James Fisher and Sons plc

Half Year Financial Report 2017

James Fisher and Sons plc is a leading service provider to all sectors of the global marine industry and a specialist supplier of engineering services to the energy industry.

We employ 2,700 people across 16 countries. Our companies and services have a focus on marine related activities which operate in potentially demanding environments where specialist skills are rewarded. Through innovation and acquisition we have developed market leading businesses through our four divisions: Marine Support, Specialist Technical, Offshore Oil and Tankships.

Contents

Highlights

	H1 2017	H1 2016	% change
Group revenue	**£235.8m**	£209.3m	+13%
Underlying operating profit*	**£21.3m**	£19.9m	+7%
Underlying profit before tax*	**£18.6m**	£17.5m	+6%
Underlying diluted earnings per share*	**30.1p**	29.4p	+2%
Interim dividend per share	**9.40p**	8.55p	+10%
Statutory profit before tax	**£17.6m**	£17.4m	+1%

* underlying profit excludes separately disclosed items, (note 3).

- Revenue up 13% at £235.8m (2016: £209.3m)
- Underlying operating profit 7% higher at £21.3m (2016: £19.9m)
- Strong profit growth in Specialist Technical
- Underlying diluted earnings per share up 2% to 30.1p (2016: 29.4p) per share
- Interim dividend raised by 10% to 9.4p per share

Chairman's statement

Half year results for the six months ended 30 June 2017

"James Fisher had a positive start to the year with revenue in the first half increasing by 13% to £235.8m and underlying profit before tax by 6% to £18.6m"

Results

I am pleased to report that James Fisher had a positive start to the year with revenue in the first half increasing by 13% to £235.8m (2016: £209.3m) and underlying profit before tax by 6% to £18.6m (2016: £17.5m) compared with the same period last year.

Three of our divisions continued to trade well, with Marine Support and Tankships profits at similar levels to last year and Specialist Technical significantly ahead. Offshore Oil reported similar revenue but reduced profits after a slow start in the first four months of the year reduced utilisation levels. Trading in May and June in this division gives grounds for some optimism for an improved second half.

Strategic Developments

James Fisher continues to pursue a consistent strategy of investing in niche businesses operating in demanding environments where strong marine service skills are valued and rewarded. Whilst organic growth has driven the majority of James Fisher's development, the Group continues to be alert for incremental acquisitions which will strengthen our range of products, services or geographical coverage.

The first half saw the Group's investments of recent years bear fruit with significantly higher volumes of work in Asia Pacific for our Specialist Technical businesses and the opening of an important new market in Brazil for ship-to-ship oil transfer services. In March we strengthened our product offering to the offshore renewables sector with the acquisition of Rotos 360, a high technology specialist in the repair and reconditioning of wind turbine rotor blades.

Outlook

Profit in the second half is likely to benefit from the phasing of projects across our renewables businesses due to seasonal factors and across our offshore oil businesses due to some improvement in oil and gas sector demand. We would therefore expect to see good growth from our Marine Support division. In Offshore Oil, orders in our Norwegian and our downhole equipment businesses have begun to show clear signs of recovery. Our Specialist Technical businesses continue to trade well despite some slowing in our nuclear decommissioning activities. Tankships maintains its good performance of recent years. Overall, we therefore expect to see stronger growth for the Group in the second half leading to a good improvement in the result for the year.

Dividend

The Board believes that James Fisher remains well placed to provide further growth and value for its shareholders. The Board has agreed a 10% increase in the interim dividend to 9.40 pence per share (2016: 8.55p) payable on 3 November 2017 to shareholders on the register on 6 October 2017.

C J Rice
Chairman
29 August 2017

Operating performance

The Group's financial performance in the first half progressed well with a 7% increase in underlying operating profit on revenue that was 13% higher at £235.8m (2016: £209.3m). The overall growth rates reported have been positively impacted by exchange rates as a significant proportion of the Group's revenue is received in US Dollars. Changes at constant exchange rates have been calculated by retranslating the results for the six months ended 30 June 2016 at the average rates for the comparator in 2017.

Revenue	H1 2017 £m	H1 2016 £m	Change	Change at constant currency
Group	**235.8**	209.3	+13%	+8%
Marine Support	**105.6**	92.4	+14%	+9%
Specialist Technical	**75.7**	62.9	+20%	+19%
Offshore Oil	**27.1**	27.0	–	(7)%
Tankships	**27.4**	27.0	+1%	(2)%

Group revenue increased by 13% compared to prior period and by 8% at constant currency. The contribution from businesses acquired was 5% and organic growth, driven by Marine Support and Specialist Technical, was 3%. Offshore Oil revenue was flat but 7% lower excluding currency effects reflecting reduced demand in the first four months, in particular.

Underlying operating profit	H1 2017 £m	H1 2016 £m	Change	Change at constant currency
Group	**21.3**	19.9	+7%	+4%
Marine Support	**9.1**	9.3	(2)%	(6)%
Specialist Technical	**8.5**	6.1	+39%	+38%
Offshore Oil	**1.1**	2.1	(47)%	(52)%
Tankships	**3.9**	3.8	+3%	+1%
Common costs	**(1.3)**	(1.4)	–	–

Underlying operating profit increased by 7% to £21.3m (2016: £19.9m). Underlying operating profits at Marine Support and Tankships were broadly similar to prior period and a 38% increase at Specialist Technical more than offset the lower result at Offshore Oil.

