James Fisher and Sons plc

Marine Services Worldwide

Half Year Financial Report 2018

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 2,800 people across 18 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 2018	H1 2017 restated	change
Revenue	**£260.5m**	£232.5m	+12%
Underlying operating profit*	**£24.5m**	£20.7m	+18%
Underlying operating margin*	**9.4%**	8.9%	+50bps
Underlying profit before tax*	**£21.7m**	£18.1m	+20%
Underlying diluted earnings per share*	**34.5p**	29.3p	+18%
Interim dividend per share	**10.3p**	9.4p	+10%
Statutory profit before tax	**£21.5m**	£17.1m	+26%
Statutory diluted earnings per share	**34.5p**	27.7p	+25%

* excludes separately disclosed items (note 3)

2017 results restated for IFRS 15 'Revenue from contracts with customers' (note 14)

- Organic growth in revenue of 11%
- Underlying operating profit up 18% at £24.5m; 25% at constant currency
- Profit growth in all divisions – Marine Support up 21%; Specialist Technical up 19%
- First Indian Navy submarine rescue system delivered
- First long-term maintenance contract in Renewables
- Strong cash conversion of 120%
- Interim dividend up 10% to 10.3p per share

Notes:

1. James Fisher and Sons plc uses alternative performance measures (APMs) as key financial indicators to assess the underlying performance of the business. APMs are used by management as they are considered to better reflect business performance and provide useful additional information. APMs include underlying operating profit, underlying profit before tax, underlying diluted earnings per share, underlying return on capital employed and cash conversion. An explanation of APMs is set out in note 3 on page 12.
2. Certain statements contained in this report constitute forward-looking statements. Forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of James Fisher and Sons plc to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include exchange rates, general economic conditions and the business environment.

Operating and financial review

Strategy

The Group's strategy is to grow its business organically by leveraging its existing marine skill base in areas of specialist expertise to a global market, supplemented by selective bolt-on acquisitions which broaden the Group's range of specific niche services, products or geographical coverage. Our strategic aim is to deliver long-term growth in earnings per share and to consistently increase shareholder value. Whilst the Group prioritises organic growth, our strategy is to supplement it with value enhancing acquisitions which fit into our existing divisions. James Fisher seeks to acquire businesses that have a niche product or service offering, with growth potential, a track record of profitability, cash generation and strong management.

Strategic progress

The Group's corporate objectives are to deliver long-term growth in underlying earnings per share and to deliver progressive dividend growth. In the first half of 2018, underlying diluted earnings per share grew by 18% and the interim dividend was increased by 10%. Whilst the strong growth in the first half of 2018 was encouraging, it is partly due to a weaker first half comparative in 2017.

Revenue	H1 2018 £m	H1 2017 restated £m	change	change at constant currency
Group	260.5	232.5	+12%	+14%
Marine Support	127.2	105.6	+21%	+23%
Specialist Technical	77.6	72.5	+7%	+8%
Offshore Oil	27.2	27.0	+1%	+5%
Tankships	28.5	27.4	+4%	+5%

All divisions increased revenue in the first half of 2018 with Marine Support delivering a 21% increase. Group revenue was 12% ahead and up by 14% at constant currency, due to, on average, an 8% strengthening of Sterling compared to the US Dollar. Each division grew organically in the half and the Group's overall constant currency increase comprised 11% organic and 3% from businesses acquired.

Underlying operating profit growth was achieved at all four divisions with Marine Support and Specialist Technical achieving the highest growth at 21% and 19% respectively. Offshore Oil was slightly ahead of prior period, despite an adverse currency impact and Tankships delivered 10% growth. The Group's underlying operating margin increased from 8.9% to 9.4% in the period.

James Fisher offers a broad range of services to a wide range of sectors and geographical markets in the marine industry. The first half saw encouraging growth across all divisions, broadly spread across all sectors and regions.

Marine Support delivered continued growth in our ship-to-ship operations in Brazil and South East Asia, and in the offshore wind renewable energy market in the UK. The acquisition of EDS in the fourth quarter of 2017 has strengthened and broadened our offering to this market and has been successfully integrated into the Group during the first half of 2018. Our strategic goal has been to establish the Group in the emerging maintenance market for offshore wind and in the first half we were awarded our first longer term contract for maintenance services to the London Array wind farm in the Thames Estuary.

Progress has been made in increasing our market share in the Middle East which remains a buoyant market and in expanding the range of services provided in Brazil. East African gas remains a significant opportunity for future years and the Group has continued to position itself to support potential projects in this area.

In March, the first of two submarine rescue systems was delivered on schedule to the Indian Navy and will complete sea trials in Mumbai after the monsoon season is over. The second system is on schedule for completion before the end of the year.

The Group remains well positioned for an upturn in the oil & gas market. The first half has seen a limited improvement in activity levels but there is growing momentum in the industry.

Tankships has continued to trade strongly and has completed the acquisition of two tankers for £10.6m in line with the policy to refresh the fleet over the coming years.

Marine Support

	H1 2018	H1 2017 restated	change
Revenue (£m)	127.2	105.6	+21%
Underlying operating profit (£m)	10.8	8.9	+21%
Underlying operating margin	8.5%	8.4%	+10bps
Return on capital employed	12.2%	12.1%	+10bps

The main contribution to revenue growth came from the UK offshore wind market. In 2017 this project work was heavily weighted towards the second half of the year but 2018 has seen an improved spread of work and an earlier start to the summer peak of activity. The contract to provide support services to the Galloper windfarm development for Innogy was successfully completed by the middle of the year. The second quarter also saw the commencement of work for the East Anglia One windfarm for ScottishPower Renewables which included a contract for the clearance of unexploded ordnance.

A 5 year contract was also secured for the London Array windfarm in the Thames Estuary for the balance of plant maintenance.

Ship-to-ship operations continued to perform well with volumes in Brazil reflecting the momentum built up during 2017. Whilst the market in South East Asia showed growth this was partially offset by a weaker market in West Africa.

In April, a 10 year integrated marine services contract was secured for the management of three vessels, oil transfer operations, buoy maintenance and diving operations in support of a UK refinery. The contract value is c. £50m and the operations commenced in late June.

