



Annual Report & Accounts **2019**

James Fisher and Sons plc
Marine Services Worldwide



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 3,300 people across 20 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.

STRATEGIC REPORT

Highlights	1
Chairman's statement	2
Chief Executive's review	5
Business model	9
Strategy	10
Sector review	11
Financial review	19
Key performance indicators	22
Principal risks and uncertainties	23
Sustainability report	28
Corporate responsibility governance	37

GOVERNANCE

Board of Directors	40
Corporate governance report	42
Audit Committee report	51
Nominations Committee report	56
Directors' remuneration report	59
Directors' report	77
Independent auditor's report	80

FINANCIAL STATEMENTS

Consolidated income statement	87
Consolidated statement of other comprehensive income	87
Consolidated and Company statement of financial position	88
Consolidated and Company cash flow statement	89
Consolidated statement of changes in equity	90
Company statement of changes in equity	91
Notes to the financial statements	92
Subsidiaries and associated undertakings	136
Group financial record	139
Investor information	140

Highlights

REVENUE

£617.1m

2019 £617.1m

2018 £561.5m

+10%

UNDERLYING OPERATING PROFIT*

£66.3m

2019 £66.3m

2018 £62.1m

+7%

UNDERLYING PROFIT BEFORE TAX*

£58.5m

2019 £58.5m

2018 £56.1m

+4%

UNDERLYING DILUTED EARNINGS PER SHARE*

92.8p

2019 92.8p

2018 89.5p

+4%

TOTAL DIVIDEND PER SHARE

34.7p

2019 34.7p

2018 31.6p

+10%

	2019	2018
Statutory operating profit	£55.6m	£61.4m
Statutory profit before tax	£47.8m	£55.4m
Statutory diluted earnings per share	72.7p	88.9p

- Reported revenue up 10% and up 6% on an organic basis;
- Underlying operating profit up 7%, driven by strong Offshore Oil performance;
- Investment of £105m in capital and acquisitions; and
- Total dividend increased by 10%.

* excludes separately disclosed items

James Fisher 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. All references to organic in this Annual Report refer to results adjusted for the impact of prior and current year acquisitions and for constant currency. An explanation of APMs is set out in note 2.

Chairman's statement



Malcolm Paul
Chairman

“Following a strong second half, the Group delivered a 7% increase in underlying operating profit in the full year.”

Following a strong second half I am pleased to report that James Fisher and Sons plc delivered a 4% increase in underlying profit before tax to £58.5m (2018: £56.1m) on revenue that was 10% higher than last year. A strong recovery in our Offshore Oil division, further progress in Tankships and a broadly similar result in Specialist Technical, more than offset a weaker performance in Marine Support.

In a year of transition, the Board was pleased to announce the appointment of Eoghan O'Lionaird as Chief Executive Officer (CEO) on 1 October 2019, replacing Nick Henry, who had led the Group since July 2012. Since joining, Eoghan has demonstrated strong and effective leadership and has commenced a comprehensive review of the Group's operations. James Fisher has a well-established strategy which aims to deliver long term growth in shareholder value whilst aligning our corporate culture and values with all our stakeholders and the communities in which we operate.

Results

Group revenue was 10% higher in the year at £617.1m (2018: £561.5m), which included a 3% benefit from businesses acquired and a 1% contribution from foreign exchange movements. After adjusting for currency fluctuations and the impact of businesses acquired in the current and prior year, underlying revenue growth at constant currency was 6%.

Underlying operating profit increased 7% to £66.3m (2018: £62.1m) and adjusted diluted earnings per share increased 4% to 92.8p (2018: 89.5p). Statutory operating profit, which is after separately disclosed items, was £55.6m (2018: £61.4m) following an impairment charge taken in 2019 in respect of the Group's Murjan business in Saudi Arabia which was acquired earlier in the year. Statutory diluted earnings per share were 72.7p (2018: 88.9p).

The Group's cash conversion, the percentage of underlying operating profit converted into underlying operating cash was strong at 99% (2018: 157%). Group borrowings increased by £89.4m due to three business acquisitions for £14.4m and capital investment of £90.2m.

Dividends

The progress of the Group in 2019 and its track record of delivering strong operating cash flow have led the Board to propose a 10% increase in the final dividend to 23.4p per share (2018: 21.3p). Subject to shareholder approval at the Annual General Meeting (AGM), this dividend will be paid on 11 May 2020 to shareholders on the register on 3 April 2020. If approved by shareholders, the total dividend for the year will be 34.7p per share (2018: 31.6p), a 10% increase on 2018.

Business review

Our businesses continued to progress well in 2019 with the standout financial performance from Offshore Oil, which increased operating margins from 8.3% to 15.0%, reflecting some recovery in the market and the operational gearing that we are able to generate. Our oil well lift business, RMSpumptools, had a particularly strong year with a noticeable increase in its market share. Fisher Offshore invested in cutting tools for the decommissioning market and won its first significant scope of works in the Middle East.

Tankships continued to produce excellent results and was awarded a five-year contract for the delivery of refueling services to the Royal Navy fleet.

Within Specialist Technical, JFD announced two new contracts to provide deep submergence rescue vehicles for the Republic of Korea Navy and for China Shipbuilding & Offshore International. JFD's submarine service business successfully carried out two major submarine rescue exercises under its NATO contract and separately for the Royal Australian Navy, from which it also won a four-year contract to build and pressure test cylinders to simulate a submarine hull.

In September, JFD confirmed its market leading position by delivering the world's first saturation diving products rated to a depth of 500m. The products, which include environmental control systems, gas reclaim and life support, provide the most advanced saturation dive capability in the world. We also invested further in diver training with the purchase of saturation diving equipment in Fort William, Scotland which provides subsea operators with the skills, equipment, and capabilities they need to carry out their work whilst ensuring their safety at all times.

JFD won the Innovation for Safety award at the 2019 Subsea Expo for its Compact Bailout Rebreather Apparatus (Cobra). The system supplies an extended duration of fully independent breathing gas in an emergency scenario, and is designed to be smaller than most bailout systems.

Chairman's statement continued



In September 2019, JFD delivered the world's first saturation diving products rated to a depth of 500m. The products have been developed as part of a saturation diving system for a leading offshore service provider based in the Asia Pacific region. JFD updated its existing technology to provide greater performance capacity, as well as developing entirely new products, all of which were verified and proven at this lower operational depth. This broadens JFD's offering to the commercial diving sector.

The new products, which include environmental control systems, gas reclaim and life support devices, provide the most advanced saturation dive capability in the world. This allows the most complex offshore operations to be conducted efficiently in the safest possible conditions.

The new technology utilised by JFD has enabled the design of multiple products which are capable of coping with increased pressure, which have increased ability to heat and cool the divers' living environment and which enable the increased transfer of gas and fluids at this extreme operational depth.

In Marine Support, our ship-to-ship business recovered well from a slow first quarter and produced another impressive financial performance. We are now able to offer a comprehensive service to the offshore wind renewable energy market and we are pleased to have won further phases of work in the UK on East Anglia One, and its first work scopes on Triton Knoll, as well as establishing a service centre in Taiwan. EDS, which provides high voltage connections to this sector had an excellent year serving the London Array windfarm and won a 15 year operations and maintenance contract for the Greater Gabbard offshore wind farm off the coast of Suffolk.

During the year we invested in two saturation diving vessels to respond to the needs of the oil majors, however delivery and maintenance delays have meant that only one of these vessels came into service in the latter part of the year and the other is expected to be deployed in the first quarter of 2020. The division further expanded by acquiring the UK marine safety vessel products business, Martek Marine, in January 2019, and geographically in August with the acquisition of the commercial diving company, SM Continental SA in Brazil.

The Board

There have been a number of changes to the Board over the past year. In December 2018, Nick Henry served notice that he intended to retire as CEO by the end of 2019. On behalf of the Nominations Committee, I led a comprehensive executive search process supported by independent recruitment consultants, during which both internal and external candidates were considered. After a series of interviews with all the Directors, the Board unanimously agreed the appointment of Eoghan O'Lionaird as the Group's new CEO. Eoghan joined the Company at the beginning of September 2019 and was appointed CEO on 1 October 2019 at which point Nick stepped down as a Director of the Company. I would like to take this opportunity to thank Nick Henry for his contribution to the development of the Group following the retirement of Tim Harris in 2012. During Nick's tenure, turnover grew 70% and underlying profit before tax increased 40% which is reflected in a share price that has more than doubled. On behalf of the Board and our shareholders I would like to thank Nick and wish him every success for the future.

On 28 February 2019, David Moorhouse retired as a Non-Executive Director having served the Company for five and a half years. His contribution to the Board and in particular his knowledge of the marine sector has been of great benefit to the Company. Following David's retirement, Aedamar Comiskey was appointed as Senior Independent Non-Executive Director.

On 1 March 2019, Dr Inken Braunschmidt joined the Board as an Independent Non-Executive Director. Inken is Chief Innovation and Digital Officer at Halma plc and a member of their Executive Board. I have asked her to take special responsibility for Employee Engagement and she is making a good contribution to our Board discussions.

By the time of the Company's AGM in April 2020, I will have served as a Director of the Company for a period of nine years, firstly as an independent Non-Executive Director and chair of the Audit and Remuneration Committees, then as Senior Independent Non-Executive Director and since the 2018 AGM, as Chairman. Whilst good corporate governance would suggest that I step down having completed nine years' service, the Board has requested, and I have agreed, to make myself available for re-election at the 2020 AGM whilst the Senior Independent Non-Executive Director commences a search for a new Non-Executive Chairman. This strategy has been formulated on the basis that my knowledge of the Company and the experience I have gained during my term in office will be of benefit to the new CEO and it would be inappropriate to have a change of CEO and Chairman in a relatively short timescale. This proposal has the support of the Trustees of the Company's largest shareholder, the Sir John Fisher Foundation.

Our employees

Our employees remain our most important asset and their hard work continues to be a driving force behind our consistent and strong performance. James Fisher's success is due to the combined efforts of all of the Group's employees and I would like to thank them all for their support and hard work.

Summary and Outlook

Following a strong second half, the Group delivered a 7% increase in underlying operating profit in the full year. A strong recovery in our Offshore Oil division, further progress in Tankships and a broadly similar year-on-year result in Specialist Technical, more than offset a weaker performance in Marine Support.

With the offshore renewable energy sector continuing to grow robustly and the oil and gas market for our niche services recovering, the leading position held by a number of our businesses across a broad spread of services in diverse geographical locations underpins the Board's confidence in the Group's ability to provide continued growth in shareholder value.

Malcolm Paul

Chairman



Within our Offshore Oil division, RMsPumptools is a world leader in artificial lift specialist completion technology and innovative accessory tools for electrical submersible pumps (ESP).

For a number of years, RMsPumptools has been involved with the Chevron 'Big Foot' Project. Both its electrical and mechanical divisions have developed a number of products for the project, including the world's first 100% verified gas tight (VO) rated high pressure, high power packer and well head penetrators, as well as two different completion systems: the Y-Chek™ system and a VO rated POD system as a back-up. The POD is a sealed unit which protects the ESP and cable and also protects the existing casing from produced fluids.

The Y-Chek™ is an automatic downhole valve located within the RMsPumptools Y-Tool. This patented Automatic Y-Tool features infinite Sealing Point Technology, substantially increasing sealing integrity and providing an extremely robust and reliable product. It is designed to automatically seal off either leg of the Y-Tool – when one ESP is operated, the other is isolated and vice versa to provide automatic switching between ESPs.

Chief Executive's review



Eoghan O'Lionaird
Chief Executive Officer

Introduction

I am pleased to present my first Chief Executive's review since joining the Board on 1 October 2019.

Whilst James Fisher has a strong track record of delivering increased profits and dividends over a long period, as a new CEO, it is an opportune time for me to revisit and re-test the strategy and to create a plan for further growth in shareholder value for the future. This process is underway and our plan is to update shareholders in June this year.

On joining, I inherited a strong leadership team and Executive Committee, which comprised the CEO, Group Finance Director, Group Business Development, Group Financial Controller, Group General Counsel, Marine Support Director and Group Head of Human Resources. The Executive Committee was further strengthened in January when Robin Stopford was appointed Group Head of Corporate Development. The Executive Committee meets monthly to review business performance, and to identify and reinforce key elements of the Group's culture and best practices that can be transferable across the Group. In addition to business performance management, the Executive Committee has objectives to strengthen our health and safety culture, people development and the sustainability of the Group's operations.

The Group is comprised of a range of highly successful businesses, with a number of businesses holding leadership positions in growing, niche markets. Offshore Oil had a particularly good year, delivering a stronger than expected profit improvement. Further progress was made in Tankships, a creditable result was achieved in Specialist Technical and our ship-to-ship services had another strong year. Whilst the result for Marine Support was disappointing, especially in the first half, the issues experienced can readily be resolved.

The Group's goal is to deliver sustainable long-term growth in underlying earnings per share and progressive dividend growth. Over the last ten years, underlying diluted earnings per share and dividends have both grown by a compound annual rate of 10%. In 2019 underlying diluted earnings per share grew by 4% (2018: 14%), and the total annual dividend per share grew by 10% (2018: 10%).

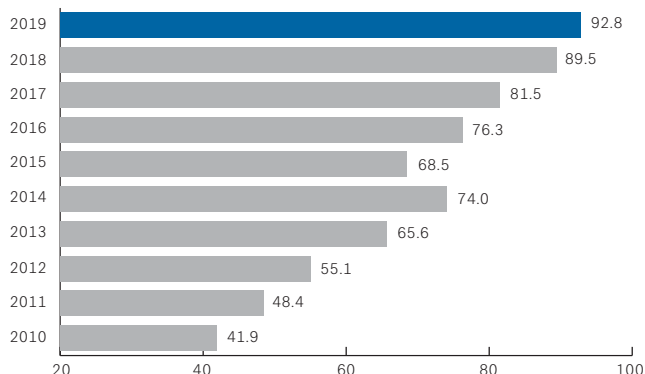
Revenue increased by 10% in the year to £617.1m with increases across all divisions except Specialist Technical which had a strong prior period comparator due to the delivery of two submarine rescue vessels for the Indian Navy. After adjusting revenue for the effect of constant currency and businesses acquired, organic revenue growth was 6%, led by a 24% organic increase in Offshore Oil, 7% growth in Marine Support and 11% in Tankships.

The Group's underlying operating profit increased by 7% due to strong profit growth in Offshore Oil and further progress in Tankships. Underlying cash conversion, which measures the proportion of underlying operating profit that is turned into operating cash, was 99% (2018: 157%). The Group's post-tax return on capital employed was lower at 11.3% (2018: 12.2%) reflecting the Group's capital investment in dive support vessels, which were delayed going into service.

Principal corporate objectives

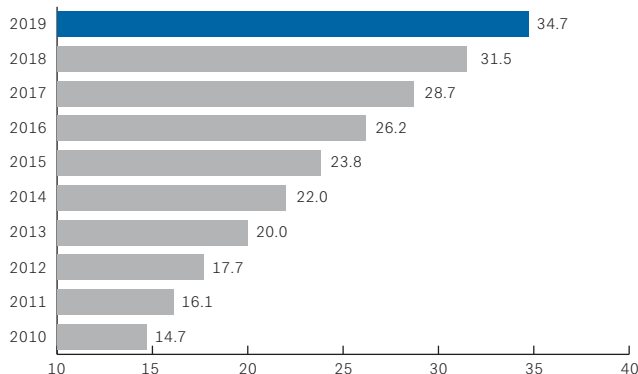
Deliver progressive long-term growth in underlying earnings per share

Underlying diluted earnings per share (pence)



Deliver progressive dividend growth

Dividends per share (pence)



Acquisitions

In January 2019 the Group acquired Martek Marine for cash consideration of £10.2m. Martek, which is UK headquartered with an office in Singapore, provides a range of innovative safety and calibration systems and products to the marine sector and aligns with the similar businesses in the Group.

In August 2019, the Group completed the acquisition of a 60% shareholding in SM Continental for an initial cash consideration of £4.9m. An air diving service provider to the offshore oil sector based in Macaé, Brazil. Continental provides inspection, repair and maintenance services to offshore oil terminals, primarily FPSOs, and is well placed to benefit from the continued steady growth being seen in the offshore oil market in Brazil.

Our Specialist Technical business, JFD, acquired the assets, intellectual property and design rights of Ortega Submersibles for £0.6m in August 2019. Ortega, based in the Netherlands, designs and produces small and fully electric swimmer delivery vehicles (SDV) adding to JFD's advanced range of SDVs, which are specifically designed to facilitate the safe insertion and extraction of special forces and their equipment from different types of vessels, providing navies with the capability to deliver their operators safely to their intended point of insertion at a high level of readiness.

The acquisition in January 2019 of a 60% shareholding in Murjan, a Saudi Arabian based company, has not gone as planned and local management have failed to achieve any significant influence over this entity. With reluctance, it was decided to exit the business, having exhausted all reasonable commercial solutions with the 40% shareholder. As a result, the Group has taken an impairment charge of £9.0m as separately disclosed.

Cyber Security

On 5 November 2019 the Company reported that it had suffered unauthorised access to its computer systems. The Company took immediate steps to respond to and manage the incident, appointing external specialists, including forensic cyber security experts to investigate the circumstances and scope of the incident. As a precautionary measure all affected systems were taken offline to contain the incident. Our internal Group Business Systems team worked tirelessly to safely recover systems, applications and data from the Group's established disaster recovery back-up as quickly as possible to minimise any impact on our businesses. Our investigations identified no indications of any unauthorised extraction of personal or commercially sensitive data as a result of the incident. Whilst the incident did not significantly impact the Group in trading terms, it did impact our ability to raise invoices and collect cash in the last quarter.

Health and Safety

James Fisher has earned a reputation for reliably, efficiently and safely delivering products and services which enable our customers to realise their objectives, often in hazardous environments where risks must be carefully assessed and



In January 2019, Martek Marine (Martek) was acquired by the Group for an initial net cash consideration of £9m, with potential further consideration of up to £1m. Headquartered near Rotherham, UK with an office in Singapore, Martek is a market leader in marine safety, performance and crew welfare solutions. Martek provides a wide range of safety and performance products supporting gas detection and calibration, ship navigation, crew welfare, emissions monitoring and fuel treatment.

Martek specialises in identifying upcoming legislative changes and market developments that will impact its customers. Examples of its products and solutions include explosion proof gas sampling systems, on-board gas detector calibration solutions, marine defibrillators and ship engine emissions monitoring systems.

DrinkSafe™ was developed by Martek to provide an onboard solution for potable water testing. DrinkSafe™ allows ships crews to frequently test and document random water outlets, resulting in customers being able to meet their legislation requirements with minimum disruption. Customers have also been seeing a significant reduction of single use plastics onboard vessels testing with DrinkSafe™. Martek have expanded the product range to test sewage water effluent, as well as onboard legionella test kits.

managed. We take very seriously our responsibility to ensure the safety of everyone delivering our services – be they employees, contractors, customers or partners – and safety is the first agenda item on every operating company and Board meeting, and is rigorously monitored and managed in each of our operating companies. With this as the backdrop, therefore, I am very disappointed to report that a contractor carrying out operations on the Group's behalf suffered a fatal accident in the Netherlands in May 2019. A thorough investigation into the accident was undertaken and whilst none of our internal procedures and safety processes were lacking, the lessons learned from this tragic incident have been shared across the Group and have become a catalyst for us to redouble our efforts to further improve on our deeply engrained safety culture.

Chief Executive's review *continued*

The Group's lost time incident frequency (LTIF) which measures the number of incidents per one hundred thousand hours of work was 0.05 (2018: 0.04).

Divisional performance

Marine Support	2019	2018
Revenue (£m)	306.1	269.8
Underlying operating profit (£m)	25.1	28.2
Underlying operating margin	8.2%	10.5%
Return on capital employed	12.5%	17.9%

Revenue increased by 13% in the year to £306.1m (2018: £269.8m) and after adjusting for businesses acquired and changes in foreign exchange rates, organic revenue growth was 7% with growth in ship-to-ship services and dive related services. Underlying operating profit was £3.1m lower despite a strong financial performance in ship-to-ship services. Challenges on contract delivery and debtor recoverability issues caused the reduction.

