

Schedule 1

Revised Group accounting policies under IFRS

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 will be 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 will apply 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 will be reclassified from equity to long term debt.
 - The Group will not recognise 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 will be included in a hedging reserve and released to the income statement in the year when the hedged commitment affects profit or loss.
- **Employee benefits** – The Group has elected to recognise all cumulative actuarial gains and losses relating to its defined benefit pension schemes in reserves at 1 January 2004, the date of transition. With regard to the treatment of future actuarial gains and losses arising in the schemes, the restatement has been prepared on the basis that the European Commission will endorse the amendment to IAS 19 “Employee benefits”. Under this proposed amendment actuarial gains and losses will be included in the Group’s statement of recognised income and expense. In respect of share based payments, the Group has applied the exemption in IFRS 2 “Share-based Payments” and has only applied the standard to equity settled awards granted after 7 November 2002 that had not vested on or before 31 December 2003.

The accounting policies stated assume that all existing standards in issue from the IASB will, with the exception of the fair value adjustments portion of IAS 39, be endorsed by the European Union (“EU”). The policy in relation to employee benefits assumes that the amendment to IAS 19 “Employee Benefits” concerning the accounting for future actuarial gains and losses through the statement of recognised income and expense will be endorsed by the EU.

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

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

Foreign currency

(i) Group

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.

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 provide an effective hedge against equity investments in foreign currencies. These are taken directly to the translation reserve.

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 comparative statements 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 accounting policy under UK GAAP applied to the 2004 comparatives is that fixed asset investments are shown at cost less provision for impairment.

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. These 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.

Investments are recognised at fair value from the date of acquisition. Loans and receivables are carried at amortised cost using the effective interest method.

Realised gains and losses are recognised in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary items classified as available for sale are recognised in equity and transferred to the income statement on disposal or impairment.

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 of goodwill an impairment loss is recognised.

Goodwill arising on acquisitions in the year to 31 December 1997 and earlier periods 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.

Intangible assets

(i) Research and development costs

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

Expenditure on development costs which relates to the application of research to the development of new products or processes is capitalised provided that specific projects are identifiable, technically and commercially feasible and the Group has sufficient resources to

complete development. Other development costs are recognised in the income statement as incurred.

The expenditure capitalised includes bought in goods and services, direct labour and attributable overheads.

Capitalised development costs are stated at cost less accumulated amortisation and provisions for impairment.

Tangible fixed assets

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

Depreciation is provided to write-down the cost of tangible fixed assets 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. Each year the directors review all residual values to ensure that they are still appropriate.

Residual values and estimated remaining lives are reviewed annually and adjusted if appropriate to reflect the relevant market conditions and expectations, obsolescence and normal wear and tear.

The cost of tangible fixed assets includes expenditure incurred during construction, delivery and modification. Where a substantial period of time is required to bring the asset into use attributable finance costs are capitalised and included in the cost of the relevant asset.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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 costs;

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 reserves, in which case it is also recognised in reserves.

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

Tax arising from the distribution of dividends is recognised in equity at the same time as the liability to pay the related dividend.

Deferred tax is recognised using the balance sheet liability method 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.

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

Deferred tax assets are recognised only to the extent that the directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences and unused tax losses and credits can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Derivatives and 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 comparative statements for the year ended 31 December 2004.

The impact of applying this exemption is that in the 2004 IFRS 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 will be included in the balance sheet of the Group.

The 3.5% cumulative preference shares continue to be accounted for as equity. From 1 January 2005 they will be reclassified from equity to long term debt.

(a) Derivatives

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 Krone. 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. 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 three classes of hedges for derivatives 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);
- Hedges of net investments in foreign operations.

(b) Cash Flow Hedges

Where a derivative is designated as a hedge of the variability of a cash flow that is attributable to a particular risk associated with a recognised asset or liability, or a firm commitment or highly probable forecast transaction it is classified as a cash flow hedge. 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 or vice versa.

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 policy stated above, or if the hedged transaction is not expected to take place, it is recognised immediately in the income statement

(c) 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.

(d) Net Investment Hedge

Where a derivative is designated as a hedge against the Group's net investment in its overseas subsidiaries which are denominated in foreign currencies, it is designated as a net investment hedge.

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

When an overseas subsidiary is disposed of the cumulative gain or loss included in equity which relates to it is transferred to the income statement.

(e) 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.

(f) Calculation of fair values

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

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

The nominal value of trade receivables and payables (after allowances for credit risk) are assumed to approximate to their fair value.

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. Interest bearing bank loans and overdrafts are recorded as the proceeds received net of direct issue costs. Finance charges, including any premiums payable on settlement or redemption and the direct costs of issue are accounted for on an amortised cost basis to the income statement using the effective interest method 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.

Finance costs of debt instruments including non equity shares are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.

Accounting for leases

(i) Finance leases

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

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

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

(ii) 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.

Employee benefits

(a) Pension Plans

(i) Defined contribution scheme

The Group operates a defined contribution scheme for those members of staff who are not members of its defined benefit scheme. This is a pension plan under which the Group pays a fixed contribution into a separate entity who operate the scheme. 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

The Group operates two defined benefit schemes in the UK. 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 calculated separately for each scheme.

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

The defined benefit obligations represents the estimated amount of future benefits that employees have earned in return for their services in current and prior periods, discounted at a rate representing the yield on a high quality corporate bond at the balance sheet date,

denominated in the same currency as the obligations and having the same terms to maturity as the related pension liability, applied to the estimated future cash outflows arising from these obligations. The calculation is performed by a qualified actuary using the projected unit credit method

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

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

(b) Equity-settled share based payments

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

For options granted since 7 November 2002 the fair value of employee services rendered in exchange for the grant 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 the grant.

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

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

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

No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition, (such as the performance of the Group relative to a group or index composed of third party entities). These are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

(c) 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 carrying value of the 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 three business segments:

- Marine Support Services – Supplier of specialist services to the defence, nuclear, and the oil and gas industries;
- Marine Oil Services – Delivery of refined petroleum products in North West Europe;
- Cable Ships – Marine platform for fibre optic cable laying.

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 lease are credited to revenue on a straight line basis over the lease term.

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 are excluded in arriving at profit before taxation and deducted from aggregate dividends paid and proposed. The shares are ignored for the purposes of calculating the company's earnings per share.

Non-current assets held for sales

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.