The division has also increased its order book in the Middle East, West Africa and Gulf of Mexico through awards for diving and subsea operations for international oil majors. The market in Saudi Arabia has delivered good growth and represents a significant opportunity for the future. Our mass flow excavation subsea services have benefited from an improving oil & gas market and we have seen the first projects completed in the Gulf of Mexico in recent times.

Specialist Technical

	H1 2018	H1 2017 restated	change
Revenue (£m)	77.6	72.5	+7%
Underlying operating profit (£m)	9.6	8.1	+19%
Underlying operating margin	12.4%	11.2%	+120bps
Return on capital employed	17.3%	18.8%	(150)bps

Within Specialist Technical, our defence and diving equipment business, JFD, continued to perform well. In March, the first of two submarine rescue systems was delivered on schedule to the Indian Navy only 2 years after the contract was signed. Sea trials in Mumbai are ongoing and will be completed after the monsoon season is over. The second system is on schedule for completion before the end of the year. The business has also increased its order book for swimmer delivery vehicles which now exceeds £20m for delivery over the next 3 years. Sales have also been achieved to plan for our commercial diving rebreather product, Cobra, which increases safety, and is on track to become the industry standard.

Profits from nuclear decommissioning have been held back due to customer delays in the programme for decommissioning the reactor at Winfrith, resulting in an extension to the £60m project by a year to 2021.

Offshore Oil

	H1 2018	H1 2017	change
Revenue (£m)	27.2	27.0	+1%
Underlying operating profit (£m)	1.2	1.1	+9%
Underlying operating margin	4.4%	4.1%	+30bps
Return on capital employed	1.9%	1.6%	+30bps

Performance in the first half was broadly in line with 2017 despite currency headwinds. This reflects improved activity in the maintenance market, particularly in Norway, which was offset by well testing activity being down on the prior year. Whilst the maintenance markets in Norway and the Middle East have shown marked improvements, there has been little increase in activity in the UK sector or in Brazil. Confidence levels in the industry have increased with a high level of project quotations for 2019/2020.

Tankships

	H1 2018	H1 2017	change
Revenue (£m)	**28.5**	27.4	+4%
Underlying operating profit (£m)	**4.3**	3.9	+10%
Underlying operating margin	**15.1%**	14.2%	+90bps
Return on capital employed	**31.0%**	29.2%	+180bps

Tankships has continued to perform strongly with vessel utilisations in the first quarter, which is traditionally the weakest quarter, showing an improvement on 2017.

The fleet renewal programme has been progressed with the purchase of the Dee Fisher (deadweight (dwt) 4,653 tonnes) for £5.2m in June. She was built in 2006 and replaces the Milford Fisher in the UK and Irish market. The Corrib Fisher (dwt 6,090 tonnes) was then purchased for £5.4m in July. She was built in 2008 and replaces the Solent Fisher which was withdrawn from the UK and Irish market at the end of 2017. The Corrib Fisher will service the west coast of Ireland including the contract for the oil spillage recovery service for the European Maritime Safety Agency (EMSA).

Results

The increases in revenue and underlying operating profit referred to above resulted in a 20% increase in underlying profit before taxation with interest broadly similar to prior period. The first half results partly reflect a weaker comparative performance in 2017. Underlying diluted earnings per share rose by 18% to 34.5 pence per share (2017: 29.3p), 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 34.5 pence per share (2017: 27.7p).

The Group adopted IFRS 15 'Revenue from contracts with customers' with effect from 1 January 2018 and has restated the 2017 results accordingly. The detail of the adjustments is set out in note 14 and the headline adjustments for the six months ended 30 June 2017 were as follows:

	H1 2017 reported	adjustment	H1 2017 restated
Revenue (£m)	235.8	(3.3)	232.5
Underlying operating profit (£m)	21.2	(0.5)	20.7
Underlying profit before tax (£m)	18.6	(0.5)	18.1
Underlying diluted earnings per share (p)	30.1	(0.8)	29.3
Interim dividend per share (p)	9.4	0.0	9.4

The adjustments to statutory operating profit, profit before tax and earnings per share are as stated in the previous table. The adjustments relate to the recognition of revenue on long-term contracts where revenue was previously recognised on the basis of percentage completion whereas under IFRS 15, revenue is recognised on completion of separately recognised performance obligations.

Taxation

The effective tax rate on underlying profit before tax in the period increased to 18.7% (2017: 17.1%). 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 in the Middle East, Africa and South America. The Group's tanker operations continue to be taxed with respect to tonnage rather than profits and this reduces the effective rate by around 2 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 2018 was £nil (2017: £0.8m). Statutory profit before tax increased in the period by 26% to £21.5m (2017: £17.1m) and statutory diluted earnings per share for the period was 34.5p per share (2017: 27.7p). Underlying diluted earnings per share, which excludes separately disclosed items, increased by 18% to 34.5p (2017: 29.3p).

Cash flow and borrowings

Summary cash flow

	H1 2018 £m	H1 2017 restated £m
Underlying operating profit	**24.5**	20.7
Depreciation & amortisation	**13.6**	13.7
Ebitda*	**38.1**	34.4
Working capital	**(7.5)**	(25.7)
Pension/other	**(1.2)**	(2.2)
Operating cash flow	**29.4**	6.5
Interest & tax	**(5.5)**	(5.1)
Capital expenditure	**(15.4)**	(11.3)
Acquisitions	**(9.4)**	(4.2)
Dividends	**(9.7)**	(8.8)
Other	**(1.6)**	0.3
Net outflow	**(12.2)**	(22.6)
Net borrowings at start of period	**(132.5)**	(105.7)
Net borrowings at end of period	**(144.7)**	(128.3)

* Underlying earnings before interest, tax, depreciation and amortisation

The main feature of the Group's cash flow over the last two years has been the working capital investment to design, assemble and deliver two submarine rescue vessels to the Indian Navy. This investment peaked in March 2018 when the first vessel was delivered. The Group subsequently received a milestone payment for £24.5m in April with further significant sums expected on delivery of the second system which falls due in the second half of 2018.