Marine Support

	H1 2017	H1 2016
Revenue (£m)	**105.6**	92.4
Underlying operating profit (£m)	**9.1**	9.3
Underlying operating margin	**8.6%**	10.1%
Return on capital employed	**12.0%**	13.6%

Revenue in Marine Support grew by 14%. Volumes in ship-to-ship transfers were weaker in Asia Pacific, but this was offset by the commencement of operations for the Brazilian market. Whilst the businesses acquired in the renewables sector contributed to some increase in revenue, the phasing of projects within both the UK renewables and international marine service sectors, suppressed profits in the first half. Subtech, our South Africa based marine service business, contributed to the first half growth with project wins in the Middle East and West Africa.

Underlying operating profit was marginally lower at £9.1m (2016: £9.3m) as the benefit from increased ship-to-ship transfers and businesses acquired was offset by a lower level of marine service projects and by a slow start from our mass-flow excavation business which suffered from the weakness in the oil & gas sector, particularly in the first four months of the year. The Group's marine services and support contract in relation to the construction of the Galloper Wind Farm performed well in the period but did not see the benefit of additional work.

On 22 March 2017, the Group acquired Rotos 360 for an initial consideration of £1.5m with potential further consideration of £5.0m dependant on profit targets for the three years ending 31 December 2019. Rotos 360 uses the latest technological innovation to provide solutions in the inspection, repair and reconditioning of wind farm rotor blades, primarily in the offshore environment. The company was established in 2013 as part of a UK Government funded research project to reduce the cost of operation and maintenance of offshore wind turbines.

Specialist Technical

	H1 2017	H1 2016
Revenue (£m)	**75.7**	62.9
Underlying operating profit (£m)	**8.5**	6.1
Underlying operating margin	**11.2%**	9.7%
Return on capital employed	**18.8%**	15.6%

Specialist Technical revenue was 20% higher than prior period at £75.7m (2016: £62.9m). Our defence and diving equipment business, JFD, was 24% ahead of 2016, reflecting a full six months from the Indian submarine rescue project compared to three months in 2016, the start of a saturation diving system for China and including 5% relating to businesses acquired. In nuclear decommissioning, whilst the Winfrith reactor project continued to perform well, the business saw a 5% reduction in revenue as a change in UK policy has reduced projects awarded across the supply chain.

Underlying operating profit was 39% ahead of the equivalent six months in 2016 at £8.5m (2016: £6.1m) reflecting good contributions from JFD's service contracts, products and submarine rescue and diving equipment projects which more than offset a small reduction in nuclear profitability.

JFD successfully completed the first operational dive of its Compact Bailout Rebreathing Apparatus (Cobra) which provides 45 minutes of fully independent breathing gas to a diver in an emergency to enable them to return to the diving bell. Our nuclear decommissioning business, JFN, won its first order to supply a manipulator to China in the second half.

Offshore Oil

	H1 2017	H1 2016
Revenue (£m)	**27.1**	27.0
Underlying operating profit (£m)	**1.1**	2.1
Underlying operating margin	**4.1%**	7.8%
Return on capital employed	**1.6%**	3.3%

Offshore Oil had a slow start to the year and although revenue was similar to 2016, after adjusting for currencies, it was 7% lower. The majority of the reduction was due to low utilisation levels in the early months of the year which decreased margins.

Underlying operating profit was £1.0m lower at £1.1m (2016: £2.1m) and underlying earnings before interest, tax, depreciation and amortisation was £6.4m (2016: £7.6m). Overheads in the half were reduced by a further 10%. Whilst the first half result was lower, the business remains profitable and orders received since May, together with indications from customers, suggest a stronger second half.

Tankships

	H1 2017	H1 2016
Revenue (£m)	**27.4**	27.0
Underlying operating profit (£m)	**3.9**	3.8
Underlying operating margin	**14.2%**	14.1%
Return on capital employed	**29.2%**	28.3%

Tankships reported a similar result to the first half of 2016 with an operating margin of around 14%. The business operated 14 vessels (2016: 15) in the period and received some benefit from lower bareboat charter costs in the period. It also won a contract to supply two vessels for the refuelling of the HMS Queen Elizabeth during the second half of 2017.

Finance

Interest and taxation

Net interest was £0.2m higher at £2.6m (2016: £2.4m) due to increased borrowings mainly arising from the funding of working capital for the project to design and assemble two submarine rescue vessels for the Indian Navy and from other large projects.

The effective tax rate on underlying profit before tax in the period increased to 17.2% (2016: 15.4%). This rate is based on estimates for the full year and has increased due to a greater proportion of profits being earned in higher tax jurisdictions such as Brazil and Ghana. The first half of 2016 also benefitted from adjustments to tax provisions in respect of prior years which has not been repeated in 2017. The Group's tanker operations continue to be taxed with respect to tonnage rather than profits and this reduced the effective rate by 2.3 (2016: 2.4) percentage points in the period.

