, containing contact information.

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