The outflow of working capital of £7.5m in the period is after a net inflow from the Indian Navy contract of £5.8m. The underlying increase of £13.3m reflects seasonally strong trading in the latter months of the half and a significant Marine Support renewables contract where receivables fall due in the second half.

Cash conversion, the proportion of underlying operating profit converted into operating cash flow was 120% (2017: 31%). Capital expenditure included £6.0m on the Tankships fleet modernisation programme and £0.8m on product development in relation to nuclear decommissioning. Business acquisitions included payment of £7.9m for EDS which joined the Group in December 2017 with the balance for Cowan, which was acquired in February 2018. After dividends paid in the period of £9.7m (2017: £8.8m), the net cash outflow was £12.2m (2017: £22.6m) and net borrowings increased to £144.7m (2017: £128.3m).

The ratio of net borrowings (inclusive of project related bonds and guarantees) to Ebitda was 2.2 times (2017: 2.2 times) reflecting the working capital, 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 51% (2017: 50%).

Balance sheet

	2018 30 June £m	2017 30 June restated £m
Intangible assets	**197.7**	185.6
Other assets	**152.3**	136.6
Working capital	**116.0**	108.9
Other liabilities	**(37.5)**	(44.8)
Capital employed	**428.5**	386.3
Borrowings	**144.7**	128.3
Equity	**283.8**	258.0
	428.5	386.3

Intangible assets have increased by £12.1m since June 2017 due to the acquisition of EDS in the second half of last year. Other assets have increased due to capital investment in organic growth and development spend on new products and services.

The ratio of working capital to sales at 30 June 2018 was 21.9% (2017: 22.9%). Working capital to sales excluding the India project was reduced to 16.7% at the end of the period from 20.2% at 30 June 2017.

Dividends

The Board has declared an interim dividend of 10.3 pence per share (2017: 9.4p), an increase of 10%. The dividend will be paid on 2 November 2018 to shareholders on the register at the close of business on 5 October 2018. The 2017 final dividend of £9.7m (19.3p per share) was paid on 11 May 2018.

Board

At the conclusion of the Annual General Meeting on 3 May 2018, Charles Rice retired as Chairman of the Group and was succeeded by Malcolm Paul. Justin Atkinson, who was appointed on 1 February 2018, succeeded Malcolm Paul as Chair of the Audit Committee and Aedamar Comiskey was appointed Chair of the Remuneration Committee. David Moorhouse is now the Senior Independent Non-Executive Director. Fergus Graham was appointed to the Board as an Executive Director on 1 March 2018.

Outlook

We expect that the second half will benefit from the contracts secured and momentum built during the first half in our Marine Support division. The division's results were heavily weighted to the second half in 2017 due to the timing of various projects. 2018 has returned to a more usual spread of business over the summer months such that any growth in the second half will be modest. The division continues to see significant opportunities for 2019 and beyond.

Our Specialist Technical division continues to trade well and has a solid order book for the remainder of the year. Prospects for further significant projects remain strong but the timing of such awards will remain uncertain.

Our Offshore Oil division remains well placed for an upturn in maintenance activity in the sector but it is expected that it will be 2019 before any significant benefit is seen.

Tankships has delivered a strong increase in the first half and with its stable market should continue to perform well as it introduces two more modern vessels into its fleet in the second half.

We continue to invest capital in those companies with the best prospects for organic growth and to track a number of interesting acquisition prospects. Our cash conversion is strong and a significant working capital unwind is expected in the second half subject to successful delivery of the second submarine rescue vessel to the Indian Navy. The Board believes that the Group's outlook for the year is positive and that James Fisher continues to be well placed to provide further growth and value for shareholders.

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 2017 Annual Report and Accounts on pages 19-21. The principal risks set out in the 2017 Annual Report and Accounts were:

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

The Board considers that the principal risks and uncertainties set out in the 2017 Annual Report and Accounts have not changed and remain relevant for the second half of the financial year.

The Board continues to consider that the UK's exit from the European Union is unlikely to have a material impact on the Group, as its business interests and customer base in the EU are not significant.

Directors' responsibilities

We confirm that to the best of our knowledge:

(a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

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

i. 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

ii. 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.

Approved by the Board of Directors and signed on its behalf by:

N P Henry
Chief Executive Officer
28 August 2018

S C Kilpatrick
Group Finance Director

Condensed consolidated income statement

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	**2018 Six months ended 30 June £m**	2017 Six months ended 30 June restated £m	2017 Year ended 31 December restated £m
Revenue	4	**260.5**	232.5	499.3
Cost of sales		**(184.8)**	(165.3)	(346.6)
Gross profit		**75.7**	67.2	152.7
Administrative expenses		**(52.2)**	(47.4)	(100.3)
Share of post-tax results of joint ventures		**1.0**	0.9	1.7
Acquisition related income and (expense)	6	**(0.2)**	(1.0)	(1.3)
Operating profit	4	**24.3**	19.7	52.8
Analysis of operating profit:				
Underlying operating profit		**24.5**	20.7	54.1
Separately disclosed items		**(0.2)**	(1.0)	(1.3)
Net finance expense	5	**(2.8)**	(2.6)	(5.5)
Profit before taxation		**21.5**	17.1	47.3
Analysis of profit before taxation:				
Underlying profit before taxation		**21.7**	18.1	48.6
Separately disclosed items		**(0.2)**	(1.0)	(1.3)
Income tax	7	**(3.8)**	(2.9)	(7.9)
Profit for the period		**17.7**	14.2	39.4
Attributable to:				
Owners of the Company		**17.4**	14.0	38.9
Non-controlling interests		**0.3**	0.2	0.5
		17.7	14.2	39.4
Earnings per share		**pence**	pence	pence
Basic	8	**34.7**	27.9	77.5
Diluted	8	**34.5**	27.7	76.9