The £30m contract in northern Mozambique for the design and installation of an early beach landing and temporary beach landing commenced in July and progressed well in the second half. This first stage of a major liquefied natural gas development project will take two years to complete and holds the promise of further opportunities both for Subtech and other businesses in the Group.

Diving and subsea services for the oil and gas sector in West Africa and the Middle East continued to grow and the Group invested £56.2m to acquire two dive support vessels, Subtech Paladin and Subtech Swordfish, specifically for the saturation diving market in West Africa. Though the vessels went into service later than expected, the Paladin was operational during the final quarter and the Swordfish will be available for work in the first quarter of 2020.

Specialist Technical	2019	2018
Revenue (£m)	152.7	159.6
Underlying operating profit (£m)	18.4	20.9
Underlying operating margin	12.1%	13.1%
Return on capital employed	17.0%	18.5%

Revenue in Specialist Technical was 4% lower than 2018, which represented a robust performance as the prior period included the last twelve months of the build program for two submarine rescue vessels delivered to the Indian Navy. Underlying operating profit was 12% lower due to weak financial performance in nuclear decommissioning which offset a creditable result in JFD.

Two saturation diving systems for Shanghai Salvage are broadly on track but delivery of the landmark 500m system has been pushed back into 2020 by the customer. Our order for six swimmer delivery vehicles progressed well with two

passing customer acceptance in November 2019; a further two are scheduled for delivery in Q2 and the last two scheduled for Q3 2020. Two orders for the design, construction and delivery of submarine rescue vehicles commenced in the year for delivery to the Asia Pacific region in 2021 and 2022 respectively.

Nuclear decommissioning had a disappointing year with challenges on project delivery and delays in orders for its radiation monitor and inspection devices.

Offshore Oil	2019	2018
Revenue (£m)	90.4	71.4
Underlying operating profit (£m)	13.6	5.9
Underlying operating margin	15.0%	8.3%
Return on capital employed	9.9%	4.6%

Revenue in Offshore Oil was 27% ahead at £90.4m (2018: £71.4m) reflecting a steady improvement in market conditions in the inspection and maintenance market within the oil and gas sector. Well testing remained flat but the Norwegian market showed some improvement. Our artificial lift business, RMSpumptools continued to increase market share and



Following the highly successful refuelling operation of the Royal Navy's aircraft carrier HMS Queen Elizabeth in the summer of 2017, our Tankships business has successfully performed a similar operation for her sister vessel, HMS Prince of Wales. As in 2017, the port of Invergordon was determined as the most suitable location for the transfer operation to take place.

Tankships' Sarnia Cherie was chosen to undertake both shipments, the first of which took place at the end of September 2019 with the second being conducted at the end of October 2019. The port of Garelochhead, on the west coast of Scotland, was chosen as the loading location with a total of around 4,000 cubic metres of fuel being transferred to the carrier. Safety, efficiency, as well as timekeeping and reliability were critical to a successful operation. The Sarnia Cherie and her crew once again performed each shipment with scrupulous professionalism meaning HMS Prince of Wales completed sea trials on time before proceeding to the port of Portsmouth.

continued to support its customers in well life extension. Boosted by a strong order book and increased capacity, its financial performance was c.50% ahead of 2018.

Underlying operating profit increased by £7.7m reflecting the operational gearing from the increased utilisation of hire equipment together with skilled operators. An underlying operating margin of 15% compares to the division's peak year in 2014 of 22%.

The division further broadened its end markets with James Fisher Offshore winning its first significant tooling and cutting decommissioning work in the Middle East, and Scantech Offshore supplying its compressors for offshore renewable applications.

Tankships	2019	2018
Revenue (£m)	67.9	60.7
Underlying operating profit (£m)	12.0	9.9
Underlying operating margin	17.7%	16.3%
Return on capital employed	40.2%	37.8%

Tankships produced another strong year with an additional vessel in the first half and the addition of a new five-year contract from the Royal Navy benefitting the second half. The business was also delighted to support the sea trials during the fourth quarter, of the Royal Navy's new aircraft carrier, the HMS Prince of Wales, providing refueling from the port of Invergordon. Revenue in 2019 was 12% higher at £67.9m (2018: £60.7m) and underlying operating profit 21% higher at £12.0m (2018: £9.9m).

In addition to investing £9m in the Raleigh Fisher, a 35kT tanker, for its new Royal Navy contract, the business continued its fleet renewal process, transferring a vessel out of the fleet in June expects further modernisation of the fleet in 2020.



James Fisher Offshore decommissioning project in the Middle East

Business model



Business model

Our Group model comprises niche, entrepreneurial businesses with the purpose of delivering a range of innovative products and services, predominately to large multinational customers and governments globally, to the highest quality and ethical standards.



Values

James Fisher has a clear set of values that we expect all of our employees to subscribe to in all our business activities: honesty, integrity and fairness. These values are built into our Group Code of Ethics which provides the core principles defining the way in which the businesses operate. Maintaining the highest ethical and governance standards is vital to the success of the Group. They help us to win the trust of our customers which face developing regulatory pressures and business challenges as they grow into existing and emerging markets. Our values allow us to grow with our customers.



Our services and products

The Group provides solutions to customers through the provision of specialist equipment supported by the detailed knowledge of our people, who are industry experts in their specific operations. The equipment is often designed and assembled by our people, who then operate it and provide through-life support to our customers. Whilst our expertise originates in the UK, the Group provides these solutions and support internationally and focuses on servicing less mature markets. Addressing customer demands for quality and improvement requires the continuous development of innovative products to maintain market leadership in our areas of service.



Our culture

Our decentralised management structure encourages managers to be responsible for making timely decisions in the best interests of their businesses but with the back-up and resources of a larger group. Our businesses have strong, experienced management teams who are rewarded according to the success of their businesses. An entrepreneurial culture means that decisions are made quickly and in response to changes in the market and the competitive environment. Innovation is a key driver to the Group's success and differentiates the Group from its competitors. Product and service development by the businesses is targeted through employee engagement and empowerment to solve customer needs and problems through innovation.



Strategy

The Group is focused on operational excellence and organic growth from its existing businesses. This is supported by selective bolt-on acquisitions which broaden our product range and service portfolio, deepen our management pool and potentially extend our geographical coverage for our large multinational customers. Our strategy is described in more detail overleaf.

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 and through investment in people, working capital and equipment. This is supported by selective acquisitions to broaden the product and service range or geographical coverage. James Fisher has a range of entrepreneurially-led businesses which are market leaders in their specific operational niche. Our businesses operate in demanding environments where strong marine service and specialist engineering skills are valued and rewarded. We seek to provide solutions to our customers in the less mature and fast-growing markets where they value trusted and quality suppliers. Our niche operations are integrated into a wider service offering to a diverse range of end markets.

Our focus on operational excellence requires that our businesses:

- are cash-generative;
- have operating margins in excess of 10%; and
- provide returns on capital employed in excess of 15%.

Bolt-on acquisitions broaden the range of products and services that we provide. Our acquisition strategy is focused on niche businesses with a strong entrepreneurial culture which fit well with our operating style and growth strategy. As a cash-generative Group with a strong balance sheet, businesses are usually acquired using existing cash or borrowing resources. The businesses acquired have a good track record and typically need additional resources for their next growth phase. Where an acquisition bolts on to existing businesses, we seek to optimise shared back office functions, purchasing opportunities and cross-selling within the Group.

To deliver the Group's strategy we have four strategic purposes, which are aligned with our key stakeholders:



Shareholders: to grow the return to shareholders:

Deliver long-term growth in underlying earnings per share, dividends and return on capital employed

Grow organically by leveraging existing specialist marine skill base to a global market

Expand our footprint and capabilities through bolt-on acquisitions



Communities: to be a good member of the community:

Consider sustainability in our decision-making process

Support the communities around us

Minimise any adverse impact from our operations



Employees: to bring out and develop the potential of our people:

Ensure the safety of all employees

Develop individual and organisational excellence

Support new ideas and innovation



Customers: to develop and deliver solutions to our customers:

Develop our products, service and geographical offering in line with customer needs

Respond rapidly to changing customer requirements

Provide good value and a high level of service to customers

More information on stakeholder engagement is set out in the Sustainability report on page 28.

Marine Support



Our Marine Support businesses provide products, services and solutions to the global marine industry. These are supplied to a range of end market sectors including marine, oil and gas, ports, construction and renewables.

Revenue (£m)

2019	306.1
2018	269.8
2017	229.6
2016	195.9
2015	183.4

Underlying operating profit (£m)

2019	25.1
2018	28.2
2017	25.9
2016	20.8
2015	17.5

Underlying operating margin (%)

2019	8.2
2018	10.5
2017	11.3
2016	10.6
2015	9.5

Return on capital employed (%)

2019	12.5
2018	17.9
2017	18.0
2016	14.9
2015	15.2

Market drivers

Fendercare is the leading provider of pneumatic floating fenders and other mooring equipment to the global marine industry. It services commercial shipbuilding, ship refurbishment, defence, port developments and the oil and gas markets for project applications.

Fendercare is also the leading provider of ship-to-ship services for the transfer of crude or refined oil, liquefied natural gas or bulk cargoes. The demand for these services is driven by the volume of oil trading between oil majors and independent traders, and also by production where local port infrastructure is unable to accommodate large tankers.

JF Marine Services is the leading provider to the renewable offshore wind sector and delivers an integrated service offering that utilises the wide range of marine skills across the Group to provide added value to its customers. Demand for its services is driven by the operation and maintenance activities in the marine, oil and gas, renewables and communication sectors. This includes the specialist provision of ROV systems and diving personnel for underwater surveys, inspections, construction and diver support.

JF Testing Services is the leading provider of strain gauges to the marine industry, which are used in a range of applications such as mooring systems on ships and in ports as well as being used to monitor the structural integrity of infrastructure in the construction and transport sectors. The sectors serviced encompass new

shipbuilding, ship refurbishment and life extension, port developments, and projects for the oil and gas market.

It is also a leading provider of specialist testing and monitoring services to the construction and maintenance sectors, and designs and manufactures testing and monitoring equipment, supporting customers worldwide.

The market drivers for JF Testing Services are new projects in the marine, oil and gas, infrastructure and renewables sectors, where our niche offering and innovative products and services provide a competitive advantage.

Subtech provides a range of marine services to the Middle Eastern and Africa region. With locations in Durban, South Africa, Mozambique, Tanzania, Nigeria and Dubai UAE, it supports a wide range of projects requiring specialist diving and marine skills. Demand for its services is driven by port construction, diving and marine projects.

Our principal businesses

Operations	End markets	Locations
Fendercare		
Marine products and services, ship-to-ship transfers, offshore terminal services	Marine, oil and gas, renewables and defence	UK, Singapore, Australia, UAE, Brazil,
JF Marine Services		
Integrated marine services, including remotely operated vehicle (ROV) systems and diving services	Marine, oil and gas, renewables, tidal power and communications	UK, France
JF Testing Services		
Products and services that measure and monitor structural stress, instrumentation and materials testing	Marine, oil and gas, renewables, civil and construction	UK, UAE, Singapore, Malaysia
Subtech		
Marine and diving services	Oil and gas, marine and construction	South Africa, Mozambique, UAE, Nigeria, Tanzania

Specialist Technical



Our Specialist Technical businesses supply diving equipment and services, submarine rescue vessels and through-life rescue services and engineering solutions to the international defence market and UK nuclear decommissioning market. Other subsea services provided to the defence sector include diving equipment and special operation swimmer delivery vessels. JFD also supplies saturation diving systems which are installed onto dive support vessels and support deep subsea diving activities. James Fisher Nuclear (JFN) provides engineered solutions which operate in hazardous environments in the nuclear industry.

Revenue (£m)

2019	152.7
2018	159.6
2017	149.6
2016	151.8
2015	129.4

Underlying operating profit (£m)

2019	18.4
2018	20.9
2017	18.8
2016	19.9
2015	13.9

Underlying operating margin (%)

2019	12.1
2018	13.1
2017	12.6
2016	13.1
2015	10.7

Return on capital employed (%)

2019	17.0
2018	18.5
2017	18.5
2016	27.8
2015	20.9

Market drivers

JFD is the world's leading supplier of saturation diving systems and related diving equipment. Its end markets are oil and gas and defence. Saturation diving systems are both fixed and portable. Fixed systems are usually built into dive support vessels (DSVs). JFD provides the equipment and the follow-on consumables, support and maintenance to the DSV operator. The construction and replacement of DSVs drives new build saturation diving systems which in turn drives ancillary service and product spend. JFD's defence market is based on service, repair and on-going calibration requirements, and on projects requiring specialist diving equipment.

JFD is also a leading provider of submarine rescue services. It encompasses the ability to design, deliver and operate submarine rescue vehicles. It has long-term service contracts with navies providing a very niche area of capability. The driver is the tendering of defence projects for provision of the equipment, which can then lead to longer-term service contracts to operate the service. We currently provide submarine rescue services to the UK, Singaporean, Australian and Indian navies. The business also provides swimmer delivery vessels to the special operations markets.

JFN provides engineered products and services to the nuclear industry both in the operation of nuclear power plants and decommissioning. Its products and services operate in hazardous environments. The business provides instrumentation, non-destructive testing, calibration and digital radiography to the nuclear, aerospace and process industries. The market drivers for JFN are the demand for its products, services and lifetime support from the UK decommissioning industry, radiological calibration requirements and projects within the aerospace, process and defence industries.

Our principal businesses

Operations	End markets	Locations
JFD		
Design, supply and servicing of diving and subsea equipment, submarine rescue and special operations services	Defence, commercial and defence diving, hyperbaric and submarine rescue	UK, Australia, Singapore, Sweden
JFN		
Engineered solutions in remote handling, non-destructive testing and calibration services	UK nuclear decommissioning and aerospace, process and defence industries	UK, Germany

Offshore Oil



Our Offshore Oil businesses supply a range of services and equipment to the global oil and gas industry. This includes the design and engineering of specialist equipment, platform maintenance and modification, well testing support, subsea operations and maintenance services. RMSpumptools is also established as a world leader in artificial lift specialist completion technology and innovative accessory tools for electrical submersible pumps.

Revenue (£m)

2019	90.4
2018	71.4
2017	63.1
2016	62.8
2015	72.6

Underlying operating profit (£m)

2019	13.6
2018	5.9
2017	3.0
2016	4.4
2015	9.2

Underlying operating margin (%)

2019	15.0
2018	8.3
2017	4.8
2016	7.0
2015	12.7

Return on capital employed (%)

2019	9.9
2018	4.6
2017	2.4
2016	3.1
2015	6.6

Market drivers

ScanTech AS is Norway's leading provider of ATEX (ATmospheres EXplosives) products and support services to the energy sector. Its products and services are supplied to the Norwegian oil and gas market and are used for platform maintenance, well testing and specific projects. Equipment is designed and certified to the NORSOK standard. The driver for the business is the operation and maintenance spend on offshore rigs in the Norwegian sector.

Scantech Offshore is a leading provider of air compressors, steam generators, heat suppression equipment and qualified personnel for the well testing market worldwide. It rents equipment to large multinational oil service companies, and provides qualified personnel to operate the equipment. The driver for the business is the operation and maintenance spend on offshore rigs around the world.

RMSpumptools is a world leader in artificial lift specialist completion technology and innovative accessory tools for electrical submersible pumps. RMSpumptools supplies products to the global downhole oil and gas market which improve the productivity of wells utilising electrical submersible pumps.

Fisher Offshore provides winches, hoists, cutting tools, marine cranes and subsea hydraulic equipment to the oil and gas and marine sectors. Its market driver is maintenance, inspection and repair demand and subsea projects. It also specialises in providing mass-flow excavation tools and services to cover or uncover subsea pipelines or cables, where demand is driven by cable and pipeline projects in the oil and gas, renewables and communication sectors.

Our principal businesses

Operations	End markets	Locations
ScanTech AS		
Design and engineering of specialist equipment, platform maintenance and modification, well testing support and subsea operations	Oil and gas	Norway
Scantech Offshore		
Provides products and services to well testing companies	Oil and gas	UK, UAE, Brazil, Australia, Malaysia
RMSpumptools		
Artificial lift specialist completion technology and innovative accessory tools for electrical submersible pumps	Oil and gas	UK, UAE
Fisher Offshore		
Provides range of lifting equipment and services to the marine, offshore and subsea and mass flow excavation services	Oil and gas, marine	UK, Malaysia, Mexico

Tankships



Our Tankships division operates a fleet of product and chemical tankers which trade along the UK and northern European coastline carrying clean petroleum products and chemicals including increasing volumes of bio fuels. The division performs nearly 2,000 port calls each year carrying liquid cargos from refineries and terminals, to major coastal storage facilities. The division also operates a port in Plymouth, UK.

Revenue (£m)

2019	67.9
2018	60.7
2017	57.0
2016	55.5
2015	52.5

Underlying operating profit (£m)

2019	12.0
2018	9.9
2017	8.8
2016	8.2
2015	7.2

Underlying operating margin (%)

2019	17.7
2018	16.3
2017	15.4
2016	14.8
2015	13.7

Return on capital employed (%)

2019	40.2
2018	37.8
2017	34.2
2016	31.9
2015	28.5

Market drivers

James Fisher Everard (JFE) distributes clean petroleum products and chemicals under contracts with primarily oil majors around the European coast and to islands, to ports with restrictions on the size of ships they can accept. It operates a fleet of double-hulled product and chemical tankers with capacity ranging from 3,000mt to 35,000mt. The business driver is the level of consumption of clean products (petrol, diesel, gasoil and kerosene) and chemical/biofuels in the UK, Ireland and northern Europe. Products carried serve the marine, transport, agriculture, aviation and chemical industries.

JFE has undertaken about 24,000 voyages since the year 2000, carrying in excess of 107.3m tonnes of products. This has been achieved whilst maintaining an excellent safety record.

Shipping dramatically reduces our customers' carbon footprint compared to other modes of transportation. Shipping's CO2 emissions are half that produced by road freight, and just one full ship keeps more than 150 trucks off the roads.

The division operates Cattedown Wharves, a port in Plymouth which provides berthing and marine services to the oil majors which own tank farms in Plymouth. It also handles dry cargoes such as animal feed being imported into the South West and clay being exported from the region. The primary driver for the business is the level of consumption of clean oil products within the South West region of the UK.

Our principal businesses

Operations	End markets	Locations
JFE		
Delivery of clean petroleum products around the European coastline	Distribution of clean petroleum products	UK
Cattedown Wharves		
Port operations	Wet and dry product distribution	UK

Financial review



Stuart Kilpatrick
Group Finance Director

2019 results

The year featured a strong recovery in financial performance from our Offshore Oil division where revenue rose by 27%, underlying operating margins increased from 8% to 15% and the return on capital employed improved by 530 basis points to 9.9%. Tankships increased underlying operating by £2.1m due to strong utilisation, an additional vessel in the first half and the commencement of a refueling contract for the Royal Navy in July. Specialist Technical delivered a creditable result against a strong prior year comparator and despite weakness in nuclear decommissioning. Underlying operating profit at Marine Support was lower in 2019 despite a good performance in ship-to-ship services, as it suffered from contract delivery and debtor collection issues.

Overall, Group underlying operating profit increased by 7% to £66.3m (2018: £62.1m) as revenue increased by 10%. Underlying operating margins reduced by 30 basis points to 10.7% (2018: 11.0%) mainly due to the issues impacting the result in Marine Support, which were only partially offset by improvements in Offshore Oil and Tankships. Statutory operating profit was £55.6m (2018: £61.4m) reflecting separately disclosed charges of £10.7m (2018: £0.7m).

The Group's main currency exposure is in respect of US Dollar cash inflows. In 2019, the average GBP:USD rate was £1:\$1.28 (2018: £1:\$1.33) and net of forward contracts which are used to reduce earnings volatility, the benefit to underlying operating profit in 2019 was £0.6m. At constant currency and adjusting for the impact of businesses acquired in 2018 and 2019, revenue increased by 6% and underlying operating profit by 3%.