Separately disclosed items

The Directors consider that alternative performance measures described in note 3 assist an understanding of the underlying trading performance of the businesses. These measures exclude separately disclosed items which consist of gains or losses on the sale of a business, asset impairments and charges or income relating to the acquisition of businesses. The net charge for separately disclosed items after tax in the six months ended 30 June 2017 was £0.8m (2016: £nil).

Earnings per share and dividends

Underlying profit before taxation increased 6% to £18.6m (2016: £17.5m) due to the strong operating profit growth at Specialist Technical. Underlying diluted earnings per share rose by 2% to 30.1 pence per share (2016: 29.4p), which was lower than the uplift in underlying profit before taxation due to the higher effective tax rate and a larger minority interest charge in the period.

Diluted earnings per share after separately disclosed items were 28.5 pence per share (2016: 29.4p). The interim dividend has increased by 10% to 9.40 pence per share (2016: 8.55p) and will be paid on 3 November 2017 to shareholders on the register on 6 October 2017.

Cash flow and borrowings

Summary cash flow

	H1 2017 £m	H1 2016 £m
Underlying operating profit	**21.3**	19.9
Depreciation & amortisation	**13.1**	12.1
Ebitda*	**34.4**	32.0
Working capital	**(18.9)**	(10.1)
Working capital – Indian Navy	**(6.7)**	–
Pension/other	**(2.3)**	(1.7)
Operating cash flow	**6.5**	20.2
Interest & tax	**(5.1)**	(5.1)
Capital expenditure	**(11.3)**	(8.6)
Acquisitions	**(4.2)**	(7.7)
Dividends	**(8.8)**	(8.0)
Other	**0.3**	(2.4)
Net outflow	**(22.6)**	(11.6)
Net borrowings at start of period	**(105.7)**	(93.9)
Net borrowings at end of period	**(128.3)**	(105.5)

* Underlying earnings before interest, tax, depreciation and amortisation

Underlying earnings before interest, tax, depreciation and amortisation (ebitda) increased by 8% to £34.4m (2016: £32.0m). This funded the seasonal increase in working capital of £10.2m and a project related increase of £15.4m, including, as previously stated, working capital in relation to the submarine rescue project for the Indian Navy.

Cash conversion, the proportion of underlying operating profit converted into operating cash, excluding the project for the Indian Navy was 62% (2016: 102%). Capital expenditure was 31% up on prior period at £11.3m (2016: £8.6m), and £4.2m (2016: £7.7m) was spent on business acquisitions, inclusive of £1.5m of deferred consideration in respect of a business that had been acquired in 2013.

After dividends paid in the period of £8.8m (2016: £8.0m), the net cash outflow was £22.6m (2016: £11.6m) and net borrowings increased to £128.3m (2016: £105.5m). The ratio of net borrowings (which includes project related bonds and guarantees) to ebitda increased in line with management expectations, to 2.2 times (2016: 1.8 times) reflecting the bonds and guarantees in relation to the Indian Navy project. Excluding this project, the ratio would be 1.8 times. Net gearing, the ratio of net debt to equity, was 49% (2016: 46%).

Balance sheet

	2017 30 June £m	2016 30 June £m
Intangible assets	**185.6**	163.8
Other assets	**136.6**	135.7
Working capital	**112.8**	75.3
Other liabilities	**(42.3)**	(38.7)
Capital employed	**392.7**	336.1
Borrowings	**128.3**	105.5
Equity	**264.4**	230.6
	392.7	336.1

Intangible assets have increased by £21.8m since June 2016 due to the acquisitions of Lexmar and Hughes in the second half of 2016 and the acquisition of Rotos 360 in March 2017.

Working capital was £37.5m higher than prior year due to the project for the Indian Navy which cumulatively amounts to £13.4m and from businesses acquired in the last twelve months amounting to £6.9m. The balance relates to project related outflows, mainly in Specialist Technical and Marine Support reflecting the uneven cash flows of a more project-led business.

Delivery of the two submarine rescue vessels for the Indian Navy is scheduled for March 2018 and December 2018 and as previously stated, a further increase of working capital in the second half of 2017 of around £15m-£18m is expected, which reverses when the vessels are delivered during 2018.

Risks and uncertainties

The principal risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as disclosed in the 2016 Annual Report and Accounts on pages 20-22. The principal risks set out in the 2016 Annual Report and Accounts were:

- Strategic – energy markets, operations in emerging markets;
- Operational – project delivery, recruitment and retention of key staff, reputational risk and cyber security;
- Financial – foreign currency and interest rates.

The Directors consider that the principal risks and uncertainties set out in the 2016 Annual Report and Accounts have not changed and remain relevant for the second half of the financial year.

Directors' responsibilities

We confirm to the best of our knowledge:

The interim financial report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union.

The interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the "Disclosure and Transparency Rules", being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the "Disclosure and Transparency Rules", being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period; and any changes in the related party transactions described in the last annual report that could do so.