Condensed consolidated statement of other comprehensive income

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	**2018 Six months ended 30 June £m**	2017 Six months ended 30 June restated £m	2017 Year ended 31 December restated £m
Profit for the period		**17.7**	14.2	39.4
Items that will not be reclassified to the income statement				
Remeasurement loss on defined benefit pension schemes	10	**(1.5)**	–	–
Actuarial gain in defined benefit pension schemes		**–**	–	3.2
Tax on items that will not be reclassified		**0.3**	–	(0.2)
		(1.2)	–	3.0
Items that may be reclassified subsequently to the income statement				
Exchange differences on foreign currency net investments		**0.2**	(2.8)	(7.5)
Effective portion of changes in fair value of cash flow hedges		**(2.5)**	5.2	7.8
Effective portion of changes in fair value of cash flow hedges in joint ventures		**0.2**	(0.2)	(0.2)
Net change in fair value of cash flow hedges transferred to income statement		**0.2**	(0.3)	(0.9)
Deferred tax on items that may be reclassified		**0.4**	(0.7)	(1.0)
		(1.5)	1.2	(1.8)
Total comprehensive income for the period		**15.0**	15.4	40.6
Attributable to:				
Owners of the Company		**14.7**	15.2	40.1
Non-controlling interests		**0.3**	0.2	0.5
		15.0	15.4	40.6

Condensed consolidated statement of financial position

AT 30 JUNE 2018

	Notes	**2018 30 June £m**	2017 30 June restated £m	2017 31 December restated £m
Non-current assets				
Goodwill		**171.9**	163.7	174.6
Other intangible assets		**25.8**	21.9	24.6
Property, plant and equipment		**141.7**	128.5	132.5
Investment in joint ventures		**8.3**	6.7	7.1
Other investments		**2.3**	1.4	2.3
Deferred tax assets		**3.1**	2.6	4.3
		353.1	324.8	345.4
Current assets				
Inventories		**49.8**	50.0	47.2
Trade and other receivables		**217.8**	177.2	199.3
Cash and cash equivalents	11	**12.1**	14.9	20.3
		279.7	242.1	266.8
Current liabilities				
Trade and other payables		**(151.6)**	(118.3)	(133.5)
Provision for liabilities and charges		**(4.5)**	(3.2)	(4.8)
Current tax		**(8.9)**	(8.4)	(8.5)
Loans and borrowings		**(0.3)**	(2.9)	(0.4)
		(165.3)	(132.8)	(147.2)
Net current assets		**114.4**	109.3	119.6
Total assets less current liabilities		**467.5**	434.1	465.0
Non-current liabilities				
Provisions for liabilities and charges		**(6.8)**	(10.3)	(11.5)
Retirement benefit obligations	10	**(19.7)**	(25.4)	(19.8)
Cumulative preference shares		**(0.1)**	(0.1)	(0.1)
Loans and borrowings		**(156.4)**	(140.2)	(152.3)
Deferred tax liabilities		**(0.7)**	(0.1)	(2.3)
		(183.7)	(176.1)	(186.0)
Net assets		**283.8**	258.0	279.0
Equity				
Called up share capital		**12.6**	12.6	12.6
Share premium		**25.9**	25.7	25.7
Treasury shares		**(0.6)**	(0.1)	(0.4)
Other reserves		**(0.5)**	4.0	1.0
Retained earnings		**245.1**	214.9	238.9
Equity attributable to owners of the Company		**282.5**	257.1	277.8
Non-controlling interests		**1.3**	0.9	1.2
Total equity		**283.8**	258.0	279.0

Condensed consolidated cash flow statement

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	**2018 Six months ended 30 June £m**	2017 Six months ended 30 June restated £m	2017 Year ended 31 December restated £m
Profit before taxation for the period		**21.5**	17.1	47.3
Adjustments to reconcile profit before tax to net cash flows				
Depreciation and amortisation		**15.0**	14.6	28.7
Acquisition costs charged		**0.1**	0.1	1.0
Loss/(profit) on disposal of fixed assets		**0.6**	(0.8)	(0.9)
Transferred from hedging reserve to income statement		**0.2**	–	(1.5)
Adjustment to provision for contingent consideration		**(1.3)**	–	(1.7)
Net finance expense		**2.8**	2.6	5.5
Share of post-tax results of joint ventures		**(1.0)**	(0.9)	(1.7)
Share based payments		**0.4**	0.2	0.9
Increase in inventories		**(2.4)**	(2.5)	(2.3)
Increase in trade and other receivables		**(20.7)**	(23.9)	(43.1)
Decrease in trade and other payables		**15.6**	0.7	1.9
Defined benefit pension cash contributions less service cost		**(1.8)**	(1.7)	(4.4)
Cash generated from operations		**29.0**	5.5	29.7
Cash outflow from acquisition costs		**(0.2)**	(0.2)	(0.8)
Income tax payments		**(3.0)**	(2.9)	(8.0)
Cash flow from operating activities		**25.8**	2.4	20.9
Investing activities				
Dividends from joint venture undertakings		**0.4**	1.0	1.4
Proceeds from the disposal of property, plant and equipment		**0.7**	1.5	2.6
Finance income		**0.1**	0.2	0.4
Acquisition of subsidiaries, net of cash acquired		**(9.2)**	(4.0)	(2.6)
Acquisition of property, plant and equipment		**(13.2)**	(9.7)	(23.1)
Investment in joint ventures and available for sale assets		**(0.2)**	–	(0.6)
Development expenditure		**(2.2)**	(1.6)	(4.2)
Cash flows used in investing activities		**(23.6)**	(12.6)	(26.1)
Financing activities				
Proceeds from the issue of share capital		**0.2**	0.1	0.1
Finance costs		**(2.5)**	(2.4)	(5.3)
Purchase of own shares by Employee Share Ownership Trust		**(1.1)**	(0.7)	(0.9)
Capital element of finance lease repayments		**(0.1)**	(0.1)	(0.1)
Proceeds from borrowings		**76.7**	59.4	95.4
Repayment of borrowings		**(73.1)**	(43.5)	(70.4)
Dividends paid		**(9.7)**	(8.8)	(13.5)
Dividend paid to non-controlling interests		**(0.3)**	(0.4)	(0.4)
Cash flows from financing activities		**(9.9)**	3.6	4.9
Net decrease in cash and cash equivalents		**(7.7)**	(6.6)	(0.3)
Cash and cash equivalents at beginning of period		**20.3**	21.8	21.8
Net foreign exchange differences		**(0.5)**	(0.3)	(1.2)
Cash and cash equivalents at end of period	11	**12.1**	14.9	20.3