Change of accounting standards

The Group adopted IFRS 16 'Leases' with effect from 1 January 2019 and using the modified retrospective method is not required to restate prior year financial information. IFRS 16 effectively brings operating lease obligations onto the Group

balance sheet by establishing a 'right-of-use' asset representing the discounted value of the operating lease obligations. The right-of-use asset is amortised with an 'interest' charge recognised within finance charges. In the income statement therefore, an operating expense of the lease rental is replaced by amortisation charged against operating profit and an interest cost within finance charges. The Group primarily has operating leases in respect of vessels within the Tankships division and in respect of rented property.

The impact of IFRS 16 is to increase operating profit and underlying operating profit by £1.0m and net finance charges by £1.7m. The net impact on profit before taxation and underlying profit before taxation is therefore a reduction of £0.7m. Lease liabilities, in respect of operating leases, were £27.4m at 31 December 2019 and associated right-of-use assets were £27.1m. The adoption of IFRS 16 has no impact on the Group's lending covenants as these are based upon frozen GAAP.

Finance charges and profit before tax

Net finance charges were £1.8m higher at £7.8m (2018: £6.0m) due to IFRS 16 finance charges of £1.7m in respect of operating leases. Interest cover, the ratio of underlying operating profit to net finance charges was 8.5 times (2018: 10.4 times). Our bank covenants are based on frozen GAAP and interest cover calculated under our banking arrangements was 12.3 times (2018: 12.4 times), which compares to a covenant of 3.0 times.

Underlying profit before taxation increased by 4% to £58.5m (2018: £56.1m) and statutory profit before taxation was £47.8m (2018: £55.4m) after charging separately disclosed items of £10.7m (2018: £0.7m). Separately disclosed items comprised acquisition related charges of £0.2m (2018: £0.7m), an impairment charge of £9.0m (2018: £nil) in respect of the Murjan business and costs of a material litigation of £1.5m (2018: £nil). The Directors consider that the alternative performance measures described in note 2 assist an understanding of the underlying trading performance of the businesses. These measures exclude separately disclosed items which comprise gains or losses on the sale of businesses, the costs of a material restructuring, litigation or asset impairment and acquisition related charges or income.

	Revenue		Underlying operating profit		Underlying operating margin	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 %	2018 %
Marine Support	306.1	269.8	25.1	28.2	8.2	10.5
Specialist Technical	152.7	159.6	18.4	20.9	12.0	13.1
Offshore Oil	90.4	71.4	13.6	5.9	15.0	8.3
Tankships	67.9	60.7	12.0	9.9	17.7	16.3
Corporate costs	-	-	(2.8)	(2.8)	-	-
Group	617.1	561.5	66.3	62.1	10.7	11.0

Taxation

The tax charge before separately disclosed items for the year of £11.6m (2018: £10.5m) represents an underlying effective tax rate (ETR) of 19.8% (2018: 18.7%). The ETR is impacted by the geographical mix of profits, tonnage tax relief on the profits of tanker operations and expenses disallowed for tax. The Group operates in 20 countries so its ETR is a blend of national tax rates applied to locally generated profits. The total tax charge for the year was £11.1m (2018: £10.1m) and represents 23.2% of profit before tax (2018: 18.2%) and has increased due to the impairment charge which does not benefit from tax relief.

The Group's tax policy, which has been approved by the Board, is available on our website (www.james-fisher.co.uk). Whilst the Group has a duty to shareholders to seek to minimise its tax burden, its tax policy is to do so in a manner which is consistent with its commercial objectives, meets its legal obligations and its code of ethics. We aim to manage our tax affairs in a responsible and transparent manner and with regard for the intention of the legislation rather than just the wording itself. Our tax objectives are to comply with all applicable tax laws and regulations, including the timely submission of all tax returns and tax payments and to undertake all dealings with local tax authorities in a professional and timely manner. The Group operates in a complex global environment and continues to monitor the OECD's Base Erosion Profit Shifting initiatives as part of its tax risk management. We seek to comply with local transfer pricing legislation in each relevant jurisdiction and to involve external tax advisers, where appropriate, to identify any changes to pricing policies and related documentation.

The Group paid £9.6m (2018: £8.6m) of corporation tax in cash across all of its jurisdictions and a further £31.3m was paid in the UK for payroll taxes (2018: £28.2m).

Earnings per share and separately disclosed items

Underlying diluted earnings per share increased by 4% to 92.8 pence per share (2018: 89.5 pence). Statutory diluted earnings per share were lower at 72.7 pence per share (2018 88.9 pence) reflecting the separately disclosed impairment charge.

Cash flow and borrowings

Underlying ebitda increased by 6% to £96.2m (2018: £90.5m) and due to a working capital outflow of £21.3m (2018: inflow of £9.4m) operating cash flow decreased to £65.8m (2018: £97.6m). Cash conversion, which is the ratio of operating cash flow to underlying operating profit, was strong at 99% (2018: 157%). This has averaged 108% over the last five years compared to our benchmark of 100% and the ratio of working capital to sales was unchanged at 17.2% (2018: 17.2%).

The Group invested £14.4m to acquire three businesses, and capital expenditure was £90.2m (2018: £35.7m) which included £56.2m for two dive support vessels and £8.8m for a 35 kT tanker for a new five-year contract in Tankships.



James Fisher Offshore (JFO) has established itself as a leading supplier to the oil and gas decommissioning sector during 2019. It successfully completed a slipover jacket removal project in the Safaniya oil field, off the coast of Saudi Arabia, by utilising its innovative ultra-high pressure (UHP) abrasive water jet internal cutting system.

The unique airflow of the JFO cutting system negates the need to de-water (the requirement to create an air pocket to perform the cut), minimising the equipment requirement and delivering a significant reduction in overall cutting time. In parallel, the cut verification system ensures complete operator and customer certainty, reducing the risk of stitching an uneven or jagged cut line and, ultimately, reducing risk of over-run on high cost projects.

	2019	2018
	£m	£m
Summarised cash flow		
underlying operating profit	66.3	62.1
depreciation and amortisation	29.9	28.4
underlying ebitda *	96.2	90.5
working capital	(21.3)	9.4
pension / other	(9.1)	(2.3)
operating cash flow	65.8	97.6
interest paid & tax	(14.6)	(13.3)
net capital expenditure	(90.2)	(35.7)
businesses acquired	(19.1)	(12.5)
cash outflow on separately disclosed	(7.4)	-
dividends paid	(18.4)	(15.2)
other	(5.5)	(2.0)
(increase) / decrease in debt	(89.4)	18.9
net borrowings at 1 January	(113.6)	(132.5)
net borrowings at 31 December	(203.0)	(113.6)

* underlying earnings before interest, tax, depreciation and amortisation (note 2)

Financial review continued

After paying dividends of £ 16.4m (2018: £14.9m) to shareholders in the year and a further £2.0m to non-controlling interests, net borrowings increased by £89.4m to £203.0m (2018: £113.6m). At 31 December 2019 the ratio of net borrowings to underlying earnings before interest, tax, depreciation and amortisation (Ebitda) was 2.1 times (2018: 1.3 times) and the Group had £41.7m (2018: £92.5m) of undrawn committed banking facilities. The ratio of net borrowings, including bonds and guarantees, to Ebitda was 2.7 times (2018: 1.9 times) which compares to our banking covenant of 3.5 times. Net gearing, the ratio of net borrowings to equity, was 65% (2018: 37%).

Pensions

The Group operates a range of defined contribution schemes for current employees and contributed £5.0m (2018: £4.3m) into those schemes in the year. The Group's net obligation for its own closed defined benefit scheme and for two industry-wide defined benefit schemes reduced by £10.3m in the year to £5.8m (2018: £16.1m). This decreased due to contributions of £8.6m (2018: £5.4m), which included a one-off contribution of £3.8m to one of the industry-wide schemes following agreement on a reduction in the Group's obligation, and actuarial improvements of £2.3m.



EDS, part of our Marine Services division, has provided electrical safety commissioning and consultancy work at the Formosa 1 (Phase 2) Offshore Wind Farm located in Miaoli County, Taiwan. The Formosa 1 Offshore Wind Farm is a landmark project, being Taiwan's first commercial-scale offshore wind farm of 128MW installed capacity. Successful completion of this project marks a significant step forward for EDS as a global player in the offshore wind market.

EDS's safety rules were adapted and translated from English to Mandarin, before being applied to the offshore and onshore high voltage networks. Supported by a translator, EDS implemented a safe system of work and trained local people under the new safety rules to various levels of authorisation, including control engineers, 161kV Senior Authorised Persons (SAPs) and 33kV Wind Turbine Generator (WTG) SAPs.

Balance sheet

Shareholders funds increased by £8.2m in the year to £313.2m (2018: £305.0m). Adding back net borrowings, capital employed increased by £124.4m to £544.4m (2018 £420.0m) reflecting the investment in capital during the year and new businesses acquired. The Group's post tax return on capital employed slipped from 12.2% to 11.3% as the larger elements of the capital investment only started to earn revenue during the last quarter of 2019.

Brexit

On 29 March 2017, the United Kingdom invoked Article 50 of the Treaty on European Union which began the process of the member state's withdrawal from the European Union (EU), commonly known as Brexit. Subsequently, the UK formally left the EU on 31 January 2020, thus entering a period of transition to run through 31 December 2020, during which time the future trading relationship between the UK and the EU is to be negotiated. The Board continues to believe that it would be in the interest of both the UK and the EU that the negotiations over the period of transition should culminate in some form of agreement for free trade. Whilst not underestimating the potential impact on trade and logistics between the UK and the EU, it is relevant that 13% of Group turnover is sold to EU countries and the majority of our activities are outside of the EU.

Key performance indicators

2019	66.3
2018	62.1
2017	54.1
2016	50.8
2015	45.6

Underlying operating profit (£m)

Underlying operating profit is after adjusting for separately disclosed items and is the underlying profit from operations before interest. The Group has increased underlying profit by a compound rate of 10% over the last 10 years.

2019	10.7
2018	11.0
2017	10.8
2016	10.9
2015	10.4

Operating margin (%)

Operating margin is the ratio of underlying operating profit to revenue. The Group's operating margin in 2019 was 10.7% (2018: 11%).

2019	58.5
2018	56.1
2017	48.6
2016	45.8
2015	41.2

Underlying profit before tax (£m)

Underlying profit before taxation is after interest and before separately disclosed items and related taxes. Underlying profit before taxation increased by 4% in 2019 (2018: 15%).

2019	11.3
2018	12.2
2017	12.0
2016	13.0
2015	13.5

Return on operating capital employed (%)

Return on operating capital employed is defined as underlying operating profit divided by average operating capital employed. Operating capital employed comprises tangible fixed assets, intangible fixed assets, operating debtors net of creditors, less provisions. The Group's post-tax return on operating capital employed was 11.3% in 2019 (2018: 12.2%).

2019	99
2018	157
2017	57
2016	103
2015	95

Cash conversion (%)

Cash conversion is defined as the ratio of operating cash flow to underlying operating profit. Operating cash flow is defined as underlying operating profit, adding back depreciation and amortisation and adjusting for net movements in working capital, pension payments and for the cash profits of associates. The Group's cash conversion was 99% in 2019 (2018: 157%) and has averaged 108% over the last ten years.

2019	65
2018	37
2017	48
2016	41
2015	43

Gearing (%)

Gearing is defined as the ratio of net borrowings to net assets. The gearing of the Group at 31 December 2019 was 65% (2018: 37%).

Principal risks and uncertainties

The Group's risk management framework

The Board is responsible for the management of risk in the Group. Our internal control and risk management framework is regularly monitored and reviewed by the Board and the Audit Committee, and comprises a series of policies, processes, procedures and organisational structures which are designed to ensure that the level of risk to which the Group is exposed is consistent with the Group's risk appetite and strategic objectives, as defined by the Board.

Board oversight

The Board specifically approves: risk management policies and plans; significant insurance claims, legal claims or settlements; acquisitions, disposals and capital expenditures; and the Group budget, forecast and three-year plan. The Board has put in place a documented organisational structure with strictly defined limits of authority. These have been communicated throughout the businesses and are well understood by the Executive Directors, and by functional and business leaders who have delegated authority and specific responsibility for ensuring compliance with and implementing policies at corporate, divisional and business unit level. Group functions and operating units are each required to operate within this control environment and in accordance with the established policies and procedures. This includes ethics, anti-bribery and corruption, conflicts, treasury, employment, slavery and human trafficking, whistleblowing, data protection, health and safety and environment.

Group functions

The Group's trading companies are supported by Group functions. Each functional head reports to an Executive Director. The Board retains an oversight role and receives regular reports on key issues: on financial, tax and treasury matters from the Group Finance Director, on people and HR matters from the Group Head of Human Resources Director, and on legal and regulatory matters from the Group General Counsel and Company Secretary. The Board has a schedule of matters specifically reserved to it for decision, designed to ensure that it maintains full and effective control over appropriate strategic, investment, financial, organisational and compliance issues. This schedule is subject to review by the Board on an annual basis.

Internal audit

The Group's Internal Audit function is supported by a co-sourcing arrangement with a major international firm, and undertakes regular reviews of the individual businesses' operations and their systems of internal controls. It makes recommendations to improve controls and follows up to ensure that management implements the recommendations made. The annual Internal Audit plan is determined on a risk assessment basis and is reviewed and approved by the Audit Committee. Internal Audit's findings are reported to the individual management team, the Executive management team, the functional heads, and the chairman of the Audit Committee. The head of

Internal Audit attends all Audit Committee meetings and twice annually presents a summary of the Internal Audit findings, recommendations, and implementation progress. Internal Audit also implements the annual risk evaluation process and the internal control and risk management review questionnaire process with the individual businesses, before their presentation to the Board.

Group Risk Committee

The Board also operates a Group Risk Committee (GRC), which meets quarterly and is attended by the Executive Directors and the heads of the functional teams. The minutes of the GRC are reported to the Board, and any key issues raised are discussed at meetings of the Board. The main responsibilities of the GRC are: to identify and monitor operational risks and ensure that those risks are being actively managed throughout the Group; to support the Group's Internal Control and Risk Management strategy and policy; and to review reports on key risks and risk maps prepared by trading companies in order to monitor and report on the types of risk within the Group and report on how effectively risk management is performed/monitored within each business unit/trading company. Each of the functional teams provides a report at each GRC meeting which identifies any matters in their functional area which relates to the Group's principal risks and uncertainties, or to the individual businesses' own risk registers. During the year, the GRC has undertaken specific reviews of the Group's approach in the following principal risk areas: development of project management best practice and training, on-going development of Group-wide process and training for contract risk management and a review of the Group's cyber security risks to the Group's own systems and the Group's key IT suppliers.

Risk management systems

The key features of the Group's risk management systems used to identify and monitor material risks are as follows:

- A risk evaluation process commences in the operating companies with an annual exercise to identify the significant operational and financial risks facing the business. Each trading business is required to maintain an up-to-date risk register, which identifies key risks, assigns each a "risk score" based on the likelihood of the identified risk arising and the potential impact on the business of an adverse outcome, both before and after mitigation measures are taken. The risks and their respective risk scores before and after mitigation are reviewed at business level.
- To support this process, each trading company managing director completes an internal control and risk management review questionnaire on an annual basis, which is a robust self-assessment of operational controls and compliance with Group policies, applicable laws and regulations relating to their business. This ensures that managing directors identify risks and relevant mitigating strategies, and have in place adequate control systems to identify, mitigate and report any weaknesses that require management attention.

- The risk registers and annual reviews are reviewed by Internal Audit, the GRC and the Board. They are used twice a year by the Board to help to determine the Group's principal and emerging risks and uncertainties, their potential impacts, how they are being managed and/or mitigated, and any change in the nature of the risk. Internal Audit uses them to define its areas of focus for the forthcoming period.

Business reporting and performance reviews

The Group operates an annual budgeting process and produces quarterly forecasts which are reviewed and approved by the Board. Monthly results are compared with budget and prior year, and individual business reviews are conducted quarterly, which include a review of financial results. The businesses also compile a three-year strategic plan. The Executive Directors hold quarterly board meetings with each business unit to discuss strategy, financial results and forecasts, business needs and the management of risks facing the business.

Regulatory compliance policies

Whistleblowing

As part of its internal control procedures, the Group maintains a whistleblowing policy which (i) encourages the workforce to report any suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, (ii) provides staff with guidance as to how to raise those concerns, and (iii) reassures staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken. The policy covers any suspicions of criminal activity, failure to comply with any legal obligation, miscarriages of justice, danger to health and safety, damage to the environment, bribery under our anti-corruption and bribery policy, facilitating tax evasion, financial fraud or mismanagement, and breach of our internal policies and procedures including our code of ethics. The policy is designed to ensure that any employee who raises a genuine concern is protected. Any concerns can be raised in the first instance with the Group Finance Director or the Group General Counsel and Company Secretary in confidence. The Board has overall responsibility for the policy, its application to individual concerns raised under the policy and for reviewing and approving the effectiveness of actions proposed in response to concerns raised under the policy.

Anti-bribery and corruption

The Board is committed to ensuring the highest standards in all of the Group's business dealings and condemns corruption in all its forms. The Group has a formal anti-bribery and corruption statement and policy and does not tolerate or condone corruption or bribery in any of the Group's business dealings. This policy has been implemented throughout the Group and is supported by a Group-wide training and awareness programme and regular compliance reviews through Internal Audit. This policy is reviewed annually by the Board and is available on the Group's website.

Modern slavery

The Board has a zero-tolerance approach to any form of modern slavery and is committed to acting in an ethical manner and with integrity and transparency in our Group's business dealings. The Group has a formal slavery and human trafficking statement and policy which outlines the steps taken by the Group to ensure that slavery and human trafficking is not taking place within any part of the Group's business or within the Group's supply chains. Both the statement and the policy are available on the Group's website.

Viability statement

The Directors have assessed the Group's viability over a three-year period ending 31 December 2022, which is a longer period than the 12 month outlook required in adopting the going concern basis of accounting. The Directors have determined that this is the most relevant time period because it is consistent with the Group's three-year outlook in its planning process whereby the Board reviews the Group's strategy and its detailed three-year plan. This is reviewed and considered in light of the Group's current position and prospects together with factors that might affect the three-year plan. The Board carefully assesses the performance and prospects of each business regarding entering new markets and geographies, current and expected growth rates, prospective new projects and the timing of such projects and the robustness of individual business performance.

The Group's three-year plan overlays a number of assumptions and sensitivities which are reviewed by the Board; this includes a review of whether additional bank facilities will be required and available in the plan period, as well as a robust assessment of the likely downside sensitivities aligned to the principal risks facing the Group as set out on pages 25 to 27, and the potential impact of those sensitivities on its business model, future performance, solvency and liquidity over the period, and taking into account the potential mitigating actions, and the effectiveness of the Group's risk management and control systems, as well as current risk appetite. Sensitivities considered included the diverse nature of the markets and geographies in which the Group's businesses operate, and their ability to react quickly to change.

Based on their assessment of the Group's prospects and viability, the Directors confirm they have a reasonable expectation that the Group will be able to continue to operate and to meet its liabilities, as they fall due, for the period to 31 December 2022.

Principal risks and uncertainties continued

The most significant risks which the Board considers may affect our business (based on the risk evaluation process described on pages 23 to 24) are listed below.