N P Henry
Chief Executive Officer
29 August 2017

S C Kilpatrick
Group Finance Director

Condensed consolidated income statement

for the six months ended 30 June 2017

	Notes	2017 Six months ended 30 June £000	2016 Six months ended 30 June £000	2016 Year ended 31 December £000
Revenue	4	**235,775**	209,317	465,969
Cost of sales		**(168,064)**	(144,999)	(324,239)
Gross profit		**67,711**	64,318	141,730
Administrative expenses		**(47,379)**	(45,083)	(94,641)
Share of post tax results of joint ventures		**924**	647	1,414
Acquisition related income and (expense)	7	**(1,009)**	(83)	1,456
Operating profit	4	**20,247**	19,799	49,959
Analysis of operating profit:				
Underlying operating profit		**21,256**	19,882	50,781
Separately disclosed items		**(1,009)**	(83)	(822)
Net finance expense	5	**(2,640)**	(2,421)	(5,026)
Profit before taxation		**17,607**	17,378	44,933
Analysis of profit before taxation:				
Underlying profit before taxation		**18,616**	17,461	45,755
Separately disclosed items		**(1,009)**	(83)	(822)
Income tax	6	**(3,014)**	(2,567)	(6,786)
Profit for the period		**14,593**	14,811	38,147
Attributable to:				
Owners of the Company		**14,387**	14,835	39,753
Non-controlling interests		**206**	(24)	(1,606)
		14,593	14,811	38,147
Earnings per share		**pence**	pence	pence
Basic	8	**28.7**	29.6	79.4
Diluted	8	**28.5**	29.4	78.7

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2017

	Note	2017 Six months ended 30 June £000	2016 Six months ended 30 June £000	2016 Year ended 31 December £000
Profit for the period		**14,593**	14,811	38,147
Items that will not be reclassified to the income statement				
Remeasurement loss on defined benefit pension schemes	10	**–**	–	(3,054)
Actuarial loss in defined benefit pension schemes		**–**	(697)	–
Tax on items that will not be reclassified		**28**	(553)	(124)
		28	(1,250)	(3,178)
Items that may be reclassified subsequently to the income statement				
Exchange differences on foreign currency net investments		**(2,798)**	7,158	16,771
Effective portion of changes in fair value of cash flow hedges		**5,262**	(2,783)	(3,249)
Effective portion of changes in fair value of cash flow hedges in joint ventures		**(229)**	(213)	(139)
Net change in fair value of cash flow hedges transferred to income statement		**(282)**	(6)	551
Deferred tax on items that may be reclassified		**(742)**	488	432
		1,211	4,644	14,366
Total comprehensive income for the period		**15,832**	18,205	49,335
Attributable to:				
Owners of the Company		**15,642**	18,062	50,725
Non-controlling interests		**190**	143	(1,390)
		15,832	18,205	49,335

Condensed consolidated statement of financial position

at 30 June 2017

	Notes	2017 30 June £000	2016 30 June £000	2016 31 December £000
Non-current assets				
Goodwill		**163,661**	147,832	165,047
Other intangible assets		**21,908**	15,979	15,453
Property, plant and equipment		**128,536**	128,191	131,026
Investment in joint ventures		**6,678**	6,031	6,424
Available for sale financial assets		**1,377**	1,478	1,377
Deferred tax assets		**1,850**	3,588	2,852
		324,010	303,099	322,179
Current assets				
Inventories		**56,392**	49,786	54,092
Trade and other receivables		**178,674**	150,029	157,384
Cash and cash equivalents	11	**14,861**	29,720	21,848
		249,927	229,535	233,324
Current liabilities				
Trade and other payables		**(122,218)**	(124,582)	(129,332)
Current tax		**(8,394)**	(6,515)	(8,426)
Loans and borrowings		**(2,891)**	(10,800)	(3,086)
		(133,503)	(141,897)	(140,844)
Net current assets		**116,424**	87,638	92,480
Total assets less current liabilities		**440,434**	390,737	414,659
Non-current liabilities				
Other liabilities		**(10,280)**	(9,141)	(4,962)
Retirement benefit obligations	10	**(25,395)**	(26,416)	(26,770)
Cumulative preference shares		**(100)**	(100)	(100)
Loans and borrowings		**(140,192)**	(124,345)	(124,380)
Deferred tax liabilities		**(111)**	(153)	(111)
		(176,078)	(160,155)	(156,323)
Net assets		**264,356**	230,582	258,336
Equity				
Called up share capital		**12,550**	12,543	12,543
Share premium		**25,690**	25,573	25,573
Treasury shares		**(75)**	(610)	(554)
Other reserves		**4,024**	(6,877)	2,797
Retained earnings		**221,233**	197,422	216,979
Equity attributable to owners of the Company		**263,422**	228,051	257,338
Non-controlling interests		**934**	2,531	998
Total equity		**264,356**	230,582	258,336