Condensed consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Capital		Attributable to equity holders of parent					
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Treasury shares £m	Shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 1 January 2018	12.6	25.7	238.9	1.0	(0.4)	277.8	1.2	279.0
Total comprehensive income	**–**	**–**	**16.2**	**(1.5)**	**–**	**14.7**	**0.3**	**15.0**
Contributions by and distributions to owners:								
Ordinary dividends paid	**–**	**–**	**(9.7)**	**–**	**–**	**(9.7)**	**–**	**(9.7)**
Dividend paid to minority interest	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
Acquisition of minority interest	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Share based payments	**–**	**–**	**0.4**	**–**	**–**	**0.4**	**–**	**0.4**
Tax effect of share based payments	**–**	**–**	**0.2**	**–**	**–**	**0.2**	**–**	**0.2**
Purchase of shares by ESOT	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**	**–**	**(0.7)**
Sale of shares by ESOT	**–**	**–**	**(0.7)**	**–**	**0.3**	**(0.4)**	**–**	**(0.4)**
Arising on the issue of shares	**–**	**0.2**	**–**	**–**	**–**	**0.2**	**–**	**0.2**
	–	**0.2**	**(9.8)**	**–**	**(0.4)**	**(10.0)**	**(0.2)**	**(10.2)**
Transfer	**–**	**–**	**(0.2)**	**–**	**0.2**	**–**	**–**	**–**
At 30 June 2018	**12.6**	**25.9**	**245.1**	**(0.5)**	**(0.6)**	**282.5**	**1.3**	**283.8**

	Capital		Attributable to equity holders of parent					
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Treasury shares £m	Shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 1 January 2017 as reported	12.5	25.6	217.0	2.8	(0.6)	257.3	1.0	258.3
Implementation of IFRS 15	–	–	(5.9)	–	–	(5.9)	–	(5.9)
At 1 January 2017 restated	12.5	25.6	211.1	2.8	(0.6)	251.4	1.0	252.4
Total comprehensive income	–	–	14.0	1.2	–	15.2	0.2	15.4
Contributions by and distributions to owners:								
Ordinary dividends paid	–	–	(8.8)	–	–	(8.8)	–	(8.8)
Dividend paid to minority interest	–	–	–	–	–	–	(0.4)	(0.4)
Acquisition of minority interest	–	–	(0.4)	–	–	(0.4)	0.1	(0.3)
Share based payments	–	–	0.2	–	–	0.2	–	0.2
Purchase of shares by ESOT	–	–	–	–	(1.1)	(1.1)	–	(1.1)
Sale of shares by ESOT	–	–	–	–	0.4	0.4	–	0.4
Arising on the issue of shares	0.1	0.1	–	–	–	0.2	–	0.2
	0.1	0.1	(9.0)	–	(0.7)	(9.5)	(0.3)	(9.8)
Transfer	–	–	(1.2)	–	1.2	–	–	–
At 30 June 2017	12.6	25.7	214.9	4.0	(0.1)	257.1	0.9	258.0

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 2018 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 2017 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 2017.

The comparative figures for the financial year ended 31 December 2017 are not the Group's statutory accounts for that financial year. Those accounts which were prepared under International Financial Reporting Standards (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 2017 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 million pounds (£m) except where otherwise indicated.

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 £67.7m of undrawn committed facilities at 30 June 2018 (June 2017: £34.0m) and no revolving credit facilities due for renewal within the next twelve months.

Significant accounting policies

The Group has adopted IFRS 15 'Revenue from contracts with customers' and restated its comparatives accordingly, which is set out in note 14. The Group has adopted IFRS 9 'Financial Instruments' which has had no impact on comparatives. Otherwise, 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 2017.

In preparation for the adoption of IFRS 16, Leases, in the financial statements for the year ending 31 December 2019, management are in the process of assessing the potential impact.

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 2017.

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 (note 6) 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.

3 Alternative performance measures continued

	2018 Six months ended 30 June £m	2017 Six months ended 30 June restated £m	2017 Year ended 31 December restated £m
Operating profit	**24.3**	19.7	52.8
Separately disclosed items before taxation	**0.2**	1.0	1.3
Underlying operating profit	**24.5**	20.7	54.1
Net finance expense	**(2.8)**	(2.6)	(5.5)
Underlying profit before taxation	**21.7**	18.1	48.6

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 customer relationships. 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.

3.5. Underlying earnings before interest, tax, depreciation and amortisation (Ebitda)
Underlying Ebitda is defined as the underlying operating profit before interest, tax, depreciation and amortisation.

3.6. Underlying dividend cover
Underlying dividend cover is the ratio of the underlying diluted earnings per share to the dividend per share.

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 2017.

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.

4 Segmental information continued

Six months ended 30 June 2018	**Marine Support £m**	**Specialist Technical £m**	**Offshore Oil £m**	**Tankships £m**	**Corporate £m**	**Total £m**
Segmental revenue	127.2	78.0	27.7	28.5	–	261.4
Inter-segmental sales	–	(0.4)	(0.5)	–	–	(0.9)
Revenue	127.2	77.6	27.2	28.5	–	260.5
Underlying operating profit	10.8	9.6	1.2	4.3	(1.4)	24.5
Acquisition costs	–	(0.1)	–	–	–	(0.1)
Amortisation of acquired intangibles	(0.8)	(0.1)	(0.5)	–	–	(1.4)
Adjustment to provision for contingent consideration	1.3	–	–	–	–	1.3
Operating profit	11.3	9.4	0.7	4.3	(1.4)	24.3
Net finance expense						(2.8)
Profit before taxation						21.5
Income tax						(3.8)
Profit for the period						17.7
Assets and liabilities						
Segmental assets	253.9	179.6	128.4	38.5	24.1	624.5
Investment in joint ventures	4.4	3.5	0.4	–	–	8.3
Total assets	258.3	183.1	128.8	38.5	24.1	632.8
Segmental liabilities	(78.6)	(64.8)	(11.9)	(10.2)	(183.5)	(349.0)
	179.7	118.3	116.9	28.3	(159.4)	283.8
Other segmental information						
Capital expenditure	2.4	1.2	2.6	6.8	0.2	13.2
Depreciation and amortisation	4.7	2.9	5.5	1.6	0.3	15.0