Principal risks and uncertainties

RISK DESCRIPTION	POTENTIAL IMPACT	MANAGEMENT/MITIGATION	CHANGE IN RISK
PROJECT DELIVERY			
Group businesses may fail to meet customer expectations on project delivery.	<ul style="list-style-type: none"> Significant adverse financial and reputational consequences. Increased cost and management time resulting from management of disputes and litigation. 	<ul style="list-style-type: none"> Projects and contracts are subject to on-going review at levels and frequencies appropriate to performance and potential risks. Our businesses employ industry experts to help ensure effective project delivery and performance. 	 <p>The successful management and delivery of projects continues to grow in importance with the ongoing increase in large project work across the Group. Group-wide project management training, best practice development and targeted recruitment has sought to mitigate this risk through 2019. While the Group has suffered two project delivery issues, the overall risk level remains consistent.</p>
CONTRACTUAL RISK			
The Group may be exposed to increased contractual risks as it continues to grow, wins larger contracts and operates in more geographies.	<ul style="list-style-type: none"> Financial impact caused by late payment, or cost overruns. Increased claims and litigation. Exposure to non-UK legal jurisdictional uncertainty. 	<ul style="list-style-type: none"> The Group utilises internal and external professional expertise to minimise risk in contract negotiation with customers and partners. All material tenders, contracts and joint ventures are referred to their trading company board. All contracts are subject to appropriate limits of authority and defined approval processes to ensure that contracts are reviewed and approved at appropriate levels prior to commitment. 	 <p>Whilst the risk has increased, the Group has implemented a number of mitigating activities including improved stage gate process adoption and contract management training.</p>
RECRUITMENT AND RETENTION OF KEY STAFF			
The Group may fail to attract, retain and develop personnel of the requisite calibre and to plan for succession in key leadership positions	<ul style="list-style-type: none"> The Group may not be able to maintain its existing strong and experienced management teams in its operational businesses. The Group's delivery of its strategic objectives depends on recruiting and retaining the right people in all areas of our business. 	<ul style="list-style-type: none"> Maintenance and development of formal programmes for graduate recruitment, identifying and developing talent and future leaders, management development, appraisals, formal and informal training plans. Appropriate remuneration incentives, including the extension of share schemes to key individuals. Succession and talent development is regularly discussed at Board and trading company level. There are several management development programmes in place for individuals who have been identified as potential senior managers. These programmes are defined to help develop and grow the capabilities and behaviours required of senior managers so that we have potential successors for key business roles. 	 <p>2019 has seen some key management changes within the businesses as long-standing MDs retire. These transitions have been managed well as part of succession planning, and brought fresh impetus to affected businesses. This remains a key risk for the Group, but has not increased in the year.</p>
HEALTH, SAFETY AND ENVIRONMENT			
Group trading companies may experience an adverse operational incident or failure to maintain appropriate levels of service delivery.	<ul style="list-style-type: none"> The health and safety of our workforce and others could be impacted by our operations. An incident may impact on business and reputation of the Group and the affected businesses which rely on ensuring that a good reputation is maintained in the market and with their customers. Claims and regulatory action may be taken against the Company or the affected business. 	<ul style="list-style-type: none"> The Group places a particular emphasis on operational excellence including the health, safety and security of its operations and the quality of services provided. These key areas are continually monitored and reported to the Board. Health and safety and environment are the first items discussed at each trading company board meeting and each meeting of the Board. The Group maintains policies and processes to manage safely and compliantly our operations, to protect our workforce, to react appropriately to operational incidents and to deal quickly and effectively with any safety or service failings. 	 <p>While the level of risk has not changed, there were two major incidents on customer vessels during 2019 including the fatality of a contractor in the Netherlands. This has resulted in a renewed push raising the level of focus on HSE.</p>

RISK DESCRIPTION	POTENTIAL IMPACT	MANAGEMENT/MITIGATION	CHANGE IN RISK
FINANCIAL RISK			
The Group is exposed to interest rate, foreign exchange and credit risk.	<ul style="list-style-type: none"> An increase in interest rates or change in exchange rates or credit restriction would have a financial impact on the Group. 	<ul style="list-style-type: none"> The Group maintains relationships with a small group of banks and enters into bilateral revolving credit facilities which spread its maturity profile and provide flexible funding. The Board discusses macro-economic issues and their potential impact on each of these risks. The Group's centralised finance function oversees all key strategic finance matters including day-to-day management of the Group's liquidity, interest rate and foreign exchange rate risks. Forward currency contracts and interest rate swaps are entered into to mitigate the risks of adverse currency or interest rate movements. 	 <p>Uncertainty surrounding Brexit continues, impacting the GBP:USD exchange rate which continues to be mitigated through the Group's hedging activities. The impact of Brexit remains under review although the Board continues to consider this to be a limited risk for the Group. A more detailed review of the Board's view of the risks in relation to Brexit is set out on page 21.</p>
OPERATING IN EMERGING MARKETS			
The Group's increasing activities in overseas emerging markets and key growth economies with fluctuating legislative restrictions, embargoes, sanctions and exchange controls, often undertaken in association with local joint venture partners, may expose the Group to increased risk of governance and compliance issues.	<ul style="list-style-type: none"> Any significant failure to comply with laws or regulations could lead to penalties and other financial liabilities, as well as reputational issues. Where there is a jurisdictional requirement for local investment, the Group's ability to continue business in that jurisdiction could be adversely impacted. 	<ul style="list-style-type: none"> Risk and internal control of overseas joint ventures is a key area of management's focus. As businesses develop we monitor and review the structure of, and reporting lines for, our overseas operations and the relations with third parties to ensure an appropriate form of command and control is maintained, dependent on the particular operating environment and the nature and size of the business. The Group allocates additional resource to areas of higher risk and has enhanced its internal audit reviews for overseas businesses which are supported by external audit companies, where appropriate. Processes are in place that are designed to ensure that all businesses operate in accordance with legislative restrictions, embargoes, sanctions and exchange controls and the Group's policies and applicable laws. 	 <p>Operating in challenging conditions in developing markets including in South America, the Middle East, Asia and Africa remains a key part of the Group's strategy. Increasing revenues from emerging markets indicates that overseas operations remain as a significant risk. 2019 saw increased focus on controls and resource allocated to mitigate the risks in this area.</p>
CYBER SECURITY			
Third parties could cause harm to the Group and its trading businesses via digital channels.	<ul style="list-style-type: none"> Cyber-attacks could result in financial and reputational damage by way of significant interruption to business systems. Phishing could result in financial and reputational damage by way of theft or fraud. 	<ul style="list-style-type: none"> The Group's IT systems are defended through the use of software protection and processes which are regularly reviewed and tested. These defences include gateways, firewalls and threat detectors. IT security information and updates are reviewed on a regular basis. Accounting and banking controls are regularly appraised to ensure they are appropriate, up-to-date and comply with recommended practice. 	 <p>The Group suffered a cyber security incident in November which was reported to shareholders. Full investigations were carried out and system weaknesses identified. Lessons learned and potential improvements have been identified and are being implemented along with other planned IT improvements. More information on this incident can be found below.</p> <p>Cyber security has been a growing issue worldwide and in view of the incident in 2019, we conclude that the risk has increased.</p>

Principal risks and uncertainties continued**Climate change and energy markets**

During the year, as part of its review of emerging risks, the Board considered climate-related risks and opportunities, and their potential impact on the Group. The Sustainability Report on page 33 details our commitment to minimising and reducing its impact on stakeholders and the environment, and in particular to reducing emissions and the potential impacts of handling oil-based products near water. The risks considered by the Board included the direct impact of climate change on the Group's activities, in particular the impact of climate change on energy markets, which have been and remain a key source of Group revenue. The Board has previously considered energy markets to be one of the Group's principal risks due to its focus on the oil and gas industry. With the Group continuing to diversify outside traditional oil and gas markets into other markets, including growing renewable energy markets, and with energy prices staying reasonably stable since the sharp reduction in oil prices in 2014/15, the Board no longer considers energy markets to be one of its principal risks. The Board believes that the global market for renewable energy will continue to grow, and therefore sees the renewables market, in which the Group already has a strong position, to be an opportunity. While oil and gas remains an important market for the Group and there are potential opportunities in the decommissioning market (see page 20 for case study), the Group's capabilities in renewables continue to grow (illustrated by the increasing revenue internationally, including Taiwan (see page 21)). The continuing diversification of the Group into new markets, aligned with focused strategic opportunities, targets the ongoing long-term sustainability of the Group.

Cyber security

Last year there were a record number of cyber security incidents globally and there is no sign of this risk levelling out or reducing. On the contrary, attacks are becoming increasingly sophisticated. Since 2015 the Company has reported cyber security as one of the Group's principal risks, and has provided information on mitigating steps it has taken to manage this growing risk.

Unfortunately, despite our ongoing focus on the threat of cyber attacks and the security controls implemented across the Group, on 5 November 2019 the Company announced that it had suffered unauthorised access to its computer systems. The Company took immediate steps to respond to and manage the incident, appointing external specialists, including cyber security experts to investigate the circumstances and scope of the incident.

As a precautionary measure, all affected systems were taken offline, which resulted in restricted access to communication and financial systems for a period of time, but enabled containment of the incident. The Company worked with cyber security experts to manage safe recovery of systems, applications and data from the Group's established disaster recovery back-up as quickly as possible to minimise any impact on our businesses and other stakeholders. The incident had no impact on a number of Group businesses, including JFD, within the Specialist Technical division.

Our investigations identified no indications of any unauthorised extraction of personal or commercially sensitive data as a result of the incident. However, as a responsible global business, the Company notified regulators and law enforcement agencies in the UK and, where required, in other jurisdictions. In January 2020 the Information Commissioner's Office (the relevant regulator in the UK relating to data protection) informed the Company that, based on the information provided by the Company, it had decided to take no further action.

The cyber threat landscape is continually evolving. To address this risk the Company regularly reviews and enhances security controls across the Group. The security of our systems and data also remains a key focus for the Board, which will continue to keep this area under review.

Sustainability report



Sustainability report

The 2019 James Fisher sustainability report reflects the approach we are taking to ensure the sustainability of the Company and of the positive outcomes we strive for as a Group, both internally within the Group and with all our external stakeholders.

We recognise that creating a sustainable business will enable the Group to deliver its strategy whilst remaining efficient and competitive. We are committed to ensuring that we are all conscious of, and committed to, our responsibilities towards the people, communities, businesses and environments impacted by our business in the many different markets in which we operate.

During 2018, we launched the Group's sustainability initiative designed to anchor the Group's sustainability aims around some common principles, to provide a reporting forum for the sustainability activities already undertaken by the Group and to guide our investments as we set challenging targets for the future. The Sustainability Committee which draws together a team of champions from across all our business units, each of whom takes responsibility for their business and the initiatives currently underway, as well as identifying opportunities to develop our sustainability credentials in the years ahead.

Our people are our most important asset and we have a clear commitment to their health, safety and general wellbeing whilst providing equal opportunities to our diverse workforce. We often operate in challenging conditions and recognise that our work may impact on local communities and the environment. The relationships we build with our supply chains and our customers are fundamental to our success and we are at the forefront of bringing innovative and technological solutions to promote efficiencies. Our shareholders fully expect us not only to deliver a good financial performance, but also to demonstrate how we make a positive contribution to society.

Examples of how we engage with all our stakeholders, what they care about and how we respond as well the initiatives we are undertaking are summarised in this report. The Group is determined to develop a value-driven sustainable strategy underpinned by creative solutions for the benefit of all our stakeholders.

Eoghan O'Lionaird, chair of the Sustainability Committee

Structure and governance of the Sustainability Committee

Membership

- Eoghan O'Lionaird, Group CEO
- Jim Marsh, Group General Counsel and Company Secretary
- Danielle Le Breton, Group Head of Human Resources
- Katy Maynard, Secretary to the Group Health and Safety Committee

The Committee has been meeting regularly since the start of the sustainability initiative.

Key objectives

- Centering the Group's sustainability aims on common core principles.
- Reporting on the sustainability activities undertaken by the businesses within the Group.
- Setting and reviewing progress against challenging sustainability targets for the Group.

Key responsibilities

- Review sustainability issues and impacts, and the integration of sustainability into the Group's business.
- Review and report to the Board on sustainability within the Group's supply chain.
- Annually review the impact of the activities of the Group's sustainability initiatives.
- Review reporting to shareholders and other stakeholders regarding sustainability activities.
- Provide a forum for Group businesses to share sustainability best practice.



Environment

How we engage

We are committed to conducting business in an environmentally responsible manner. We are putting in place processes to understand and address our responsibilities in respect of our operational impacts on the environment, including climate change.

What matters most?

- Our impact on the environment
- A clean environment for the future generations
- That we have responsible sourcing in our supply chains

How do we respond?

- Actively reducing our greenhouse gas emissions
- Moving to lower/ zero emission technologies
- Our businesses continue to develop initiatives to ensure responsible sourcing

Local communities

How we engage

Every day we deliver in sustainable and responsible ways. We encourage our businesses and individual employees to support local communities within their operational areas.

What do they care about most?

- Local jobs and investment
- That we are good neighbours, operating safely and ethically
- That we actively help and support local communities

How do we respond?

- Providing direct employment to 3,300 people in 20 countries
- Investing in our facilities to provide a safe and nurturing environment
 - Investing in education and apprenticeship programmes

Employees

How we engage

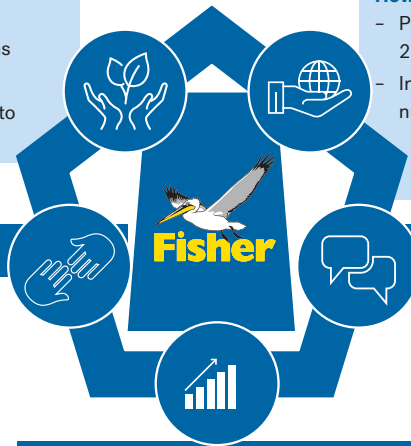
We believe it is important to dedicate time, effort and attention to implementing systems, ways of working and initiatives to create conditions in which people are eager and empowered to contribute.

What do they care about most?

- Knowing their voice is heard
- Ensuring everyone is treated fairly
- No compromise on our Health, Safety or Environmental standards
- Feeling alignment between personal and company values

How do we respond?

- Listening to employees via the Group-wide employee survey
- Commitment to building a truly inclusive culture
- Continuous prioritisation of safety above all else to become a zero harm workplace
- Establishment of a "Peoples Development Forum" with the aim of sharing best practice and determining priorities in relation to employee-related matters
- Establishment of "Employee Value Proposition" following feedback through employment engagement activities to help define the culture and purpose of our Group



Customers and suppliers

How we engage

We believe in customer-focused high quality product and services solutions. Investment in innovation adds value to our customers. Group companies promote human rights, social responsibility, trade compliance and anticorruption within their own supplier base.

What do they care about most?

- Safety
- Efficiency
- Smart technologies
- Sustainability
- Trusted long-term partnerships
- Ever-present service
- Trusted partnerships
- Collaborative relationships
- Responsive communication

How do we respond?

- Increased investment in research and development
- Dedicated Group Digital Director to bring coordination to the Group businesses approach to collation of data and software presentation of data
- Face-to-face meetings with suppliers
- Key account support
- Equal opportunity policies for all suppliers
- Strong safety culture and learnings
- Establishment of cross-divisional working groups with representation from numerous businesses around the Group and key account managers for Group clients
- Dedicated procurement manager appointed to develop working relationships

Shareholders

How we engage

The Company maintains and values regular communication with shareholders. You can read more about shareholder engagement on page 37. This year's AGM will be held on 30 April 2020.

What do they care about most?

- Clear strategy and good execution
- Financial discipline
- Strong returns and management through the cycle
- Protecting and enhancing the reputation of the Group

How do we respond?

- Group strategic framework
- Regular reporting of performance
- Growing ahead of our end markets
- Code of Conduct and risk assessments

Sustainability report continued



Employees

The James Fisher Group is a remarkable place to work because of the talent and dedication of exceptional individuals, collaborating on engaging work; we achieve what we do only because of our people. We will continue to nurture our talent through the development of all our employees, providing opportunities to each person to reach their potential, while striving to build the workplace of tomorrow. We aim to attract and retain the best talent, to ensure our reward and recognition programs are competitive, equitable and flexible; to engage and up-skill our employees; to promote excellent performance; and to value equality and advance diversity.

With effect from her appointment as Non-Executive Director on 1 March 2019, Inken Braunschmidt was appointed Non-Executive Director responsible for employee engagement. In this role Inken has worked with the Group HR team on a number of initiatives to improve communication between the Board and our Group's workforce. Initiatives through 2019-2020 are aimed at increasing the lines of communication between the Non-Executive Directors and the Group's workforce. These include two board meetings being moved to business locations which, along with other Non-Executive Director visits to Group sites, allow Directors to meet employees at "ask us anything" sessions over breakfast or lunch, or during Non-Executive Director site walk-throughs, or at townhall meetings at which Directors can share and discuss the results of employee engagement surveys. The Non-Executive Directors will also use the opportunity to carry out health & safety checks and receive health & safety demonstrations as the Group looks to increase focus in this area.

Progress against 2019 goals:

- To increase the retention of talent:
 - Our organisational management review has been re-emphasised to become fully embedded within each business.
 - Career conversations and development plans are being implemented across all Group divisions at all levels.
- To continue to empower our employees and make them feel engaged by providing clear development opportunities:
 - Coaching and mentoring programmes have been refreshed and re-emphasised.
- To refresh and strengthen the Group's approach to diversity and inclusion:
 - We ensure this is included in policies and our recruitment practices.
- To appoint a Non-Executive Director to be responsible for the Board's engagement with our employees:
 - Inken Braunschmidt was appointed on 1 March 2019 and has taken responsibility for employee engagement.

2019 achievements:

- Building on the enduring benefits we have seen from the senior officer workshops which are carried out regularly, we have organised junior officer workshops to improve the interface between ship and shore, and to focus on the motivation of fleet junior officers, in particular.
- We continued our Group-wide employee survey programme, aimed at eliciting input from our colleagues including on the Group's approach to engagement and to sustainability. The results of the survey are being collated and will be analysed to help inform adjustments and improvements to the continuing program. A further survey is planned for 2020.
- All personnel have been included in the Group's organisational management review which has become a framework for our talent management programs. This is aimed at ensuring we retain the skills and capacity to meet both our current and future business objectives, and to guide investments in further developing our employees' skills and capabilities. Our "People Development Forum" consisting of senior managers from across the Group continued to share best practice and determine priorities in relation to employee-related matters.
- We appointed a Non-Executive Director to be responsible for the Board's engagement with our employees.

2020 goals:

- To continue to empower our employees and make them feel engaged by providing clear development opportunities.
- To continue to strengthen the Group's approach to diversity and inclusion.
- To launch a Group-wide communications platform to enable effective communication between the Group and our businesses and between all our employees.
- Initiate an engagement and education programme for employees to ensure effective use of ISOS and the promotion of safety during all travel.
- Ensure we have at least one established mental health first aider in operating companies.
- Leverage the excellent results in parts of the Group to reinvigorate the recruitment of apprentices into Group operating companies.
- Aim to take on five new apprentices across the Group, working with local colleges to support young people.



Health and safety

It is our main priority to ensure the health, safety and welfare of our employees, contractors and visitors to the Group's premises, as well as all those who come into contact with the Group in its diverse activities. Our strong and proactive health and safety culture demands high standards, personal accountability and continuous improvements in this area. That culture is set and overseen by the Group Health and Safety Committee, chaired by the Group CEO. Health and safety is the first item on the Board agenda of every business within the Group, including the Company.

We strive towards our ultimate aim of having no accidents or injuries, and we have been making steady progress in ensuring all our colleagues take adequate precautions to ensure their own safety and that of every person with whom we engage as we deliver services to our customers.

There is much work to be done in this area, however. We are deeply concerned and saddened to report that a contractor who had provided services to our mass-flow excavation projects on numerous occasions over many years, suffered a fatal accident, when re-boarding a third party's vessel in the Netherlands in May 2019. The Group subsequently carried out a full investigation and whilst its internal safety processes were found to be robust, we consider the safety of our workforce, including contractors, to be of paramount importance, and the lessons learned from the incident have been implemented across the Group. Improving upon our safety culture remains a central focus and is a Group-wide objective.