Condensed consolidated cash flow statement

for the six months ended 30 June 2017

	Note	2017 Six months ended 30 June £000	2016 Six months ended 30 June £000	2016 Year ended 31 December £000
Profit before tax for the period		**17,607**	17,378	44,933
Adjustments to reconcile profit before tax to net cash flows				
Depreciation and amortisation		**13,942**	12,647	25,821
Acquisition costs charged		**135**	60	727
Profit on disposal of fixed assets		**(818)**	(61)	(556)
Provision for contract cessation		**–**	–	2,278
Adjustment to provision for contingent consideration		**–**	(522)	(3,384)
Net finance expense		**2,640**	2,421	5,026
Share of post tax results of joint ventures		**(924)**	(647)	(1,414)
Share based payments		**218**	577	1,144
Increase in inventories		**(2,550)**	(4,177)	(54)
Increase in trade and other receivables		**(23,556)**	41	(5,675)
Decrease/(increase) in trade and other payables		**454**	(5,962)	(13,291)
Defined benefit pension cash contributions less service cost		**(1,686)**	(1,691)	(4,233)
Cash generated from operations		**5,462**	20,064	51,322
Cash outflow from acquisition costs		**(231)**	–	(631)
Income tax payments		**(2,848)**	(3,376)	(6,930)
Cash flows from operating activities		**2,383**	16,688	43,761
Investing activities				
Dividends from joint venture undertakings		**988**	172	700
Proceeds from the disposal of property, plant and equipment		**1,509**	724	1,678
Proceeds from the disposal of investments		**–**	–	144
Finance income		**190**	87	180
Acquisition of subsidiaries, net of cash acquired		**(4,020)**	(7,689)	(19,093)
Acquisition of property, plant and equipment		**(9,706)**	(7,964)	(13,859)
Development expenditure		**(1,622)**	(1,376)	(2,672)
Cash flows used in investing activities		**(12,661)**	(16,046)	(32,922)
Financing activities				
Proceeds from the issue of share capital		**124**	49	50
Finance costs		**(2,403)**	(1,815)	(4,115)
Purchase of own shares by Employee Share Ownership Trust		**(709)**	(635)	(556)
Capital element of finance lease repayments		**(50)**	(81)	(174)
Proceeds from other non-current borrowings		**15,868**	16,460	2,363
Dividends paid		**(8,830)**	(8,026)	(12,303)
Dividend paid to minority interest		**(416)**	–	–
Cash flows from financing activities		**3,584**	5,952	(14,735)
Net increase in cash and cash equivalents		**(6,694)**	6,594	(3,896)
Cash and cash equivalents at beginning of period		**21,848**	22,962	22,962
Net foreign exchange differences		**(293)**	164	2,782
Cash and cash equivalents at end of period	11	**14,861**	29,720	21,848

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2017

	Capital		Attributable to equity holders of parent					
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Shareholders' equity £000	Non-controlling interests £000	Total equity £000
At 1 January 2017	12,543	25,573	216,979	2,797	(554)	257,338	998	258,336
Total comprehensive income	–	–	14,415	1,227	–	15,642	190	15,832
Contributions by and distributions to owners:								
Ordinary dividends paid	–	–	(8,830)	–	–	(8,830)	–	(8,830)
Dividend paid to minority interest	–	–	–	–	–	–	(416)	(416)
Acquisition of minority interest	–	–	(318)	–	–	(318)	162	(156)
Share based payments	–	–	218	–	–	218	–	218
Tax effect of share based payments	–	–	(43)	–	–	(43)	–	(43)
Purchase of shares by ESOT	–	–	–	–	(1,094)	(1,094)	–	(1,094)
Sale of shares by ESOT	–	–	–	–	385	385	–	385
Arising on the issue of shares	7	117	–	–	–	124	–	124
	7	117	(8,973)	–	(709)	(9,558)	(254)	(9,812)
Transfer	–	–	(1,188)	–	1,188	–	–	–
At 30 June 2017	**12,550**	**25,690**	**221,233**	**4,024**	**(75)**	**263,422**	**934**	**264,356**

	Capital		Attributable to equity holders of parent					
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Shareholders' equity £000	Non-controlling interests £000	Total equity £000
At 1 January 2016	12,541	25,525	192,908	(11,354)	(1,613)	218,007	2,388	220,395
Total comprehensive income	–	–	13,585	4,477	–	18,062	143	18,205
Contributions by and distributions to owners								
Ordinary dividends paid	–	–	(8,026)	–	–	(8,026)	–	(8,026)
Share based payments	–	–	577	–	–	577	–	577
Tax effect of share based payments	–	–	16	–	–	16	–	16
Purchase of shares by ESOT	–	–	–	–	(1,153)	(1,153)	–	(1,153)
Sale of shares by ESOT	–	–	–	–	518	518	–	518
Arising on the issue of shares	2	48	–	–	–	50	–	50
	2	48	(7,433)	–	(635)	(8,018)	–	(8,018)
Transfer	–	–	(1,638)	–	1,638	–	–	–
At 30 June 2016	12,543	25,573	197,422	(6,877)	(610)	228,051	2,531	230,582

Notes to the condensed consolidated half year statements

1 Basis of preparation

James Fisher and Sons plc (the Company) is a public limited company registered and domiciled in England and Wales and listed on the London Stock Exchange. The condensed consolidated half year financial statements of the Company for the six months ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in jointly controlled entities.

Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 “Interim Financial Reporting” as adopted by the European Union (EU). As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed consolidated set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2016 with the exceptions described below. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2016.

The comparative figures for the financial year ended 31 December 2016 are not the Group's statutory accounts for that financial year. Those accounts which were prepared under IFRS as adopted by the EU (adopted IFRS), have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 31 December 2016 are available upon request from the Company's registered office at Fisher House, PO Box 4, Barrow-in-Furness, Cumbria LA14 1HR or at www.james-fisher.co.uk.

The half year financial information is presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated.

The half year report was approved for issue by the Board of Directors on 29 August 2017.