Six months ended 30 June 2017	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Corporate £m	Total £m
Segmental revenue reported	105.8	76.0	27.1	27.4	–	236.3
Implementation of IFRS 15	(0.1)	(3.2)	–	–	–	(3.3)
Segmental revenue restated	105.7	72.8	27.1	27.4	–	233.0
Inter-segmental sales	(0.1)	(0.3)	(0.1)	–	–	(0.5)
Revenue	105.6	72.5	27.0	27.4	–	232.5
Underlying operating profit reported	9.0	8.5	1.1	3.9	(1.3)	21.2
Implementation of IFRS 15	(0.1)	(0.4)	–	–	–	(0.5)
Underlying operating profit restated	8.9	8.1	1.1	3.9	(1.3)	20.7
Acquisition costs	–	–	–	–	(0.1)	(0.1)
Amortisation of acquired intangibles	(0.6)	(0.1)	(0.2)	–	–	(0.9)
Operating profit	8.3	8.0	0.9	3.9	(1.4)	19.7
Net finance expense						(2.6)
Profit before taxation						17.1
Income tax						(2.9)
Profit for the period						14.2
Assets and liabilities						
Segmental assets	220.3	151.5	130.7	33.2	24.5	560.2
Investment in joint ventures	3.7	3.0	–	–	–	6.7
Total assets	224.0	154.5	130.7	33.2	24.5	566.9
Segmental liabilities	(60.3)	(53.2)	(8.2)	(6.5)	(180.7)	(308.9)
	163.7	101.3	122.5	26.7	(156.2)	258.0
Other segmental information						
Capital expenditure	3.4	3.3	0.7	2.0	0.3	9.7
Depreciation and amortisation	5.0	2.4	5.3	1.6	0.3	14.6

4 Segmental information continued

Year ended 31 December 2017	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Corporate £m	Total £m
Segmental revenue reported	237.5	156.3	56.6	57.0	–	507.4
Implementation of IFRS 15	–	(6.1)	–	–	–	(6.1)
Segmental revenue restated	237.5	150.2	56.6	57.0	–	501.3
Inter-segmental sales	(1.2)	(0.6)	(0.2)	–	–	(2.0)
Revenue	236.3	149.6	56.4	57.0	–	499.3
Underlying operating profit reported	24.5	21.1	3.8	8.8	(2.4)	55.8
Implementation of IFRS 15	0.8	(2.3)	(0.2)	–	–	(1.7)
Underlying operating profit restated	25.3	18.8	3.6	8.8	(2.4)	54.1
Acquisition costs	(0.7)	(0.3)	–	–	–	(1.0)
Amortisation of acquired intangibles	(1.4)	(0.3)	(0.3)	–	–	(2.0)
Adjustment to provision for contingent consideration	0.9	0.8	–	–	–	1.7
Operating profit	24.1	19.0	3.3	8.8	(2.4)	52.8
Net finance expense						(5.5)
Profit before taxation						47.3
Income tax						(7.9)
Profit for the year						39.4
Assets and liabilities						
Segmental assets	232.8	178.9	127.4	32.2	33.9	605.2
Investment in joint ventures	4.1	3.0	–	–	–	7.1
Total assets	236.9	181.9	127.4	32.2	33.9	612.3
Segmental liabilities	(68.8)	(57.3)	(13.4)	(8.1)	(185.7)	(333.3)
	168.1	124.6	114.0	24.1	(151.8)	279.0
Other segmental information						
Capital expenditure	15.6	2.8	2.0	2.4	0.3	23.1
Depreciation and amortisation	10.2	5.0	9.6	3.3	0.6	28.7

5 Net finance expense

	2018 Six months ended 30 June £m	2017 Six months ended 30 June £m	2017 Year ended 31 December £m
Finance income:			
Interest receivable on short-term deposits	**0.1**	0.2	0.4
Finance expense:			
Bank loans and overdrafts	**(2.6)**	(2.4)	(4.4)
Interest element of cash flow hedges	**–**	–	(0.5)
Net interest on pension obligations	**(0.2)**	(0.3)	(0.7)
Unwind of discount on contingent consideration	**(0.1)**	(0.1)	(0.3)
	(2.9)	(2.8)	(5.9)
Net finance expense	**(2.8)**	(2.6)	(5.5)

6 Separately disclosed items

	2018 Six months ended 30 June £m	2017 Six months ended 30 June £m	2017 Year ended 31 December £m
Included in operating profit:			
Acquisition related income and (expense):			
Costs incurred on acquiring businesses	**(0.1)**	(0.1)	(1.0)
Amortisation of acquired intangibles	**(1.4)**	(0.9)	(2.0)
Adjustment to provision for contingent consideration	**1.3**	–	1.7
Separately disclosed items before taxation	**(0.2)**	(1.0)	(1.3)
Tax on separately disclosed items	**0.2**	0.2	0.4
	–	(0.8)	(0.9)

The adjustment to the provision for contingent consideration is based on the most recent business forecasts and relates to a business acquired in 2015, Subtech Group Holdings (Pty) Ltd.

7 Taxation

The effective rate on profit before income tax is 18.0% (30 June 2017: 17.0%, 31 December 2017: 16.6%). This is based on the estimated effective tax rate for the year to 31 December 2018. Of the total tax charge, £3.1m relates to overseas businesses (30 June 2017: £2.0m). Taxation on profit has been estimated based on rates of taxation applied to the profits forecast for the full year. Prior period and year effective rates have been restated following the implementation of IFRS 15 from the rates reported at 30 June 2017: 17.2% and 31 December 2017: 16.9%. The increase in the effective tax rate is due to the mix of profits increasing in higher rate tax countries such as Australia, South America and Africa. The effective income tax rate on underlying profit before income tax, based on an estimated rate for the year ending 31 December 2018 is 18.7% (30 June 2017: 17.1%, 31 December 2017: 17.2%).