Progress against 2019 goals:

- To continue to strive towards zero incidents across the Group and to continue to drive the focus on health and safety throughout James Fisher:
 - A new Safety Forum comprising the Health & Safety leaders from each business has been formed. Its objective is to:
 - o provide updates on Health & Safety issues and events across the Group;
 - o share best practice; and
 - o advise the Group Health & Safety Committee on new group-wide initiatives.
- To set up a "Health and Safety Hints and Tips" section on the Group intranet to share best practice:
 - Carried forward to 2020 pending the refresh of the Group intranet.
- To introduce "Health and Wellbeing" programmes in all divisions:
 - Health and Wellbeing champions have now been identified and embedded within each business.
- To continue to enhance reporting of near misses:
 - 2019 saw the launch of safety campaigns across the divisions, together with a renewed emphasis on lagging and leading indicators.
- To develop the 'Safe Systems of work':
 - Carried forward to 2020.

2019 achievements:

- As part of our continuing focus on providing a safe and healthy working environment, there have been a series of mental health courses and mental health wellbeing sessions aimed at increasing awareness that help is at hand to support mental health issues. Many of our businesses have taken part in the "Time to Talk" day organised by the "Time to Change" social movement, which aims to change how we all think and act in relation to mental health problems.
- James Fisher Shipping Services signed up to the UK Chamber of Shipping Safety Charter enabling the Group to benefit from best practice from other members and signatories of the Safety Charter.
- During the year, our Tankships business James Fisher Everard (JFE) made 738 voyages and carried over 2.8m metric tonnes of product without a single recordable injury or day away from work, and no product in the water.
- JFE continued its on-going investment in health and safety with benzene specific gas detection systems on chemical classed vessels, tank rescue equipment and enhanced near miss reporting.
- Our principal operating companies maintain internationally recognised occupational health and safety management systems accredited to OHSAS 18001 and management systems which are accredited to the international quality standard ISO 19001.
- The Group has adopted the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR)¹, and the number of reportable incidents across the Group in 2019 was 3 (2018: 2).
- The Group's overall RIDDOR reportable frequency rate² in 2019 was 0.05 (2018: 0.04).
- The Group recorded 2 lost time accidents (LTAs)³ in 2019 (2018: 4).

¹ A reportable incident under RIDDOR is a work-related injury which results in a person's incapacitation for more than seven days.

² The RIDDOR reportable frequency rate is the number of RIDDOR reportable incidents per one hundred thousand hours of work.

³ An LTA is an incident which causes a worker to be incapacitated for three or more consecutive days, not including the day of incident.

Sustainability report continued

2020 goals:

- To continue to strive towards zero incidents across the Group.
- To continue to drive focus on health and safety throughout James Fisher.
- To set up a “Health and Safety Hints and Tips” section on the Group intranet to share best practice.
- To develop “Health and Wellbeing” programmes in all divisions.
- To continue to develop the “Safe System of work” across all divisions.
- To continue to enhance reporting of near misses.



Environment

We are committed to protecting the environment. As our customers aspire to increasing environmental responsibility and achievements, all of our businesses support their efforts through continuous improvement and innovation to drive efficiencies and energy-saving including through our supply chain.

We acknowledge the scientific body of evidence that human activity is playing a large part in changes to our climate and we accept our responsibility to address this as part of our business activities.

Through the analysis of the products and services we deliver, we consider our main operational environmental impacts to be in emissions and the potential impact of handling oil-based products near water. We are committed throughout the Group to improve in these areas, as well as in other areas of environmental concern, including recycling and energy consumption more broadly.

The Group has considered the impact of climate change risks and opportunities on the Group on page 27 of the Principal Risks section of the report. The Sustainability Committee plans further work in this area to ensure that senior management has an appropriate understanding of the risks and opportunities associated with climate change, using climate-related scenarios to inform strategy, and developing further metrics and targets to assess the Group's performance in this area.

Progress against 2019 goals:

- To enable enhanced monitoring and reporting of our use of fuel, electricity and water on a Group basis.
 - Completed. The Group was confirmed as ESOS phase 2 compliant during the year.
- To encourage our businesses to develop their supply chains to enhance responsible sourcing initiatives.
 - There has been good progress during 2019 with good focus by our businesses on environmental responsibility through supply chains, in part through increased use of pre-qualification questionnaires. Further initiatives are planned for 2020.

2019 achievements:

- Energy consumption was measured across the Group by recording data on the combustion of fuel and the use of electricity at its facilities. The Group's total greenhouse gas emissions (GHG) are set out below.

Emissions total (in thousands of metric tons)	2019	2018
CO2 equivalent from electricity consumption in facilities	1.8	1.9
CO2 from combustion of fuel at facilities and road vehicles	3.5	3.0
CO2 from combustion of fuel in vessels	89.4	94.4
Total emissions (CO2)	94.6	99.3

- Total emissions reduced significantly due to fewer contracted in vessels in James Fisher Marine Services in 2019 due to a large unexploded ordnance clearance contract during the prior period. Emissions from combustion of fuel at facilities and road vehicles increased mainly due to increased utilisation of our equipment within Offshore Oil.
- Emissions from the combustion of bunkers which fuel the tankers in the Tankships division amounted to 94.5% of the Group's total emissions (2018: 95%). The benefit of sea transportation is that one 4,000 metric ton vessel can carry 150 times the volume of fuel carried by a single road tanker, which significantly reduces congestion and emissions to air.
- The Group's carbon intensity ratio calculated against the Group's revenue remained flat at 0.02% (2018: 0.02%). Our Tankships division operates a Ship Energy Efficiency Management Plan to regulate shipping energy efficiency and to control its marine GHG emissions.
- Nearly all of our principal operating companies operate environmental management systems (EMS) certified to ISO 14001 standard. This internationally recognised EMS enables a systematic approach to handling environmental issues.
- We continue to invest in infrastructure (bike shelters, showers, etc.) at our facilities to encourage more people to cycle to work and help to reduce emissions from driving to work. The Group has supported the UK government's 'Cycle to Work' scheme since its inception in 1999.

- A number of businesses have phased out the use of plastic bottles for water and paper towels to raise awareness of the impacts of plastic and paper waste, and to help to reduce the Group's waste.
- Compliance with Phase 2 of the Energy Saving Opportunities Scheme (ESOS) which is a mandatory energy assessment scheme of buildings, industrial process and transport, for organisations in the UK.
- Tankships' Raleigh Fisher is conducting important environmental tests for the National Oceanography Centre (NOC) as part of a fleet of commercial ships working with the NOC's 'Ships of Opportunity Partnership' to help provide large scale, long-term, scientific data from sustained ocean observing and modelling, mapping and surveying. Daily samples of seawater are being collected and tested to measure changes in the ocean uptake of carbon dioxide to provide an ongoing assessment of the potential impact of global warming.

2020 goals:

- To drive further fuel efficiencies in our shipping activities, including accelerating plans for investment in fuel-efficient and environmental friendly technologies.
- To encourage our businesses to develop further their supply chains to enhance responsible sourcing initiatives.
- To encourage all our businesses to make James Fisher a "bottle free zone".
- Identify opportunities for recycling fenders, hoses and old tyres.
- To encourage employees to make use of all available technologies as alternatives to travel, with air travel to be used only for essential business.
- To enhance the process and technology to prevent loss of containment during STS transfer of oil cargoes, with reinforcement of our goal to reduce this to zero.
- Operating companies to make a positive effort towards investing in LED light fittings to reduce energy consumption at our sites.



Customers and suppliers

Our customers and suppliers are extremely important to us. We have followed a customer-led strategy with regards to expansion into international markets, and we are proud to be a trusted partner of many major corporations, government agencies and other customers around the world. We appreciate that every customer has different needs and expectations and we have developed long-lasting relationships through active engagement with customers and suppliers over many years to help customers find the product and service solutions they need. We are committed to ensuring that legal compliance, respect for human rights and transparent business ethics are cemented both up and down our supply chain.

Progress against 2019 goals:

- To continue improvements allowing us to deliver co-ordinated solutions and a consistent communication channel to our customers:
 - This remains an on-going goal for the Group and will be carried forward to 2020. Good progress was made in our renewables services in Taiwan and our oil & gas services in Nigeria.
- To support on-going supplier engagement initiatives to provide cost-savings and tendering enhancements, to embed Group standards and policies within new relationships with suppliers and to drive support for our sustainability initiatives through our supply chain:
 - This remains an on-going objective and will be carried forward to 2020.

2019 achievements:

- Good progress has been made in our cross-operating company working groups based on defined geographical and/or customer categories, with representatives from numerous operating companies around the Group, as well as key account managers for some of the Group's larger clients which take services from multiple James Fisher businesses.
- Dedicated procurement manager appointments to develop working relationships with those businesses' supply chains and to ensure quality and consistency of approach with the Group's ethics and requirements.
- JFD's procurement team have re-orientated its supply chain in China to those acting consistently with the Group's policies.

2020 goals:

- To support on-going supplier engagement initiatives to help them identify sustainable cost-savings and tendering enhancements.
- To embed Group standards and policies within new relationships with suppliers and to drive support for our sustainability initiatives through our supply chain.
- To leverage across the Group the benefits already identified from utilisation of performance monitoring of key suppliers. The goal is to have these incorporated as part of the new supplier process, to facilitate sustainable continuous improvement of our supply base.
- To embed further in all Group operating companies the Control Risks "Vantage" platform introduced in 2019, which gives businesses the tools to carry out robust due diligence on agent and joint venture relationships.

Sustainability report continued



Innovation and technology

The entrepreneurial culture of the Group and the decentralised business model allow for product and service innovation to move fast in response to changes in our markets and the competitive environment. Group operating companies look to engage with customers in a way that allows them to identify and help address customer needs. Proactive engagement with employees and suppliers allows us to meet those customer needs through innovation.

Progress against 2019 goals:

- To continue to increase investment and support for innovation around the Group aimed at supporting customers and product efficiency:
 - A centre for digital innovation was created to support our customers' needs for digital solutions with the aim to drive new, sustainable innovation and technology through our business. It aims to achieve synergies and process enhancements to existing software products and to develop new pragmatic innovations in the digital space.

2019 achievements:

- Led by the Group Digital Director, JF Asset Information Services was established as the centre for digital innovation for the Group, supported by a data science team.
- Prolec launched its world leading 'Insite' system which provides dynamic machine control which significantly increases safety in the logistic, marine and construction sectors.
- JFD was the winner of the Innovation for Safety category at the annual Subsea UK awards for its bailout rebreathing system, COBRA.
- Return to Scene won funding from the Oil and Gas Technology Centre (OGC), a government backed association that aims to promote innovation in North Sea oil and gas, to develop a ground-breaking visual positioning system to enable users to locate people and equipment on complex offshore platforms.
- Scantech AS developed a new high-performance bubble curtain technology designed to protect marine life from the noise produced by underwater seismic testing and construction activities. Bubble curtains are commonly used during subsea operations: a perforated hose is tethered to the sea floor, through which air is forced, rising, as a curtain of tiny bubbles to the surface. Scantech's new system uses a special self-sinking hose rather than the hose being tethered with chains and whilst most systems reduce noise by 11-15 decibels, Scantech's has been independently proven to reduce noise by 35 decibels.

2020 goals:

- To continue to increase investment and support for innovation around the Group aimed at supporting customers and product efficiency.
- JF NDT will continue to strive in the Additive Manufacturing (AM) market. Developing techniques, JF NDT aim to be the only European test house that can process AM parts on volume.
- Scantech Offshore intend to make significant investment into the design and manufacture of energy-efficient equipment for their rental fleet.
- The Group will invest in a range of technologies to help address the global challenge of reducing emissions from flare gas in oil and gas production.
- The Group will investigate opportunities to invest in fuel-efficient propulsion technologies for our shipping services business unit.

Communities

The Group's businesses are spread out all over the UK and internationally. Product and service procurement is site-specific which means many of our businesses are able to procure products and services locally to support the local supply chain, and sustain local jobs. Each business encourages and supports its employees to engage with local community projects that they care about and to make a positive impact on their local communities.

Progress against 2019 goals:

- To increase awareness of the contribution made by our employees and our companies to the community and good causes:
 - Regular updates on Group Intranet and the Group's quarterly newsletter "Pelican" highlight community activities undertaken by our business and employees.
- To develop a formal policy on CSR to outline our commitment to being a socially responsible business, both internally and externally:
 - A CSR statement will be issued in 2020.



2019 achievements:

- RMSpumptools have formed a strong relationship with a local charity called Acorn. Their objective is to provide safe care and housing for adults with learning or physical disabilities and they provide both day services and supported living in the local area while offering support to both the users and their families. The day service provides training in joinery/woodworking, IT, car maintenance, welding and farming as well as general everyday activities such as money management and life skills.
- Fendercare continued to support the charity "Futurestars", which supports schools in Ghana and Togo helping improve livelihoods and inspire children to further their education, by organising a charity football match at Norwich City Football Club which raised over £3,300.
- Across the Group, our businesses and employees participated in a wide range of activities to support national and local charities. Examples are Macmillan coffee mornings, Red Nose Day, Christmas Jumper Day and Children in Need. Many of our employees take pride in supporting their local communities and charitable organisations.
- JF NDT and JF TS have joined forces with their local branches of Barnardos and the Salvation Army to make monthly contributions to food banks.

2020 goals:

- We aim to embed social responsibility as an integral strand of the culture of each operating company by sharing across the Group the activities and contributions being made in the various part of James Fisher.
- We will encourage and motivate all our colleagues to participate in and contribute to their local communities.
- RMSpumptools will continue to strengthen their relationship with Acorn and plan to introduce someone who has benefited from the Acorn program into their production team to enable them to benefit from a working environment.

Corporate responsibility governance

We set out in this report how the Group engages with our stakeholders. This report also covers the requirements of the non-financial information statement.

Employees

The Chief Executive Officer is responsible for all employee matters, assisted by the Group Head of Human Resources. As a service business, the Group is focused on how it engages with employees and how it helps employees to achieve their potential.



James Fisher is an equal opportunities employer and is firmly committed to both the principle and realisation of equality. The Group is committed to complying with all applicable laws governing employment practices and to the prevention of discrimination on the basis of any unlawful criteria. In addition to complying with legislative requirements, the Group strives to ensure that disabled employees are treated fairly and that their training, career development and promotion needs are met.

The Group recognises its responsibility to provide a safe operating environment for all its employees. Our strong focus on employee training, regulatory compliance and accident reduction provides the support to allow accountability to remain with local management who are best-placed to ensure that their businesses comply with local laws and regulations and specific needs on a day-to-day basis. The review of health and safety performance is first on the agenda at each Board and business board meetings, and remains a top priority for the Group.

We recognise that the success of our business depends on our talented workforce. Employees throughout the Group are encouraged to participate in training and development programmes and to obtain professional qualifications relevant to their roles.

Gender diversity	2019		2018	
	Male	Female	Male	Female
Main Board Directors	6	2	7	1
Senior Managers	58	13	64	11
Employees	2,579	634	2,218	565

Customers and suppliers

How the Group engages with customers and its focus on delivering products and services aimed at solutions for customer needs, is set out on page 34.



Respect for human rights

The Group is committed to supporting and respecting human rights in the workplace and in the communities in which it operates across its international business. We have implemented work practices and policies throughout the Group which are designed to ensure that respect for human rights is integrated into the systems and culture of our businesses. We do not tolerate the use of child or forced labour within our business and take all steps possible to ensure that our suppliers and customers also uphold internationally recognised human rights.

The Modern Slavery Statement, which is available on the Group's website, outlines steps taken by the Group to ensure that there is transparency in the Group and throughout our supply chains. The Group encourages any concerns relating to modern slavery to be raised using the procedure set out in the whistleblowing policy.

Business ethics, anti-bribery and corruption matters

As a Group we aim to act responsibly and ethically in all of our business dealings. Through our Code of Ethics we aim to instil the highest standards of business behaviour across the Group and we focus on embedding a culture of ethical compliance so that all of our people understand the standards of ethical business practice that are expected of them.

The Group has an established anti-bribery and corruption policy and has introduced a compliance programme which has the support of the Board and senior management within the Group. This includes communication of the statement and policy, training, risk assessment, monitoring and review processes. Employees assessed to be at risk are required to complete the training and to self-certify that they understand and agree to be bound by its provisions.

The Group does not permit bribery, nor illegal or corrupt business practices. On-going compliance is monitored by local compliance officers who are required to report to their local boards and to the Group Compliance Officer on at least a biannual basis. The compliance officers are responsible for ensuring that risk assessments, training and awareness are carried out where appropriate and are kept up-to-date. They are also required to monitor, record and report agency arrangements with third parties to ensure that all our business dealings are appropriate and within our ethical framework. In 2019, the Group introduced Vantage, a web-hosted software platform from Control Risks, which automates the Group's existing due diligence process. It provides a meaningful and robust tool through which our businesses can risk assess agent and joint venture partners with whom they are considering doing business. It now forms part of our internal control procedures and helps mitigate the business' compliance risk. The platform has been well received and is being rolled out throughout the Group during 2020.

Shareholders

The Company engages with shareholders by maintaining a regular communication from which it values the interaction and feedback. The Annual Report and Accounts and the Group website set out the Group's strategy, progress against its strategy and the Group's activities. Formal preliminary announcements and interim management statements are provided throughout the year. Investor days are held periodically when presentations are made to investors and analysts. In addition, the Company invites regular direct communication with its shareholders as part of the Company's investor relations programme.



Annual General Meeting (AGM)

In May 2019, we welcomed shareholders to our AGM, which represents an annual opportunity for the Board to meet and communicate with both private and institutional shareholders, and engage with their questions and involvement. At the AGM, the Chairman provides a presentation on the performance of the business, and holds a question and answers session, inviting feedback from shareholders. Following the AGM, all attendees are invited to meet members of the Board informally to discuss the business and raise questions. At the 2019 AGM, the Company provided video presentations showing some of the latest projects and initiatives from around the Group. Two cadets from our Tankships division attended the AGM and talked to shareholders about their training.

During the meeting, there was one question regarding the Company's decision not to issue hard copy proxy cards automatically, which the Chairman explained was part of the Company's sustainability initiative to become more environmentally friendly and reduce paper. Therefore, hard copy proxy cards will not be issued for the forthcoming AGM but a non-premium rate telephone helpline will be available to Shareholders to request a postal proxy card if preferred.

Community

The Group's businesses are spread out all over the world with employees in 20 countries. Product and service procurement is site-specific which means many of our businesses procure products and services locally which supports the local supply chain, and sustains local jobs. Each business encourages and supports its employees to engage with local community projects that they value and to make a positive impact on their local communities.



Sir John Fisher Foundation

The Sir John Fisher Foundation (the Foundation) is a charitable trust founded in 1980 by Sir John Fisher (the former Chairman of the Company and grandson of the founder) and Lady Maria Fisher with the objective of distributing income to charitable causes throughout the UK focused on seafarers and the Arts, but with special regard to those based in and working for the benefit of people living in Barrow-in-Furness and the Furness Peninsula, where the Company is registered and maintains its headquarters. The Foundation owns over 17% of the Company's Ordinary share capital and distributes income based on dividends received from the Company.

Environment

The Sustainability report on page 33 sets out further information about how the Group works to minimise its impact on the environment. The Group has a governance structure in place to



consider carbon emissions and energy usage to minimise the impact of its operations on the environment.

Nearly all of our principal operating companies are ISO 14001 compliant. This internationally recognised environmental management system enables a systematic approach to handling environmental issues.

James Fisher acknowledges the global threat posed by climate change and recognises the need to reduce greenhouse gas (GHG) emissions. We accept our responsibility to comply with emerging climate change legislation and regulation, and to reduce our GHG emissions as far as is reasonably practicable through appropriate initiatives. Part of the Sustainability Committee's remit includes keeping this issue under review.

Section 172(1) statement

This section serves as our section 172 statement and should be read in conjunction with the Strategic report on pages 1 to 39. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making.

The Directors are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company, (the s.172(1) Matters).

Induction materials provided on appointment of a Director include an explanation of Directors' duties. To ensure the Company is operating in line with good corporate practice, the Group General Counsel & Company Secretary has provided the Directors with training in relation to the scope and application of s.172. This focused activity allowed the Board to reflect on how the Company engages with its stakeholders and opportunities for enhancement in the future.