Going concern

After making enquires, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

The Group meets its day to day working capital requirements through operating cash flows with borrowings in place to fund acquisitions and capital expenditure. The Group had £34.0m of undrawn committed facilities at 30 June 2017 and no revolving credit facilities due for renewal within the next twelve months.

Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2016.

2 Accounting estimates and judgements

The preparation of half year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2016.

3 Alternative performance measures

The Group uses a number of alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures are important and should be considered alongside the IFRS measures. The adjustments are separately disclosed and are usually items that are significant in size or non-recurring in nature. The following non-GAAP measures are referred to in the half year results.

3.1. Underlying operating profit and underlying profit before taxation

Underlying operating profit is defined as operating profit before amortisation or impairment of acquired intangible assets, acquisition expenses, adjustments to deferred consideration (together, acquisition related income and expense), the costs of a material restructuring, asset impairment or rationalisation of operations and the profit or loss relating to the sale of businesses. Amortisation of acquired intangible assets and acquisition expenses are recurring in nature where business combinations are part of a group's strategy. As acquisition expenses fluctuate with activity and to provide a better comparison to businesses that are not acquisitive, the Directors consider that both of these items should be separately disclosed to give a better understanding of operating performance. The Directors believe that the underlying operating profit is an important measure of the operational performance of the Group. Underlying profit before taxation is defined as underlying operating profit less net finance expense.

	2017 Six months ended 30 June £000	2016 Six months ended 30 June £000	2016 Year ended 31 December £000
Operating profit	**20,247**	19,799	49,959
Separately disclosed items before taxation	**1,009**	83	822
Underlying operating profit	**21,256**	19,882	50,781
Net finance expense	**(2,640)**	(2,421)	(5,026)
Underlying profit before taxation	**18,616**	17,461	45,755

3.2. Underlying earnings per share

Underlying earnings per share (EPS) is calculated as the total of underlying profit before tax, less income tax, but excluding the tax impact on separately disclosed items included in the calculation of underlying profit less profit attributable to non-controlling interests, divided by the weighted average number of ordinary shares in issue during the year. The Directors believe that underlying EPS provides an important measure of the underlying earnings capability of the Group. Underlying earnings per share is set out in note 8.

3.3. Capital employed and return on capital employed (ROCE)

Capital employed is defined as net assets less cash and short-term deposits and after adding back borrowings. Average capital employed is adjusted for the timing of businesses acquired and after adding back cumulative amortisation of acquired intangible assets. Segmental ROCE is defined as the underlying operating profit, divided by average capital employed. The key performance indicator, Group post-tax ROCE, is defined as underlying operating profit, less notional tax, calculated by multiplying the effective tax rate by the underlying operating profit, divided by average capital employed.

3.4. Cash conversion

Cash conversion is defined as the ratio of operating cash flow to underlying operating profit. Operating cash flow comprises cash generated from operations adjusted for dividends from joint venture undertakings.

4 Segmental information

Management has determined that the Group has four operating segments reviewed by the Board: Marine Support, Specialist Technical, Offshore Oil and Tankships. Their principal activities are set out in the Strategic report within the consolidated financial statements of the Group for the year ended 31 December 2016.

The Board assesses the performance of the segments based on underlying operating profit. The Board believes that such information is the most relevant in evaluating the results of certain segments relative to other entities which operate within these industries. Inter-segmental sales are made using prices determined on an arms-length basis. Sector assets exclude cash, short-term deposits and corporate assets that cannot reasonably be allocated to operating segments. Sector liabilities exclude borrowings, retirement benefit obligations and corporate liabilities that cannot reasonably be allocated to operating segments.

Six months ended 30 June 2017

	Marine Support £000	Specialist Technical £000	Offshore Oil £000	Tankships £000	Corporate £000	Total £000
Segmental revenue	105,791	75,993	27,115	27,418	–	236,317
Inter-segmental sales	(182)	(300)	(60)	–	–	(542)
Revenue	105,609	75,693	27,055	27,418	–	235,775
Underlying operating profit	9,060	8,496	1,080	3,860	(1,240)	21,256
Acquisition costs	(12)	–	–	–	(123)	(135)
Amortisation of acquired intangibles	(594)	(132)	(148)	–	–	(874)
Operating profit	8,454	8,364	932	3,860	(1,363)	20,247
Net finance expense						(2,640)
Profit before taxation						17,607
Income tax						(3,014)
Profit for the period						14,593
Assets and liabilities						
Segmental assets	222,589	155,808	131,209	33,173	24,480	567,259
Investment in joint ventures	3,688	2,990	–	–	–	6,678
Total assets	226,277	158,798	131,209	33,173	24,480	573,937
Segmental liabilities	(61,027)	(53,207)	(8,176)	(6,469)	(180,702)	(309,581)
	165,250	105,591	123,033	26,704	(156,222)	264,356
Other segmental information						
Capital expenditure	3,450	3,270	729	1,975	287	9,711
Depreciation and amortisation	4,785	1,905	5,328	1,652	272	13,942