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	**2018 30 June Number of shares**	2017 30 June Number of shares	2017 31 December Number of shares
For basic earnings per ordinary share*	**50,188,922**	50,144,671	50,163,144
Exercise of share options and LTIPs	**283,795**	401,397	391,640
For diluted earnings per ordinary share	**50,472,717**	50,546,068	50,554,784

* Excludes 38,980 (June 2017: 5,950; December 2017: 27,620) 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.

8 Earnings per share continued

	2018 Six months ended 30 June £m	2017 Six months ended 30 June restated £m	2017 Year ended 31 December restated £m
Profit attributable to owners of the Company	**17.4**	14.0	38.9
Separately disclosed items	**0.2**	1.0	1.3
Tax on separately disclosed items	**(0.2)**	(0.2)	(0.4)
Underlying profit attributable to owners of the Company	**17.4**	14.8	39.8
Earnings per share	**pence**	pence	pence
Basic earnings per share	**34.7**	27.9	77.5
Diluted earnings per share	**34.5**	27.7	76.9
Adjusted basic earnings per share	**34.7**	29.6	79.3
Adjusted diluted earnings per share	**34.5**	29.3	78.7

9 Interim dividend

The proposed interim dividend of 10.30p (2017: 9.40p) per 25p ordinary share is payable on 2 November 2018 to those shareholders on the register of the Company at the close of business on 5 October 2018. The dividend recognised in the condensed consolidated statement of changes in equity is the final dividend for 2017 of 19.30p which was paid on 11 May 2018.

10 Retirement benefit obligations

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

	2018 Six months ended 30 June £m	2017 Six months ended 30 June £m	2017 Year ended 31 December £m
Net obligation as at 1 January	**(19.8)**	(26.8)	(26.8)
Expense recognised in the income statement	**(0.3)**	(0.3)	(0.8)
Contributions paid to scheme	**1.9**	1.7	4.6
Remeasurement gains and losses	**(1.5)**	–	3.2
At period end	**(19.7)**	(25.4)	(19.8)

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

	2018 Six months ended 30 June £m	2017 Six months ended 30 June £m	2017 Year ended 31 December £m
Shore Staff	**(4.9)**	(9.5)	(5.8)
Merchant Navy Officers Pension Fund	**(6.0)**	(7.6)	(6.8)
Merchant Navy Ratings Pension Fund	**(8.8)**	(8.3)	(7.2)
	(19.7)	(25.4)	(19.8)

The principal assumptions in respect of these liabilities are disclosed in the December 2017 Annual Report. The Group has not obtained an interim valuation for the period ended 30 June 2018 but has recognised a remeasurement loss of £1.5m in respect of the Group's share of the MNRPF triennial valuation at 31 March 2017.

11 Reconciliation of net debt

	1 January 2018 £m	**Cash flow £m**	**Other non-cash £m**	**Exchange movement £m**	**30 June 2018 £m**
Cash and cash equivalents	**20.3**	**(7.7)**	**–**	**(0.5)**	**12.1**
Debt due after 1 year	**(152.2)**	**(3.8)**	**(0.3)**	**(0.2)**	**(156.5)**
Debt due within 1 year	**(0.2)**	**0.2**	**–**	**–**	**–**
	(152.4)	**(3.6)**	**(0.3)**	**(0.2)**	**(156.5)**
Finance leases	**(0.4)**	**0.1**	**–**	**–**	**(0.3)**
Net debt	**(132.5)**	**(11.2)**	**(0.3)**	**(0.7)**	**(144.7)**

	1 January 2017 £m	Cash flow £m	Other non-cash £m	Exchange movement £m	30 June 2017 £m
Cash and cash equivalents	21.8	(6.6)	–	(0.3)	14.9
Debt due after 1 year	(124.4)	(16.1)	(0.3)	0.5	(140.3)
Debt due within 1 year	(3.0)	0.2	–	–	(2.8)
	(127.4)	(15.9)	(0.3)	0.5	(143.1)
Finance leases	(0.1)	0.1	(0.1)	–	(0.1)
Net debt	(105.7)	(22.4)	(0.4)	0.2	(128.3)

	1 January 2017 £m	Cash flow £m	Other non-cash £m	Exchange movement £m	31 December 2017 £m
Cash and cash equivalents	21.8	(0.3)	–	(1.2)	20.3
Debt due after 1 year	(124.4)	(27.8)	(0.8)	0.8	(152.2)
Debt due within 1 year	(3.0)	2.8	–	–	(0.2)
	(127.4)	(25.0)	(0.8)	0.8	(152.4)
Finance leases	(0.1)	0.1	(0.4)	–	(0.4)
Net debt	(105.7)	(25.2)	(1.2)	(0.4)	(132.5)

12 Commitments and contingencies

Commitments and contingencies are as set out in the 2017 Annual Report other than for the following changes. At 30 June 2018, the Group had capital commitments of £5.7m (30 June 2017: £8.8m, 31 December 2017: £0.3m) and the Group had issued performance and payment guarantees to third parties with a total value of £45.4m (30 June 2017: £44.7m, 31 December 2017: £44.6m).

13 Related parties

There have been no significant changes in the nature of related party transactions in the period ended 30 June 2018 from that disclosed in the 2017 Annual Report.

14 IFRS 15 'Revenue from contracts with customers'

The Group adopted IFRS 15 on 1 January 2018 using the fully retrospective method, utilising the practical expedients available referred to in the Financial Statements for 2017. Two revenue streams were identified as requiring Group policy change to align with IFRS 15, these were the rendering of services and delivery of construction contracts.

The main revenue streams within the Group are:

Sale of goods
Revenue is recognised when a customer obtains control of the goods. Based on the Group's assessment, the application of IFRS 15 has not resulted in a significant impact.

Construction Contracts
Under IFRS 15 performance obligations in contracts with customers are identified and the total contract value is allocated to each of the performance obligations identified. Revenue is recognised as each performance obligation is satisfied.

Rendering of Services
The Group is involved in providing a range of services including submarine rescue services. 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. Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone prices. The stand-alone selling prices are determined based on the list prices at which the Group sells such services in separate transactions.