The Board reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the boardroom throughout the annual cycle through information provided by the Executive Directors (as well as representatives from the Groups businesses and functions who are invited to present to the Board), and also by direct engagement with stakeholders

Corporate responsibility governance continued

themselves. On page 30 of our Strategic report, we set out our principal stakeholders, how we engage with them, the issues which are important to them and how we respond. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

Relations with shareholders are considered in more detail on page 37 of the Strategic report and strategy with regard to our key stakeholders is set out on page 10.

The Board continues to enhance its methods of engagement with employees. Following an assessment by the Board of the three formal options suggested for employee engagement, it was concluded that the most effective method for engagement in the Company's particular circumstances would be the appointment of a Non-Executive Director with designated responsibility for employee engagement. Inken Braunschmidt was appointed as a Non-Executive Director in March 2019 and asked to take on this role. More details relating to the appointment and the planned initiatives can be found on page 31 of the Annual Report.

We aim to work responsibly with our suppliers and customers and are committed to supporting and respecting human rights in the workplace and in the communities. For more information, refer to page 37 and 38.

On an on-going basis, the Group General Counsel & Company Secretary will continue to provide support to the Board to help ensure that sufficient consideration is given to stakeholder issues.

Our Strategic report on pages 1 to 39 was approved by the Board on 26 February 2020.

E P O'Lionaird

Chief Executive Officer
26 February 2020

Board of Directors

Chairman



Malcolm Paul
Chairman of the Board and Nominations Committee +

Appointment: Malcolm was appointed to the Board in February 2011 and was appointed Chairman in May 2018.

Key strengths and experience:

- Extensive business leadership experience.
- Long-term track record of value creation and change.

Malcolm is a fellow of the Institute of Chartered Accountants in England and Wales and was a founder and former Finance Director of WSP Group plc between 1987 and 2009. Prior to that Malcolm was a principal at the corporate finance boutique Financial Decisions and an equity partner at Longcrofts, Chartered Accountants.

External appointments: Chairman of Anthesis Consulting Group, a private equity backed global sustainability consultancy.

Executive Directors



Eoghan O'Lionaird
Chief Executive Officer

Appointment: Eoghan joined the Group as an Executive Director in September 2019, and was appointed Chief Executive Officer on 1 October 2019.

Key strengths and experience:

- Strong leadership skills.
- Clear strategic mindset.
- Extensive international experience.
- Commercial and business management.

Eoghan joined from Spectris plc where he was Business Group Director of the Materials Analysis and Test & Measurement segments from February 2014 through June 2019, having previously been President of the Leica Microsystems division of Danaher Corporation in Germany. Prior to that, he spent eleven years at Royal Philips Electronics, latterly as CEO of the Respiration Sleep business unit in the USA. He started his career with Mitsui Kinzoku where he held a number of engineering, commercial and general management positions in Japan, the US and Thailand.

External appointments: None.



Stuart Kilpatrick
Group Finance Director

Appointment: Stuart joined the Group in July 2010 and was appointed to the Board as Group Finance Director in December 2010.

Key strengths and experience:

- Strong financial and commercial background.
- Broad experience as finance director with international and diverse listed companies.

Stuart is a member of the Institute of Chartered Accountants of England and Wales and qualified with BDO Binder Hamlyn. He was formerly Group Finance Director of Empresaria Group plc, and he previously held senior finance roles with Vodafone Group plc, Charles Baynes plc and Elementis Group plc.

External appointments: None.



Fergus Graham
Director, Marine Support

Appointment: Fergus joined the Group in January 2017 and was appointed to the Board as Executive Director with responsibility for Marine Support in March 2018.

Key strengths and experience:

- Operational and commercial experience.
- Considerable knowledge of international business development.

Fergus worked for 19 years for De La Rue plc, with 7 years in general management roles. Fergus' experience includes a wide range of commercial and operational roles working with commercial, government, financial institutions and technology clients across the world, as well as leading acquisitions from initiation through to integration.

External appointments: None.

Board of Directors continued

Independent Non-Executive Directors



Aedamar Comiskey
Senior Independent Non-Executive Director and Chair of the Remuneration Committee *#+

Appointment: Aedamar was appointed to the Board in November 2014. She was appointed chair of the Remuneration Committee in May 2018 and Senior Independent Non-Executive Director in March 2019.

Key strengths and experience:

- Extensive global business experience.
- In-depth knowledge of legal, regulatory and governance issues for large listed companies.

Aedamar is the Global Head of Corporate and a member of the Executive Committee at Linklaters LLP, where she has been a partner since 2001. Aedamar was previously the Senior Board Member on the firm's Partnership Board, its governance body. Aedamar specialises in international and domestic mergers and acquisitions, joint ventures and fundraisings, and is the lead relationship partner for many of the firm's FTSE clients.

External appointments: Trustee of Tommy's.



Justin Atkinson
Independent Non-Executive Director and Chairman of the Audit Committee *#+

Appointment: Justin was appointed to the Board in February 2018 and was appointed chairman of the Audit Committee in May 2018.

Key strengths and experience:

- Significant operational and financial experience through his previous and current roles.
- Substantial experience on boards of listed companies in both executive and non-executive roles.

Justin was formerly Chief Executive Officer of Keller Group plc between April 2004 and May 2015, having previously held the position of Group Finance Director and Chief Operating Officer. Justin was a financial manager at Reuters plc, and trained and qualified as a chartered accountant at Deloitte Haskins & Sells.

External appointments: Chairman of Forterra plc; Senior Independent Non-Executive Director and Chair of the Risk Management and Audit Committee of Kier Group plc; Independent Non-Executive Director and Chair of the Audit Committee of Sirius Real Estate Limited and a member of the Audit Committee of the National Trust.



Michael Salter
Independent Non-Executive Director *#+

Appointment: Michael was appointed to the Board in August 2013.

Key strengths and experience:

- Significant operational and strategic delivery experience through a number of senior management roles.
- In-depth knowledge of oil and gas and marine industries.

Michael was formerly Chief Operating Officer at Abbot Group plc and earlier in his career, CEO of Smedvig Limited and Vice President and General Manager of Bawden Drilling UK Ltd.

External appointments: None.



Inken Braunschmidt
Independent Non-Executive Director and the Non-Executive Director for Employee Engagement *#+

Appointment: Inken was appointed to the Board on 1 March 2019.

Key strengths and experience:

- Strategy development.
- Digital innovation.
- Significant operational experience through her previous and current roles

Inken is Chief Innovation and Digital Officer and member of the Executive Board at Halma plc. Prior to joining Halma plc in 2017, Inken spent 13 years at RWE AG, the German energy giant and its renewables subsidiary innogy SE, where she held various international leadership roles focusing particularly on strategy, innovation, digital transformation and change management. Inken studied Innovation & Technology at Kiel University and has a PhD in Technology Management.

External appointments: None.

Directorships during the year

David Moorhouse retired from the Board on 28 February 2019.

Nick Henry retired from the Board as the Chief Executive Officer on 30 September 2019.

* Audit Committee # Remuneration Committee + Nominations Committee

Corporate governance report

Chairman's introduction to Corporate governance

I am pleased to present the Corporate Governance report for 2019. This year sees further strategic progress which brings with it increased challenges to the Group's corporate governance. Our reputation as a Group is founded on the highest levels of ethical standards in the way in which we deal with each other and our diverse stakeholders. This key cultural focus on good governance remains at the heart of everything we do as a Group. 2019 has also been a time for change of composition within the Board (as described below), and I look forward to working with our new Board members, who bring a wealth of new skills and experience to the opportunities and challenges ahead of us.

This report includes details about the Board and an explanation of our individual roles and responsibilities. We also summarise the key activities of the Board during the year and key priorities for 2020 on page 46. The Chair of each Board Committee discusses the activities of that Committee during the past year. We also include a section explaining how the Board has fulfilled its duties towards our key stakeholders – our employees, our customers and suppliers, our shareholders, our local communities and the environment, and how we plan to further build on this in 2020.

The UK Corporate Governance Code 2018, publically available at www.frc.org.uk (the Code), which replaced the UK Corporate Governance Code 2016, has applied to the Company since 1 January 2019. This report explains how the Company has applied the Principles set out in the Code. The Code places an emphasis on the role the Board plays in creating a positive, responsible and responsive culture. We welcome the importance the new Code affords to workforce engagement and the representation of the employee voice in the boardroom. We appointed Inken Braunschmidt as the Non-Executive Director for employee engagement. Further information on this is in the Sustainability report on page 31. The remit of the Remuneration Committee was enhanced during 2019 to cover senior leadership reward, pay policy, gender pay and employee engagement. During the period ended 31 December 2019 (and up to the date of this report), the Company has complied with all relevant provisions of the Code.

As discussed in my Chairman's statement on page 4, whilst I will have served as a Director for a period of 9 years, given the recent change of CEO, the Board have requested and I have agreed to make myself available for re-election at the 2020 AGM whilst the search for a new Non-Executive Chairman commences.

Culture and values

The Board recognises the importance of its role in building a sustainable business by setting the tone of James Fisher's culture and embedding it throughout the Group. Our core values of delivering excellence and continual innovation and our Code of Ethics (the behaviours we expect) underpin everything that we do and set out the type of organisation we want to be. Everyone who works for and with us is required to comply with these.

The Executive Directors have a critical role in setting the tone of our organisation and championing the behaviours we expect to see. The Executive Directors led engagement throughout the year to highlight our values and beliefs. Various indicators are used to provide insight into our culture, including employee engagement and health and safety. We regularly assess the state of our culture, through activities such as compliance reviews and we address behaviour that falls short of our expectations.

Board composition

In December 2018, we announced that Nick Henry was retiring from the role of Chief Executive Officer. On 1 October 2019, Nick was succeeded as Chief Executive Officer by Eoghan O'Lionaird (who joined the Board in September 2019). In addition to this executive succession planning, the Nominations Committee continued to keep under review the composition of the Board to ensure that we have the right balance of skills and experience. Inken Braunschmidt joined the Board on 1 March 2019 and Aedemar Comiskey was appointed as the Senior Independent Non-Executive Director in place of David Moorhouse, who stepped down from the Board in February 2019. Further details are set out on page 57 of the Nominations Committee report.

Diversity

Diversity remains an important area of focus, with the Code stressing the importance of diversity in creating a successful and sustainable business. The Board is committed to improving diversity in its widest sense, including gender, ethnicity, diversity of thought, tenure, age, experience, skills, geographical expertise, educational and professional background.

In its Board diversity policy, the Board set its own target of having two women on the Board, which, as at the date of this report, has been met. However, the Board acknowledges the recommendations made by Hampton-Alexander review including its target of 33% representation of women on boards by the end of 2020 and will keep this under review for our Board Diversity policy.

The Board also targets having a minimum of one Director from an ethnic minority background by 2024. As at the date of this report the Board has no Directors from an ethnic minority background.

The Executive Team is made up of seven individuals, two of whom are women.

Our external environment

We constantly strive to make sure that our approach to risk management is effective, extending beyond financial risk to a wider range of operational risks. There is a full report on our activities in this area in our Principal Risks report on page 27. Uncertainty continues following Brexit and the Board maintains its watching brief, although the Board's assessment remains that the overall risk to the Group from Brexit remains low.

Corporate governance report continued

On 5 November 2019, we announced that the Group had been the subject of a cyber incident which resulted in the Group taking its systems offline for a short period while we recovered systems and data from disaster recovery back up. The incident illustrates an increasing risk in this area for all companies. More information on this incident and the Group's response is set out on page 27.

Board effectiveness

In the 2018 Annual Report and Accounts, I provided a summary of the results of the externally-facilitated evaluation of the Board, following which the Board put in place an action plan to address the challenges identified in the report. During 2019 we continued to address the agreed actions, all of which were complete or (for longer term projects) were in progress by the end of the year. Also in 2019 we carried out an internal review of how the Board and its Committees function, and to provide recommendations for ways to improve their overall effectiveness. Details of the process, outcomes and actions are described on page 47. Following his appointment, the CEO has been undertaking a review of Group strategy, which he discusses in the Chief Executive review on page 5.

Annual General Meeting (AGM)

I would encourage all shareholders to attend the AGM, to be held at 11.00am on Thursday 30 April 2020 at the Abbey House Hotel, Abbey Road, Barrow-in-Furness, Cumbria, LA13 0PA, as it provides an excellent opportunity to meet the Executive and Non-Executive Directors.

Malcolm Paul

Chairman

26 February 2020

Our governance structure

<h3>The Board</h3> <p style="text-align: right;">Chaired by Malcolm Paul</p> <p>Meets regularly, with six scheduled meetings during the year.</p> <p>The Board is responsible for providing effective leadership to the Group. The Board is responsible for steering the Group's purpose, culture and values, for setting the Group's strategic priorities and overseeing their delivery in a way that enables sustainable long-term growth, while maintaining a balanced approach to risk within a framework of effective controls. It has a schedule of key matters which are reserved for its own decision-making, which is reviewed annually and approved by the Board.</p>				
<h4>Chairman</h4> <p>Leads the Board, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors.</p> <ul style="list-style-type: none"> Regularly meets with the Chief Executive Officer, the other Executive Directors and other senior management to stay informed. Ensures effective communication with our shareholders. 	<h4>Senior Independent Non-Executive Director</h4> <ul style="list-style-type: none"> Provides a sounding board to the Chairman and appraises his performance. Meets with Directors to review the Chairman's performance. This review is then shared with the Chairman. Acts as intermediary for other Directors, if needed. Available to respond to shareholder concerns when contact through the normal channels is inappropriate. 	<h4>Non-Executive Directors</h4> <ul style="list-style-type: none"> Contribute to developing our strategy. Scrutinise and constructively challenge the performance of management in the execution of our strategy. 	<h4>Non-Executive Director for Employee Engagement</h4> <ul style="list-style-type: none"> Responsible for representing the voice of our colleagues in the boardroom. Provides a regular platform for the independent element of the Board to have direct conversations with the employees, individually and in group settings, to gain insights into their experiences, concerns and perspectives, and to better understand whether the cultural change already underway. 	<h4>Executive Directors</h4> <ul style="list-style-type: none"> Responsible for management of the Group as a whole. Delivers strategic objectives within the Board's stated risk appetite. Responsible for management of Group finances and records.
<h4>Nominations Committee</h4> <p>Chaired by Malcolm Paul</p> <p>Meets at least once a year.</p> <p>Reviews the structure, size and composition of the Board (including skills, knowledge, diversity and experience) and recommends changes, succession planning for Directors and senior executives.</p> <p>Identifies and nominates candidates for approval to the Board, to fill vacancies when they arise.</p> <p>The Nominations Committee report on pages 56 to 58 describes in detail the Committee's role and activities.</p>	<h4>Audit Committee</h4> <p>Chaired by Justin Atkinson</p> <p>Meets a minimum of three times a year.</p> <p>Assists the Board in its oversight and monitoring of financial reporting, reviews the Group's internal financial controls and systems for risk management and internal controls and assesses independence and objectivity of external auditor.</p> <p>The Audit Committee report on pages 51 to 55 describes in detail the Committee's role and activities.</p>	<h4>Remuneration Committee</h4> <p>Chaired by Aedamar Comiskey</p> <p>Meets at least once a year.</p> <p>Agrees the remuneration policy for Executive Directors and other senior executives; reviews the appropriateness and relevance of the Group's remuneration policy; and ensures that the provisions of the Code relating to remuneration are fulfilled.</p> <p>The Directors' remuneration report on pages 59 to 76 describes in detail the Committee's role and activities.</p>		
<h4>Special Purposes Board Committee</h4> <p>Consisting of the Chairman and the Executive Directors</p> <p>Meets according to business requirements.</p> <p>Empowered, under written terms of reference, to take actions relating to the affairs of the Company in the normal course of business and of a routine nature, subject to such limits as the Board in its discretion determines.</p>	<h4>Disclosure Committee</h4> <p>Consisting of the Chairman, the Executive Directors and the Group General Counsel and Company Secretary</p> <p>Meets when necessary.</p> <p>Oversees the Company's compliance with its disclosure obligations.</p>			
<h4>Group Health and Safety Committee</h4> <p>Chaired by Eoghan O'Lionaird</p> <p>Meets on a quarterly basis.</p> <p>Discusses all health and safety issues including incidents, mitigating actions and training requirements and reports recordable safety incidents to the Board.</p>	<h4>Group Sustainability Committee</h4> <p>Chaired by Eoghan O'Lionaird</p> <p>Meets on a regular basis.</p> <p>Identifies, monitors and coordinates the Group's sustainability commitments, working with sustainability "champions" from each trading business.</p>	<h4>Group Risk Committee</h4> <p>Chaired by Eoghan O'Lionaird</p> <p>Meets on a quarterly basis.</p> <p>Identifies and monitors operational risks throughout the Group, supports the internal control and risk management strategy and policy.</p>		
<h3>Executive Team</h3> <p style="text-align: right;">Chaired by Eoghan O'Lionaird</p> <p>Consisting of the Chief Executive Officer, Group Finance Director, Director – Marine Support, Group General Counsel and Company Secretary, Group Head of Human Resources, Group Business Development Director and Group Financial Controller.</p> <p>Meets on a monthly basis.</p> <p>Responsible for supporting the Executive Directors in the exercise of their delegated authority from the Board and the day-to-day operation of the Group.</p>				

Operating Divisions

Day-to-day business delivery.

Executive Directors meet on at least a quarterly basis and have monthly performance management calls with managing directors of principal businesses.

Corporate Functions

Day-to-day business delivery.

Executive Directors and heads of corporate functions meet at the Risk Committee on a quarterly basis.

Corporate governance report continued

Induction and training

In 2019 there were a number of new appointments and changes in roles. On-going training and development for Directors is available as appropriate and is reviewed and agreed with the Chairman annually. Specific and tailored updates were provided by external advisers and management to the Audit, Nominations and Remuneration Committees. Key themes included trends and changing disclosure requirements regarding financial and narrative reporting, accounting and auditing standards and remuneration developments. During the year the Board also received reports from the Group General Counsel and Company Secretary on compliance, as well as current legal and governance issues. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

Upon appointment to the Board, Directors undertake an induction programme, receiving a broad range of information about the Group tailored to their previous experience. This includes information on the operational performance and business of the Group and details of Group strategy, corporate governance and Board procedures. Assisted by the Group General Counsel and Company Secretary, I have responsibility for these induction programmes, and also for the Board's training and professional development.

For Eoghan O'Lionaird's appointment as the new Chief Executive Officer, a bespoke induction programme was created, enhanced by the on-going assistance of Nick Henry who spent one month with Eoghan and remains available to Eoghan until the end of March 2020 to ensure a smooth and efficient transition. As well as meeting members of the Board on a one-to-one basis, and receiving the induction materials relating to Group structure and governance in a meeting with the Group General Counsel and Company Secretary, Eoghan's induction programme included visits to all of the Group's businesses with Nick Henry where he was introduced to management and employees.

The Non-Executive Directors regularly visit major business centres of the Group in order to meet employees and to enhance their knowledge, including in relation to the services and products offered and to support their understanding of the operational aspects of our businesses. This in turn acts to strengthen their contribution to Board debate. The Non-Executive Directors also received presentations from management on key strategic plans, including relating to individual businesses and markets, as well as from the Group Head of Human Resources.



Inken Braunschmidt
Non-Executive Director

Q&A with Inken Braunschmidt

Inken, what did you find most helpful about the induction process?

I was given a detailed induction to the Group's business which included briefings on the Group's strategy and business model, as well as the Board's activities over the last year and its governance structure. This gave me a real insight into the Group's key opportunities and challenges, and ensured that I have the information and knowledge required to enable me to make an effective contribution to the Board.

Which sites did you visit and what did you learn?

I visited sites in Aberdeen and Barrow-in-Furness and met colleagues from across the business. I also visited the Cumbrian Fisher in Portsmouth. These visits helped me to understand some of the most material businesses markets, customers, competition, business opportunities and risks. It also gave me a useful head start on my role as Non-Executive Director for employee engagement.