Six months ended 30 June 2016

	Marine Support £000	Specialist Technical £000	Offshore Oil £000	Tankships £000	Corporate £000	Total £000
Segmental revenue	92,600	63,441	27,082	26,991	–	210,114
Inter-segmental sales	(161)	(525)	(102)	(9)	–	(797)
Revenue	92,439	62,916	26,980	26,982	–	209,317
Underlying operating profit	9,313	6,149	2,089	3,759	(1,428)	19,882
Acquisition costs	–	–	–	–	(60)	(60)
Adjustment to provision for contingent consideration	–	522	–	–	–	522
Amortisation of acquired intangibles	(192)	(353)	–	–	–	(545)
Operating profit	9,121	6,318	2,089	3,759	(1,488)	19,799
Net finance expense						(2,421)
Profit before taxation						17,378
Income tax						(2,567)
Profit for the period						14,811
Assets and liabilities						
Segmental assets	204,243	109,756	134,062	33,073	45,469	526,603
Investment in joint ventures	3,380	2,651	–	–	–	6,031
Total assets	207,623	112,407	134,062	33,073	45,469	532,634
Segmental liabilities	(68,877)	(36,308)	(8,169)	(6,549)	(182,149)	(302,052)
	138,746	76,099	125,893	26,524	(136,680)	230,582
Other segmental information						
Capital expenditure	2,687	918	2,969	1,143	95	7,812
Depreciation and amortisation	3,490	1,780	5,463	1,652	262	12,647

Year ended 31 December 2016

	Marine Support £000	Specialist Technical £000	Offshore Oil £000	Tankships £000	Corporate £000	Total £000
Segmental revenue	203,926	152,678	55,490	55,492	–	467,586
Inter-segmental sales	(354)	(893)	(362)	(8)	–	(1,617)
Revenue	203,572	151,785	55,128	55,484	–	465,969
Underlying operating profit	20,956	19,950	4,200	8,188	(2,513)	50,781
Contract cessation costs	(2,278)	–	–	–	–	(2,278)
Acquisition costs	(249)	(312)	(166)	–	–	(727)
Adjustment to provision for contingent consideration	2,865	519	–	–	–	3,384
Amortisation of acquired intangibles	(400)	(801)	–	–	–	(1,201)
Operating profit	20,894	19,356	4,034	8,188	(2,513)	49,959
Net finance expense						(5,026)
Profit before taxation						44,933
Income tax						(6,786)
Profit for the year						38,147
Assets and liabilities						
Segmental assets	208,605	141,792	133,611	33,398	31,673	549,079
Investment in joint ventures	3,744	2,680	–	–	–	6,424
Total assets	212,349	144,472	133,611	33,398	31,673	555,503
Segmental liabilities	(48,440)	(60,335)	(8,363)	(7,160)	(172,869)	(297,167)
	163,909	84,137	125,248	26,238	(141,196)	258,336
Other segmental information						
Capital expenditure	4,622	2,077	5,599	1,413	160	13,871
Depreciation and amortisation	7,437	4,002	10,978	3,166	239	25,822

5 Net finance expense

	2017 Six months ended 30 June £000	2016 Six months ended 30 June £000	2016 Year ended 31 December £000
Finance income:			
Interest receivable on short-term deposits	**188**	88	205
Finance expense:			
Bank loans and overdrafts	**(2,365)**	(1,901)	(3,982)
Preference dividend	**(2)**	(2)	(3)
Finance charges payable under finance leases	**(1)**	(11)	(36)
Net interest on pension obligations	**(309)**	(453)	(993)
Unwind of discount on contingent consideration	**(151)**	(142)	(217)
	(2,828)	(2,509)	(5,231)
Net finance expense	**(2,640)**	(2,421)	(5,026)

6 Taxation

The effective tax rate on underlying profit before income tax, based on an estimated rate for the year ending 31 December 2017, is 17.2% (30 June 2016: 15.4%, 31 December 2016: 15.4%). The effective rate on profit before income tax (after separately disclosed items) is 17.1% (30 June 2016: 14.8%, 31 December 2016: 15.1%). Of the total tax charge, £2.0m relates to overseas businesses (2016: £1.5m), and £1.0m relates to UK businesses (2016: £1.1m).

7 Separately disclosed items

	2017 Six months ended 30 June £000	2016 Six months ended 30 June £000	2016 Year ended 31 December £000
Included in operating profit:			
Administrative expenses:			
Contract cessation costs in Angola	**–**	–	(2,278)
Acquisition related income and (expense):			
Costs incurred on acquiring businesses	**(135)**	(60)	(727)
Amortisation of acquired intangibles	**(874)**	(545)	(1,201)
Adjustment to provision for contingent consideration	**–**	522	3,384
	(1,009)	(83)	1,456
Separately disclosed items before taxation	**(1,009)**	(83)	(822)
Tax on separately disclosed items	**188**	117	267
	(821)	34	(555)

8 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, after excluding ordinary shares held by the Employee Share Ownership Trust as treasury shares.

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

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

Weighted average number of shares

	2017 30 June Number of shares	2016 30 June Number of shares	2016 31 December Number of shares
For basic earnings per ordinary share*	**50,144,671**	50,066,388	50,096,089
Exercise of share options and LTIPs	**401,397**	332,104	387,067
For diluted earnings per ordinary share	**50,546,068**	50,398,492	50,483,156

* Excludes 5,950 (June 2016: 46,619; December 2016: 45,368) shares owned by the James Fisher and Sons plc Employee Share Ownership Trust.

To provide a better understanding of the performance of the Group, underlying earnings per share on continuing activities are presented as set out in note 3.