The impact due to these changes is set out below. Line items that are not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	Six months ended 30 June 2017			Year ended 31 December 2017		
	Reported £m	Adjustments £m	Restated £m	Reported £m	Adjustments £m	Restated £m
Revenue	235.8	(3.3)	232.5	505.4	(6.1)	499.3
Cost of sales	(168.1)	2.8	(165.3)	(350.9)	4.3	(346.6)
Gross profit	67.7	(0.5)	67.2	154.5	(1.8)	152.7
Administrative expenses	(47.4)	–	(47.4)	(100.4)	0.1	(100.3)
Share of post-tax results of joint ventures	0.9	–	0.9	1.7	–	1.7
Acquisition related income and (expense)	(1.0)	–	(1.0)	(1.3)	–	(1.3)
Operating profit	20.2	(0.5)	19.7	54.5	(1.7)	52.8
Net finance expense	(2.6)	–	(2.6)	(5.5)	–	(5.5)
Profit before taxation	17.6	(0.5)	17.1	49.0	(1.7)	47.3
Income tax	(3.0)	0.1	(2.9)	(8.3)	0.4	(7.9)
Profit for the period	14.6	(0.4)	14.2	40.7	(1.3)	39.4

The main impact of IFRS 15 is within Specialist Technical on long-term contracts. Under IAS 11, revenue under long-term contracts was recognised using the percentage of completion method. The Group has determined that, within Specialist Technical, the performance obligations identified in a number of contracts will satisfy the criteria in IFRS 15 for recognition over time. As a result under IFRS 15, it is no longer deemed appropriate to recognise significant work in progress as an asset on the Group's balance sheet and consequently the Group will recognise revenue based on costs incurred reflecting the continuous transfer of the benefit of the Group's performance to the customer.

	Six months ended 30 June 2017			Year ended 31 December 2017		
	Reported £m	Adjustments £m	Restated £m	Reported £m	Adjustments £m	Restated £m
Non-current assets						
Deferred tax assets	1.8	0.8	2.6	3.2	1.1	4.3
Current assets						
Inventories	56.4	(6.4)	50.0	52.1	(4.9)	47.2
Trade and other receivables	178.7	(1.5)	177.2	201.9	(2.6)	199.3
Total assets	574.0	(7.1)	566.9	618.6	(6.4)	612.2
Current liabilities						
Trade and other payables	(122.2)	0.7	(121.5)	(132.7)	(0.8)	(133.5)
Net assets	264.4	(6.4)	258.0	286.2	(7.2)	279.0

The impact on the Group's retained earnings at 31 December 2016 is a reduction of £5.9m relating to the elimination of bid costs (£0.4m), rendering of services (£1.0m), recognition of revenue over time (£5.2m) offset by deferred taxation (£0.7m).

IFRS 15 Revenue from contracts with customers – accounting policy applied since 1 January 2018

Following the adoption of IFRS 15, the Group's accounting policy in respect of revenue is as follows:

Revenue represents income derived from contracts for the provision of goods and services by the Company and its subsidiary undertakings to customers in exchange for consideration in the ordinary course of the Group's activities.

Performance obligations

Upon approval by the parties to a contract, the contract is assessed to identify each promise to transfer either a distinct good or service or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer. Goods and services are distinct and accounted for as separate performance obligations in the contract if the customer can benefit from them either on their own or together with other resources that are readily available to the customer and they are separately identifiable in the contract.

Transaction price

At the start of the contract, the total transaction price is estimated as the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods and services to the customer, excluding sales taxes. Variable consideration, such as price escalation, is included based on the expected value or most likely amount only to the extent that it is highly probable that there will not be a reversal in the amount of cumulative revenue recognised. The transaction price does not include estimates of consideration resulting from contract modifications, such as change orders, until they have been approved by the parties to the contract. The total transaction price is allocated to the performance obligations identified in the contract in proportion to their relative stand-alone selling prices where appropriate. Given the bespoke nature of many of the Group's products and services, which are designed and/or manufactured under contract to the customer's individual specifications, there are typically no observable stand-alone selling prices. In such cases, stand-alone selling prices are typically estimated based on expected costs plus contract margin consistent with the Group's pricing principles.

Revenue and profit recognition

Revenue is recognised as performance obligations are satisfied as control of the goods and services is transferred to the customer.

For each performance obligation within a contract, the Group determines whether it is satisfied over time or at a point in time. Performance obligations are satisfied over time if one of the following criteria is satisfied:

– the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;

– the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

– the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

Contracts that satisfy the over time criteria primarily occur in the Group's Specialist Technical business, either because the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs (typically services or support contracts) or the Group's performance does not create an asset with an alternative use and it has an enforceable right to payment for performance completed to date (typically production contracts).

For each performance obligation to be recognised over time, the Group typically recognises revenue using an input method, based on costs incurred in the period. Revenue and attributable margin are calculated by reference to reliable estimates of transaction price and total expected costs, after making suitable allowances for technical and other risks. Revenue and associated margin are therefore recognised progressively as costs are incurred.

If the over time criteria for revenue recognition are not met, revenue is recognised at the point in time that control is transferred to the customer, which is usually when legal title passes to the customer and the business has the right to payment, for example, on delivery.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

Bid costs

All pre-contract bidding costs which are incurred irrespective of whether the contract is awarded relating to the design, manufacture or operation of assets or the position of services are expensed when incurred.

15 Financial Instruments

IFRS 9 Financial Instruments became effective on 1 January 2018. This standard replaces IAS 39 and introduces new requirements for classifying and measuring financial instruments and puts in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. IFRS 9 has been implemented prospectively from 1 January 2018 and the impact on the Group has been not been material. The key areas of focus for the Group under IFRS 9 are:

– expected credit losses being recognised on trade debtors and contract assets recognised under IFRS 15;

– hedge accounting and related hedge documentation; and

– reclassification of Assets Held for Sale as Other Investments, with these being fair valued at each reporting period.

Independent review report to James Fisher and Sons plc

Conclusion

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 2018 which comprises the condensed consolidated income statement, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes.

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 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

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. We read the other information contained in the half year financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half year financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Mike Barradell
for and on behalf of KPMG LLP
Chartered Accountants
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28 August 2018

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