What have you discovered so far about the culture of James Fisher?

James Fisher is an exciting company rooted in history. The core values of delivering excellence and continual innovation have been the key contributors to the Group's success. With my experience in innovation and as part of my role as Non-Executive Director for employee engagement, I can already see that the passion and creativity of the people around the Group is an important strength, and remains key to the Group's continued success.

As part of her induction, Inken met with the Chairman and other members of the Board on an individual basis.

Inken received induction materials including recent Board and Committee papers and minutes of meetings, the articles of association, matters reserved for the Board and Committee terms of reference. The Group General Counsel and Company Secretary briefed Inken on core Group policies and on Board and Committee procedures.

To prepare for her role as Non-Executive Director for employee engagement, Inken also met with the Group Head of Human Resources.

Topic	Key activities and discussions in 2019	Risk management framework	Key priorities for 2020
Strategy	<ul style="list-style-type: none"> Reviewed and approved the corporate strategy. Reviewed and approved a number of acquisitions. Reviewed and approved major capital investments. Reviewed financial key performance indicators (KPIs). Considered and approved the Group's dividend policy. 	<ul style="list-style-type: none"> Financial risk. Project delivery. 	<ul style="list-style-type: none"> Approve the corporate strategy and keep under review. Consider acquisitions and determine appropriate course of action. Consider further capital investments. Keep financial KPIs under review. Keep the Group's dividend policy under review.
Risk and risk management	<ul style="list-style-type: none"> Carried out a robust assessment of principal key risks, monitored and reviewed the internal controls process, and assessed the Group risk profile (see the Principal Risks section starting on page 23 for more detail). Reviewed the potential impact of Brexit to the business. Monitored compliance with key Group policies. 	<ul style="list-style-type: none"> Project delivery. Operating in emerging markets. Contractual risk. 	<ul style="list-style-type: none"> Review key risks and ensure that the Group continues to develop and embed best practice for risk management. Continue to monitor the impact of developments related to Brexit. Continue to monitor compliance with the key Group policies.
Governance	<ul style="list-style-type: none"> Continued to focus on the composition, balance and effectiveness of the Board, in particular with the appointment of Inken Braunschmidt as a Non-Executive Director, Aedamar Comiskey as Senior Independent Non-Executive Director and Eoghan O'Lionaird as Chief Executive Officer. Reviewed the key operational roles and identified gaps in experience needed to deliver the strategy. Reinforced compliance with Code of Ethics, a document which sets out the Group's culture and values, all in accordance with the principles of good corporate governance. Considered and approved changes in response to the 2018 Corporate Governance Code Engaged with our individual shareholders at the AGM. Engaged with institutional shareholders, investors and other stakeholders throughout the year. Separate Non-Executive Director sessions held with the Chairman to discuss leadership and other Board matters. Reviewed and approved the 2018 Annual Report and Accounts. The Board agreed that, taken as a whole, the 2018 Annual Report was fair, balanced and understandable. Reviewed the initial recommendations from the designated Non-Executive Director for employee engagement. 	<ul style="list-style-type: none"> Recruitment and retention of key staff. 	<ul style="list-style-type: none"> Ensure that the Company continues to develop and embed best practice in responsible business behaviour. Maintain and enhance the Group's culture and values and key policies and procedures. Continue to strengthen internal controls and reporting. Further understanding and planning actions in response to new regulations over the period. Consult with shareholders on the draft remuneration policy which will be presented to shareholders for approval at the AGM in 2021.
Organisational capacity	<ul style="list-style-type: none"> Monitored health and safety performance across the Group. Regular Board updates received on actions improving health and safety. Health & safety governance and reporting reviewed and enhanced. Reviewed the governance framework and continued training and awareness drives for key policies. Supported by the Nominations Committee, monitored senior executive talent management and development plans with succession planning for all key positions in mind. 	<ul style="list-style-type: none"> Health, safety and environment. Contractual risk. Recruitment and retention of key staff. 	<ul style="list-style-type: none"> Continue to monitor senior executive talent management and development plans to provide succession for all key positions. Continue to enhance the diversity across the Group. Continue to hold meetings with people in the senior talent pipeline to further improve information flow.
Board development	<ul style="list-style-type: none"> Continued to focus on the composition, balance and effectiveness of the Board. Reviewed Board composition, diversity, and discussed and acted on the recommendations of the Nominations Committee. Reviewed the report and recommendations from the external evaluation of the Board and created action plan. Undertook an internal evaluation of the Board, its Committees and individual Directors, and developed an action plan. 	<ul style="list-style-type: none"> Recruitment and retention of key staff. 	<ul style="list-style-type: none"> Enhance the Board's strategic understanding of key markets as the Group continues to grow. Increase number of Board visits to promote understanding of markets and the business development opportunities they offer, and to promote employee engagement with Board. Complete actions agreed following the external evaluation of the Board and Committees. Annual internal evaluation of Board and Committee performance.

Corporate governance report continued

Board and Committee meetings attendance	Board	Audit Committee	Remuneration Committee	Nominations Committee
Total number of meetings during 2019	6	3	3	4
Executive Directors				
Stuart Kilpatrick	6	N/A	N/A	N/A
Fergus Graham	6	N/A	N/A	N/A
Eoghan O'Lionaird ¹	1	N/A	N/A	N/A
Non-Executive Directors				
Malcolm Paul	6	3	3	4
Aedamar Comiskey ²	5/6	2/3	2/3	3/4
Michael Salter	6	3	3	4
Justin Atkinson	6	3	3	4
Inken Braunschmidt ³	3/4	2/3	1/2	1/2
Former Directors:				
David Moorhouse ⁴	2	1	1	2
Nick Henry ⁵	5	N/A	N/A	N/A

In the table above, where for example 2/3 is stated the Director attended two out of three meetings that they could have attended.

1. Eoghan O'Lionaird was appointed as CEO on 1 October 2019.
2. Aedamar Comiskey was unable to attend the Board and Committee meetings on 21 February 2019 due a family bereavement.
3. Inken Braunschmidt was appointed on 1 March 2019. Inken was unable to attend the Board meeting on 1 May 2019 due to a prior business commitment.
4. David Moorhouse resigned from the Board on 28 February 2019.
5. Nick Henry retired as CEO on 30 September 2019.

To enable the Board to discharge its duties, the Chairman ensures that all Directors receive accurate, timely and clear information on all relevant matters in advance of the Board meetings, including comprehensive financial and business reports covering the Group's principal activities. All Directors received papers for all meetings and had the opportunity to comment in advance of meetings they were unable to attend.

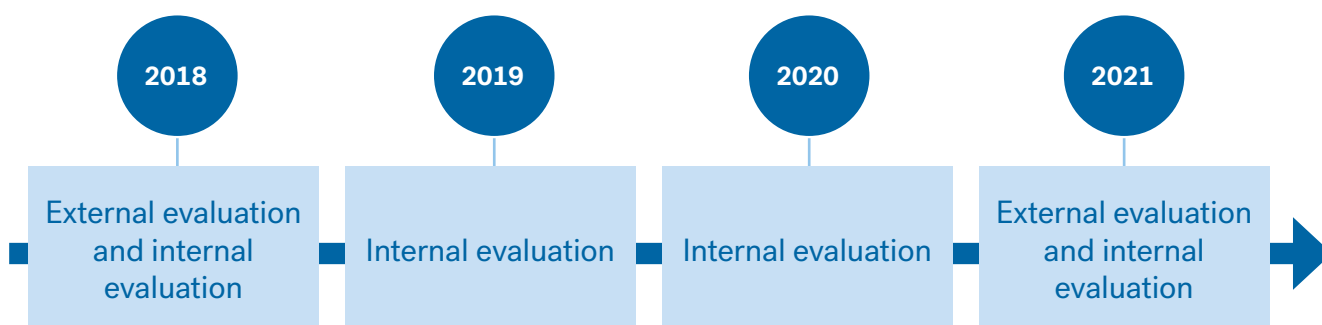
Support

Should Directors judge it necessary to seek independent legal advice about the performance of their duties with the Company, they are entitled to do so at the Company's expense. Directors also have access to the advice and services of the Group General Counsel and Company Secretary.

The Group General Counsel and Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters and for ensuring that Board procedures are followed, and applicable rules and regulations are complied with. The Group General Counsel and Company Secretary also advises the Directors on any important changes in legislation, regulation and best practice.

Board evaluation

At the end of each year, the Board undertakes an annual evaluation of its own performance and that of the Remuneration, Nominations and Audit Committees and the Chairman against the framework of Board effectiveness produced by the FRC. The schedule and summary of findings for Board evaluation is set out below:





Corporate governance report continued

The 2019 performance evaluations were designed to assist the Board in identifying strengths and weaknesses and areas for further improving performance and required each Director to complete in confidence a detailed questionnaire relating to key aspects of Board performance, and performance of the Board's principal Committees. The review included an analysis of the Board's and Committees' performance in key areas including corporate governance, structure and procedures, strategy, and effectiveness, risk management and control and communications with shareholders and other stakeholders. The results of the evaluation were collated and reported to the Board via the Chairman with recommendations for further consideration and action as appropriate.

The 2019 review concluded that the Board functions well as a unit and provides a good balance of support and challenge to management.

The annual review of individual Directors' performance was conducted internally. The Chairman's performance was reviewed by the other Non-Executive Directors led by the Senior Independent Non-Executive Director and taking into account the views of the Executive Directors. The performance of the Executive Directors was reviewed by the Non-Executive Directors with the Chairman in attendance. The Chairman and the Executive Directors reviewed the performance of each of the other Non-Executive Directors. The Board considers that each Director continues to contribute effectively and to demonstrate commitment to the role.

Risk management and internal controls

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and for ensuring that the Company maintains sound risk management and internal control procedures. More information in relation to those principal risks, the Group's approach to mitigating them, and the risk management and internal control procedures within the Group are set out in the Strategic report on pages 23 to 27.

On behalf of the Board, the Audit Committee monitors the Group's risk management and internal control process and reviews its effectiveness on an on-going basis. This is part of an established process, in accordance with the Code and the Financial Reporting Council's (FRC) associated Guidance on Risk Management, Internal Control and Related Financial and Business Reporting, for the identification, evaluation and management of the significant risks facing the Group, which operates and is reviewed continually throughout the year. The Group's internal control systems are designed to provide the Board with reasonable assurance as to the effective and efficient operation of the Group and to ensure the quality of internal and external reporting and compliance with all applicable laws and regulations. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable and not absolute assurance.

As part of its internal control procedures, the Group maintains policies and processes for whistleblowing, anti-bribery and corruption and to uphold its zero-tolerance approach to any form of modern slavery. More information in relation to those policies are included in the principal risks and uncertainties section of the Strategic report on pages 23 to 27.

The Board has carried out a robust assessment of the overall effectiveness of the Group's system of internal controls and risk management procedures, and of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity and emerging risks. This included a process of self-certification by the management teams of each trading business in which they were asked to confirm that their businesses have complied with Group policies and procedures.

In addition, it involved reviewing the results of the work of the Group's internal audit function and the risk and management processes identified above.

Financial and business reporting

The Board considers that the Annual Report and Accounts taken as a whole present a fair, balanced and understandable assessment of the Group and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. More information about how this assessment was made is set out in the Audit Committee report on page 52.

The going concern assessment is set out in the Directors' report on page 77; the viability statement is set out in the principal risks section of the Strategic report on page 24; and the Strategic report on pages 9 to 10 sets out an explanation of the Company's business model and the strategy for delivering the Company's objectives.

Relations with shareholders and other stakeholders

Environment:



How we engage:

We are committed to conducting business in an environmentally responsible manner. The Group has a governance structure in place to consider carbon emissions, energy usage, water consumption, waste and product responsibility to minimise the impacts of its operations on the environment.

Employees:



How we engage:

We believe it is important to dedicate time, effort and attention to implementing systems, ways of working and initiatives to create conditions in which people are eager and empowered to contribute.

Our business performance depends on our ability to attract, develop and retain talented individuals at all levels. This year, we employed an average of 3,292 people across 20 countries.

40% of our employees responded to our annual employee survey. Of those, 81% stated that they would recommend James Fisher as a great place to work.

In accordance with the Code the Board took the decision to appoint a designated Non-Executive Director to further improve our workforce engagement. More details of the appointment can be found on page 31.

Customer and Suppliers:



How we engage:

We believe in customer-focused solutions. Investment in innovation adds value to our customers. We are dedicated to providing great service through value added solutions combined with high quality products. Group companies promote human rights, social responsibility, trade compliance and anti-corruption within their own supplier base.

Our customers range from those dealing with individuals living in some of the world's poorest communities to governments and some of the world's largest multinational companies

Local Communities:



How we engage:

Every day we deliver in sustainable and responsible ways. We encourage our businesses to support local communities within their operational areas.

Our products and services help to support local communities everywhere we operate, and range from remote islands to capital cities.

Shareholders:



How we engage:

We maintain an active dialogue with our shareholders throughout the year from our AGM through to a planned programme of investor relations activities.

We also respond to daily queries from shareholders and analysts and have a section of our website which is dedicated to shareholders: james-fisher.com/investors/.

Our registrars, Link Asset Services also have a team of people to answer shareholder queries in relation to technical aspects of their holdings such as dividend payments and shareholding balances. All of our financial results presentations are available on our website at james-fisher.com/investors/.

Audit Committee report

Introduction

I am pleased to present the report of the Audit Committee for the year ended 31 December 2019.

The Committee and the work it performs are of fundamental importance to the Board in discharging its responsibility for oversight and monitoring of financial reporting, risk management and internal control. As chairman of the Committee it is my responsibility to ensure that the Committee fulfils its responsibilities in a rigorous and effective manner.

The Committee continues to monitor the general audit climate following the publication of several reviews into the audit market, namely the independent review into the quality and effectiveness of audit by Sir Donald Brydon CBE, the Competition and Markets Authority (CMA) market study on statutory audit services, the independent review of the audit regulator, the Financial Reporting Council (FRC), by Sir John Kingman and the Business, Energy and Industrial Strategy (BEIS) Select Committee's report on the future of audit, including the potential for future legislation changes and acknowledges that the work of the Committee is becoming ever more important.

The Committee is focused on ensuring compliance with the UK Corporate Governance Code 2018 (the Code) which has applied to the Company since 1 January 2019 and remains committed to ensuring the highest standards of corporate governance. The Code has placed greater emphasis on ensuring the integrity of the narrative statements and has tightened certain aspects of the Committee's role and relationship with the external auditor including in conducting the tender process and in approving non-audit services. In line with the Code, this report seeks to focus on specific aspects considered by the Committee during the year and aims to provide assurance to our shareholders that the control environment of the Group is being properly supervised and monitored.

I am satisfied that the Committee is properly constituted with written terms of reference, which include all matters referred to in the Code and is provided with good quality information to allow proper consideration to be given to topics under review. I am also satisfied that meetings are scheduled to allow sufficient time for discussion and to ensure that all matters are considered fully. The Committee's terms of reference are available on our website.

Of particular importance is the requirement to ensure that the Group's financial reporting is fair, balanced and understandable. We therefore review all the Group's financial reports before publication, including where necessary alternative performance measures, and we are satisfied that they provide a fair, balanced and understandable assessment of the Group's position and performance.

This year the Committee has focused on reviewing the Group's systems of risk management and internal controls as the Group continues to grow and increase in complexity, as well as ensuring the integrity of the Group's public financial reporting. We continue

to monitor and review the developments around the UK's future departure from the EU and still hold the view that it will not have a material impact on the Group. More information on this is set out on page 21.

During the year, following the adoption of IFRS 16, changes in accounting for leases have been implemented. More information on IFRS 16 is set out on page 53.

Membership	Since
Justin Atkinson, chairman of the Audit Committee	2018
Michael Salter	2013
Aedamar Comiskey	2014
Inken Braunschmidt	2019

Key objectives

To monitor the integrity of the Group's reporting process and financial management and to ensure that risks are carefully identified and assessed and that sound systems of risk management and internal control are in place.

Key responsibilities:

- The accounting principles, policies and practices adopted in the Group's accounts.
- Reviewing external financial reporting and associated announcements.
- Managing the appointment, independence, effectiveness and remuneration of the Group's external auditor, including the policy on the award of non-audit services.
- Initiating and supervising a competitive tender process for the external audit when next required.
- The resourcing, plans and effectiveness of Internal Audit.
- The adequacy and effectiveness of the internal control environment.
- The Group's risk management processes and performance.
- The establishment and oversight of fraud prevention arrangements.
- The Group's compliance with the Code.
- The provision of advice to the Board on whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides all the necessary information for shareholders to assess the Company's performance, business model and strategy.

Meets three times a year.

Audit Committee composition

The Board is satisfied that as chair of the Committee, Justin Atkinson has significant and relevant financial experience being a chartered accountant who formerly served as finance director of a FTSE 250 company. Justin Atkinson is a member of the audit committees of three other UK listed companies, and is audit chairman of two of those committees. Inken Braunschmidt was appointed a Non-Executive Director of the Company in March 2019 and joined the Committee at the same time replacing David Moorhouse who stepped down from the Committee in February 2019. The members of the Committee collectively have broad financial, commercial, professional and technical experience and as a whole are considered to have competence relevant to the sectors in which the Group operates. Committee attendance is shown on page 47.

The Committee had three scheduled meetings during the year in February, August and November, on dates to coincide with the financial reporting cycle. In addition to the Committee members, the Chairman, Chief Executive Officer, Group Finance Director, Group General Counsel and Company Secretary, the internal auditor and senior members of the finance team attended parts of each meeting by invitation, together with representatives of the external auditor, including the reporting partner.

At each scheduled meeting the Committee provides the opportunity to discuss matters privately with the external auditor and the internal auditor. In addition, the chairman of the Committee holds regular meetings with the reporting partner of external auditor, KPMG LLP (KPMG) to discuss matters related to the Group. Details of the Committee's specific responsibilities and how it exercises those responsibilities are set out in the remainder of this report. The Board and the members of the Committee separately evaluate the performance of the Committee each year and are satisfied that the Committee discharges its duties and responsibilities in accordance with its terms of reference.

Financial reporting

The Committee's primary responsibility in relation to the Group's financial reporting is to review and challenge where necessary, with both senior management and the external auditor, the appropriateness of the Group's Interim Statement and Annual Report and Accounts, with particular focus on:

- whether suitable accounting policies have been adopted and properly applied;
- the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- whether management has made appropriate estimates and judgements in material areas or where there has been discussion with or issues raised by the external auditor; and

- whether the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

To facilitate its financial reporting responsibility, the Committee received reports from KPMG at each of the scheduled Committee meetings.

Committee meetings

The first meeting in February 2019 considered the accounting, financial control and audit issues reported by KPMG that flowed from their audit work and reviewed the financial statements and specific disclosures, including the viability and going concern statements, for recommendation to the Board. In addition to standard agenda items, the February meeting also received evaluations of the external and internal audit process and reviewed the procedures and outputs for the identification, assessment and reporting of risk.

The August meeting received a review by KPMG of the Half Year results and considered the accounting, financial control and audit issues arising to enable the Committee to review the Interim Statement and recommend it to the Board. The August meeting also reviewed the planning memorandum for the annual audit, including proposed scope and key risks, together with an indication of the proposed audit fee, which was subject to subsequent agreement. The November meeting considered a detailed report from internal audit on their work for the year, approved the internal audit programme for 2019, considered a report from the KPMG updating the audit plan and strategy for 2020 and an overview of various reviews of the audit profession, as well as consideration of the plan and documentation for the internal evaluation of the Audit Committee, the external auditor and internal audit.

In November 2019 the Conduct Committee of the FRC wrote to the Company in relation to its thematic review of the Company's Annual Report and Accounts 2018, which they had included as a sample within their review. The review was limited in scope to the Company's disclosures relating to financial instruments in accordance with Part 2 of the Conduct Committee's Operating Procedures. I am pleased to report that the FRC found that, following its review, there were no questions or queries that it wished to raise with the Company in relation to its disclosures.