	2017 Six months ended 30 June £000	2016 Six months ended 30 June £000	2016 Year ended 31 December £000
Profit attributable to owners of the Company	**14,387**	14,835	39,753
Separately disclosed items	**1,009**	83	822
Non-controlling interest in separately disclosed items	**–**	–	(1,800)
Tax on separately disclosed items	**(188)**	(117)	(267)
Underlying profit attributable to owners of the Company	**15,208**	14,801	38,508
Basic earnings per share	**28.7**	29.6	79.4
Diluted earnings per share	**28.5**	29.4	78.7
Underlying basic earnings per share	**30.3**	29.6	76.9
Underlying diluted earnings per share	**30.1**	29.4	76.3

9 Interim dividend

The interim dividend of 9.40p (2016: 8.55p) per 25p ordinary share is payable on 3 November 2017 to those shareholders on the register of the Company at the close of business on 6 October 2017. The dividend recognised in the condensed consolidated statement of changes in equity is the final dividend for 2016 of 17.60p which was paid on 9 May 2017.

10 Retirement benefit obligations

Movements during the period in the Group's defined benefit pension schemes are set out below:

	2017 Six months ended 30 June £000	2016 Six months ended 30 June £000	2016 Year ended 31 December £000
Net obligation as at 1 January	**(26,770)**	(26,956)	(26,956)
Expense recognised in the income statement	**(368)**	(507)	(1,172)
Contributions paid to scheme	**1,743**	1,744	4,412
Remeasurement gains and losses	**–**	(697)	(3,054)
At period end	**(25,395)**	(26,416)	(26,770)

The Group's net liabilities in respect of its pension schemes were as follows:

	2017 Six months ended 30 June £000	2016 Six months ended 30 June £000	2016 Year ended 31 December £000
Shore Staff	**(9,435)**	(8,498)	(10,057)
Merchant Navy Officers Pension Fund	**(7,634)**	(9,163)	(8,464)
Merchant Navy Ratings Pension Fund	**(8,326)**	(8,755)	(8,249)
	(25,395)	(26,416)	(26,770)

The principal assumptions in respect of these liabilities are disclosed in the December 2016 Annual Report. The Group has not obtained an interim valuation for the period ended 30 June 2017 as there are no material changes to the principal assumptions.

11 Reconciliation of net debt

	2017 1 January £000	Cash flow £000	Other non-cash movement £000	Exchange movement £000	2017 30 June £000
Cash and cash equivalents	**21,848**	**(6,694)**	**–**	**(293)**	**14,861**
Debt due after 1 year	**(124,380)**	**(16,051)**	**(311)**	**534**	**(140,208)**
Debt due within 1 year	**(2,994)**	**183**	**–**	**4**	**(2,807)**
	(127,374)	**(15,868)**	**(311)**	**538**	**(143,015)**
Finance leases	**(192)**	**50**	**(25)**	**(1)**	**(168)**
Net debt	**(105,718)**	**(22,512)**	**(336)**	**244**	**(128,322)**

	2016 1 January £000	Cash flow £000	Other non-cash movement £000	Exchange movement £000	2016 30 June £000
Cash and cash equivalents	22,962	6,594	–	164	29,720
Debt due after 1 year	(116,650)	(5,724)	(125)	(1,873)	(124,372)
Debt due within 1 year	–	(10,736)	–	–	(10,736)
	(116,650)	(16,460)	(125)	(1,873)	(135,108)
Finance leases	(201)	81	–	(17)	(137)
Net debt	(93,889)	(9,785)	(125)	(1,726)	(105,525)

11 Reconciliation of net debt continued

	2016 1 January £000	Cash flow £000	Other non-cash movement £000	Exchange movement £000	2016 31 December £000
Cash and cash equivalents	22,962	(3,896)	–	2,782	21,848
Debt due after 1 year	(116,650)	(4,066)	(12)	(3,652)	(124,380)
Debt due within 1 year	–	1,703	(4,765)	68	(2,994)
	(116,650)	(2,363)	(4,777)	(3,584)	(127,374)
Finance leases	(201)	174	(127)	(38)	(192)
Net debt	(93,889)	(6,085)	(4,904)	(840)	(105,718)

12 Commitments and contingencies

Commitments and contingencies are as set out in the 2016 Annual Report other than for the following changes. At 30 June 2017, the Group had capital commitments of £8.8m (30 June 2016: £1.6m, 31 December 2016: £0.2m) and the Group had issued performance and payment guarantees to third parties with a total value of £44.7m (30 June 2016: £16.9m, 31 December 2016: £42.4m).

13 Related parties

There have been no significant changes in the nature of related party transactions in the period ended 30 June 2017 from that disclosed in the 2016 Annual Report.

Independent review report to James Fisher and Sons plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half year financial report for the six months ended 30 June 2017 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of movements in equity and the related explanatory notes. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half year financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mike Barradell
for and on behalf of KPMG LLP

Chartered Accountants
1 St Peter's Square
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29 August 2017

Notes

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If you have finished reading this Half Year Financial Report and no longer wish to retain it, please pass it on to other interested readers, return it to James Fisher and Sons plc or dispose of it in your recycled paper waste. Thank you.

This Half Year Financial Report is available at **www.james-fisher.com**