Fair, balanced and understandable

In making its assessment the Board has taken into account its own knowledge of the Group, the markets in which the Group operates, its strategy and performance in the year, a review of content of the Annual Report and Accounts and other periodic financial statements and announcements, together with the recommendation from this Committee. Key considerations include ensuring that there was consistency between the accounts and the narrative provided in the front half of the Annual Report and Accounts, and that there was an appropriate balance

Audit Committee report continued

between the reporting weaknesses, difficulties and challenges (in particular with reference to the Group's principal risks and uncertainties, as set out on page 23), as well as successes, in an open and honest manner.

Significant issues and accounting judgements

The Committee has a primary responsibility to review the integrity of the Annual Report and Accounts and the Interim Statement of the Company, which includes the review and discussion of papers prepared by management and takes account of the views of the external auditor. The key areas reviewed in the 2019 financial year are as follows:

IFRS 16 Leases

IFRS 16, which became effective on 1 January 2019, brings operating leases onto the balance sheet as a 'right of use' asset which is amortised, and a corresponding liability established for the total lease obligation. In accounting periods prior to 1 January 2019, operating lease costs were charged to the income statement on a straight-line basis over the period of the lease. In future years, this charge will be replaced by amortisation of right of use assets and an imputed interest cost based on the operating lease obligation. As at 31 December 2019 the Group had £27.4m (2018: £nil) of future obligations under operating leases under IFRS 16. Prior periods have not been restated.

IFRIC 23 Uncertainty over income tax treatments

IFRIC 23, which became effective on 1 January 2019, adds to the existing requirements of IAS 12 by specifying how companies should reflect the effects of uncertainty in accounting for income taxes, due in part to the judgmental aspects of applying tax law. IFRIC 23 clarifies how companies account for uncertainties over income tax treatments and the Group recognised additional current tax liabilities of £1.6m on 1 January 2019 reflecting potential tax issues across the Group's international jurisdictions.

Goodwill valuation

The Committee considered the Group's carrying value of goodwill and impairment reviews based on underlying assumptions, together with the achievability of long-term forecasts and the discount rates applied to forecast cash flows. Senior management provided detailed analysis to determine the sensitivity of the outcome to changes in key assumptions and we are satisfied that the judgements made are both reasonable and appropriate.

Acquisition accounting

The level of judgement involved in determining acquisition fair values and the valuation of acquired intangible assets is a potential risk to the Group. The Committee considered the fair value and accounting policy adjustments made to each acquisition and assessments in respect of contingent consideration provisions. These were discussed separately with the Group Finance Director and the Company's external auditor, and the Committee concluded that acquisitions

had been accounted for in accordance with the Group's accounting policies.

Operations in overseas jurisdictions with uncertain legislation

Due to the diverse nature of the territories in which the Group operates often with local partners, there is an inherent commercial and financial risk arising from operating in these locations. This is particularly prominent in the Group's operations in emerging markets which continue to expand, due to a potentially more uncertain legislative, political and regulatory environment. The Committee received regular updates on the operational and financial performance of the Group's business operations in these territories together with the assessment of areas where specific judgements have been necessary.

The Committee considered the matters set out above and how they were tested and reviewed, including the judgements and disclosures and representations made.

Going concern

The Committee reviewed the appropriateness of the going concern assumption on page 77 in preparing the financial statements. This included a review of papers prepared by senior management in relation to the Group's internal budgets, forecasts of future performance, available financing facilities and facility headroom. Taking account of possible changes that may impact trading performance and other factors that might affect availability, we expect the Group to maintain the appropriate headroom under its borrowing facilities for the forthcoming year. We are satisfied that the going concern basis of preparation continues to be appropriate in preparing the financial statements.

Viability statement

The Committee reviewed the Company's viability statement set out on page 24 and in particular took care to understand the analysis which was prepared by management, and supports the Board's view that the Company will be able to continue in operation and meet its liabilities as they fall due over the period assessed. The analysis included a review of the Group's three-year plan which overlays a number of assumptions and sensitivities, including the need for and availability of additional bank facilities, an assessment of the likely downside sensitivities aligned to the Group's principal risks, and the potential impact of those sensitivities on its business model, future performance, solvency and liquidity over the period, and taking into account the potential mitigating actions, and the effectiveness of the Group's risk management and control systems, as well as current risk appetite. Sensitivities considered included the diverse nature of the markets and geographies in which the Group's businesses operate, and their ability to react quickly to change.

Risk management and internal controls

The Board has overall responsibility for the Group's risk management and internal control systems. The Committee is responsible for monitoring and reviewing the effectiveness of these systems and the Group's internal audit function. The Board received regular reports throughout the year from the Group Risk Committee and we have reviewed the Group's systems of risk management and internal controls, including financial, operational and compliance controls, and have concluded that the systems are sound and effective. Reports on material internal control failings are referred to the Committee for review and oversight to ensure that appropriate and timely actions are identified and completed. During the year there were no material instances of internal control failure brought to the attention of the Committee.

Anti-bribery and corruption

We have an established anti-bribery and corruption policy aimed at ensuring adherence to the associated legal and regulatory requirements. The policy includes sections in relation to:

- the Group's zero tolerance approach to payment of bribes.
- the reasonableness and proportionality of offering or receipt of gifts or hospitality.
- the appointment and management of third parties who are engaged to assist with our sales and marketing activities, including approval via procedures which include appropriate internal and external due diligence and authorisation. The Group tracks its agent relationships and reports them back to the Board on a regular basis.
- the Group's condemnation of facilitation payments.

The Group has anti-bribery and corruption training in place which is provided on induction, and each business maintains a training log for its people which is reported back to the Committee via internal audit twice annually.

External audit performance

The Committee continually assesses the performance of the external auditor, KPMG, from the initial planning stage when they receive and discuss the audit plan and proposed strategy, approach, objectives, significant risk areas and other areas of focus, drawing on input from the Group's senior management, until conclusion of the audit. The Committee conducts annually a formal assessment of the external auditor's performance based on its own experience and that of the Group's senior management. This process includes the use of questionnaires which focus on the quality and ability of the audit teams, the robustness of the audit process and the quality of communication and governance, including the independence of the audit firm. The results of the review are considered by the Committee and discussed with KPMG who provides input on the preparedness of the Group's own finance teams and the conclusions are reported to and discussed by the Board.

For the 2019 audit, the Committee considered that the performance of KPMG, including their interaction with the Company, senior management and the Committee, was good. The Committee was also satisfied that KPMG provided an effective audit and remain independent and objective.

KPMG were re-appointed external auditor of the Company in 2017 with a new audit reporting partner Mike Barradell following a competitive tender process given that KPMG were first appointed to audit the Company in 2008. Details of the external auditor's remuneration for 2019 are set out in note 4 on page 96. In 2019, there has been an increase of 75% in audit fees from the prior year resulting from increased costs involved with the increasing international nature of the Group and the greater regulatory burden impacting on the audit market.

The Company has complied throughout the financial year under review, and up to the date of this report, with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Internal audit

The Committee is responsible for reviewing the work carried out by the internal audit department which considers, reviews and reports on key commercial, financial and control risks across the Group. The internal audit function undertake their work in accordance with an annual programme approved by the Committee. During 2019 we continued to engage the services of PricewaterhouseCoopers to support our internal audit resources, particularly at overseas offices. The scope of each internal audit review is agreed by the Committee in consultation with the internal auditor to ensure that key areas for each business are addressed.

In 2019, 14 internal audits were undertaken (2018: 19), of which 10 were in the UK and 4 overseas. The internal audit reports were presented to the Committee for review and shared with senior managers for action, as well as being provided to the external auditor for information. There were no findings in the internal audit reports which were of significant concern. The internal auditor is responsible to the Committee for ensuring that all required actions are followed up and completed in a timely manner.

The effectiveness of the Group's internal audit function is continually reviewed and a formal review is undertaken annually by the Board and the Committee. Following the final 2019 review, the Committee recommended and the Board concluded that the Group's internal audit process was appropriate and effective.

Audit Committee report continued

Non-audit services

The Committee accepts that certain non-prohibited work is best undertaken by the external auditor and to safeguard the external auditor's objectivity and independence the Committee has a policy on engagement of the external auditor for non-audit services, which includes a requirement for Audit Committee approval if the permitted services exceed a threshold of £50,000. The Committee reviews the policy annually and recommends it to the Board for approval. In accordance with EU Audit Regulations and standards published by the FRC in June 2016, the Committee has not engaged the external auditor on matters restricted by those Regulations and standards, and fees from permitted work (including the Half Year report) have been pre-approved by the Committee.

KPMG were required under the Norwegian Companies Act to provide an assurance service on the control and review procedures over the tax submissions. The work does not result in any accounting judgements and the fee for this service was £3,000. KPMG were not instructed to carry out any prohibited non-audit services during 2019.

Conclusion

The Committee operates in an open manner, has clear and concise channels of communication with the Board and, should it be necessary, I would be available to meet with investors. I will also be available to answer any questions at the AGM.

Justin Atkinson

Chairman of the Audit Committee
26 February 2020

Nominations Committee report

Membership	Since
Malcolm Paul - Chair of the Nominations Committee	2011
Michael Salter	2013
Aedamar Comiskey	2015
Justin Atkinson	2018
Inken Braunschmidt	2019

Key objectives
Reviewing the composition of the Board and succession planning.

Key responsibilities:

- To regularly review the structure, size and composition of the Board (including skills, knowledge, independence and experience) and recommend changes;
- Succession planning for Directors and senior executives of both the Company and the operating businesses; and
- Identifying and nominating for approval to the Board, candidates for Board positions.

The terms of reference are available on the Group's website.
Meets at least once a year.

In February 2019, the Group announced the retirement of David Moorhouse, who had served as a Non-Executive Director of the Company for 6 years and the appointment with effect from 1 March 2019 of Inken Braunschmidt as a new independent Non-Executive Director. We always appoint people we consider best for the role, as well as recognising that diversity adds a broader perspective to Board discussions. Inken is the Chief Innovation and Digital Officer and a member of the Executive Board at Halma plc, and brings new technological/IT experience to the Board at a time when the Group is seeking to explore its digital offering to its customers. Her appointment also increases the number of women on the Board to two. At the same time Aedamar Comiskey was appointed as Senior Independent Non-Executive Director, taking over that role from David Moorhouse. Aedamar has been an independent Non-Executive Director of the Company since November 2014 and is the current chair of the Remuneration Committee and a member of the Nominations and Audit Committees.

In December 2018, Nick Henry announced his intention to retire as Chief Executive Officer of the Group by the end of 2019, after 16 years with the Company. This allowed the Nominations Committee sufficient time to allow a thorough search process to take place, both internally and externally, in order to allow a smooth transition of responsibilities to a new CEO. Details of the search process are set out below.

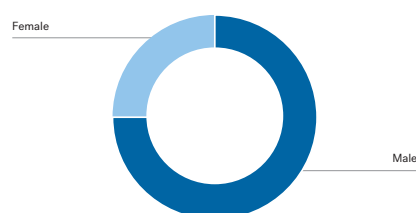
The majority of the Board are independent Non-Executive Directors. The Company judged the Chairman to be independent at the time of his appointment, and considers all other Non-Executive Directors to be independent under the terms of the Code. As mentioned in the Chairman's statement on page 4 this Committee will be undertaking a search for a new Non-Executive Chairman during 2020.

The Nominations Committee unanimously recommends the election or re-election of each of the Directors at the 2020 AGM. In making this recommendation we have evaluated each Director in terms of their performance, commitment to the role and their capacity to discharge their responsibilities in an effective manner given their other time commitments and responsibilities.

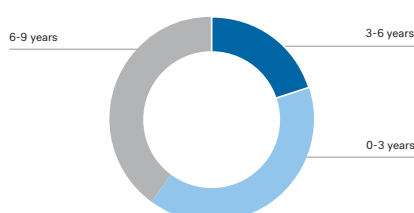
The Nominations Committee reviews the leadership and succession needs of the Company and ensures that appropriate procedures are in place for nominating, training and evaluating Directors. The benefits of a diverse senior leadership, including gender, social background and ethnicity form an integral part of that review process. Important changes to both Non-Executive and Executive Directors were made during 2019, which are described in more detail below.

Overall, our objective is to ensure that the Board is balanced, with the Directors having a broad range of knowledge, skills, experience, background and diversity in its broadest sense to ensure they work together effectively as a team for the benefit of the Company as a whole. During the year under review the Nominations Committee reviewed the Board skills matrix which looked at the profile of the Board in terms of areas such as gender, experience, tenure, background and skills.

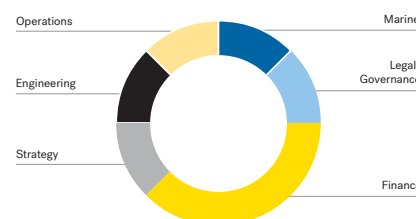
Board diversity



Non-Executive Board tenure



Board skills matrix



Nominations Committee report continued

Board composition and diversity

There were eight Directors on the Board as at 31 December 2019, comprising the Non-Executive Chairman, Chief Executive Officer, Group Finance Director, Director – Marine Support and four independent Non-Executive Directors. The names and biographical details of the members of the Board are set out on pages 40 and 41.

The Board functions effectively and efficiently and is considered to be of an appropriate size in view of the scale of the Group and the diversity of its businesses. The Board carried out an internal Board evaluation during the year and further information is set out on page 47. The Board considers that each Director demonstrates the knowledge, ability and experience required to perform the functions of a director of the listed company and is of the calibre necessary to support and develop the Company's long-term strategy and success. The Board further considers that no individual or small group of individuals dominates the Board's decision-making.

We consider the diversity of Board and Board Committee members carefully to ensure we benefit from the right balance of skills, range of experience, knowledge and diversity (including gender). The Group's intention is to maintain at least two women on the Board, and we continue to work towards the Parker review target on ethnicity. We challenge our external search consultants where necessary to ensure that diversity is always considered when drawing up candidate shortlists. However, while taking these important considerations and the recommendations of the Hampton-Alexander and the McGregor-Smith reviews into account, we will continue to recommend appointments to the Board based on merit and the individual skills and experience of each candidate. The Board's diversity policy is available on the Group website. This sets out the Board's aims to ensure an appropriate diversity of skills, experience, age and knowledge, as well as gender and ethnic diversity. The Board keeps the diversity policy under review to ensure that it remains an effective driver of diversity in its broadest sense, having due regard to gender, ethnicity, social background, skillset and breadth of experience. During the period, Inken Braunschmidt joined the Board which has brought female representation on the Board to 25%.

The Group has also established an internal diversity policy with the purpose of ensuring that it benefits from a diverse workforce and has a working environment where all employees are encouraged to realise their full potential and where there is an open atmosphere of trust, honesty and respect.

The Chief Executive Officer chairs an Executive Team which brings together a range of specialist skills and experience and supports the Executive in its decision-making and the exercise of its delegated authority from the Board. Two of the seven members of the Executive Team are women.

During 2019, two Group companies, James Fisher Nuclear Limited and JFD Limited, were required by regulation to publish their gender pay gap. At the same time, the Company voluntarily published a Group-wide gender pay gap report, which is available on the Group website and gives information on the Group's gender pay gap, along with descriptions of the initiatives being undertaken to narrow the gap.

More information about our employees, the Group's employment policies, and the Group's commitment to equal opportunities and diversity can be found in the Sustainability report on page 31 and the Corporate responsibility governance report on page 37.

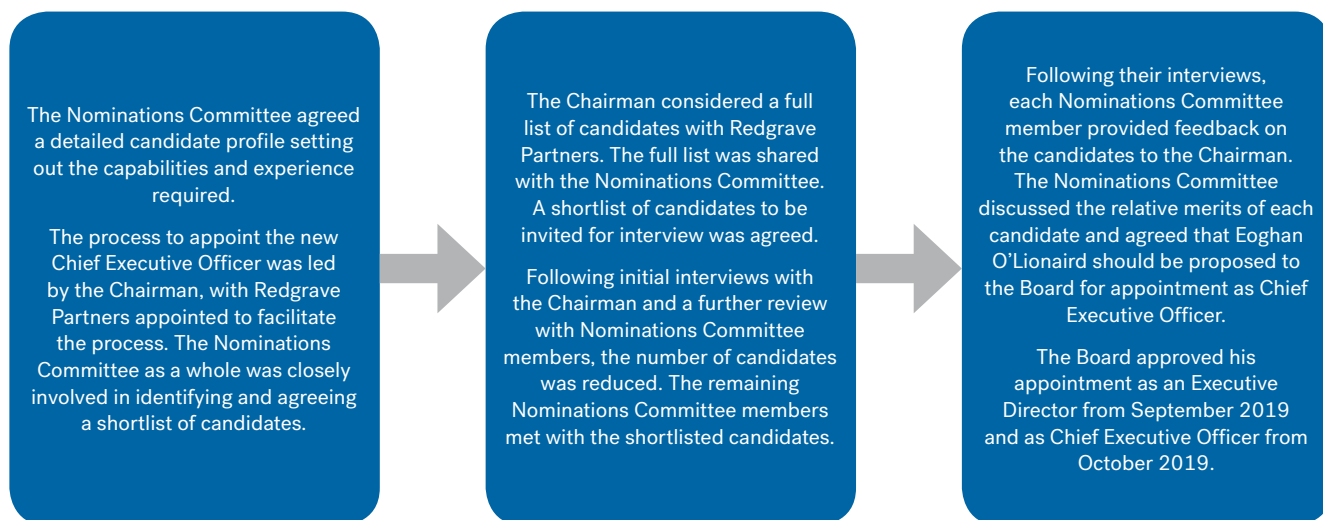
Appointments to the Board and succession planning

The Committee leads the process for Board appointments and makes recommendations to the Board. Appointments are made on merit, against objective criteria, with due regard to the benefits of diversity on the Board, including gender and ethnicity. The Committee adopts a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, working with a number of independent executive search consultants (including Korn Ferry and Redgrave Partners), none of which have any connection to the Company or any individual director, other than in assisting and facilitating in the search for senior management. A specification for the roles is agreed by the Committee, setting out the skills, experience and attributes required. The appointment process is set out adjacent, using as an example the appointment of Dr Inken Braunschmidt, which was supported by Korn Ferry.

- **Identify** Using the agreed brief, the Chairman appraised a diverse list of potential candidates which was prepared against the key competencies and experience required for the role, from which a shortlist was produced.
- **Interview** The shortlisted candidates were interviewed by the Chairman and the Executives. The preferred candidate met with members of the Committee following which the Committee met to discuss feedback.
- **Select** The Committee recommended the appointment of Dr Inken Braunschmidt as a Non-Executive Director of the Company to the Board. It was also agreed that she be appointed as Non-Executive Director for Employee Engagement.
- **Appoint** Inken Braunschmidt's appointment took effect in March 2019.

The Committee continues to evaluate the balance of skills and experience on the Board and is satisfied that plans are in place for orderly succession for appointments to the Board to maintain that balance whilst ensuring progressive renewal of the Board.

Appointment of Group CEO



Following the process outlined above the Nominations Committee agreed to appoint Eoghan O'Lionaird as Chief Executive Officer (CEO) of the Company. Eoghan joined the Company as an Executive Director on 1 September 2019, and took over as CEO on 1 October 2019. Nick Henry stepped down as CEO and Executive Director at that time but remains employed by the Group until 31 March 2020 to ensure a smooth and effective transition of responsibilities. Prior to joining the Group, Eoghan was divisional CEO and a member of the executive committee at Spectris Plc, a FTSE 250 company supplying precision instrumentation and controls.

Malcolm Paul

Chairman of the Nominations Committee
26 February 2020

Directors' remuneration report

Annual statement

Introduction by Aedamar Comiskey, Chair of the Remuneration Committee

On behalf of the Board, and the Remuneration Committee, I am pleased to present the Directors' remuneration report for the year ended 31 December 2019.

This report is comprised of two parts, namely:

- **Remuneration policy report** – which provides a summary of the remuneration policy for which shareholder approval was obtained at the 2018 AGM and which will continue to apply without amendment for the forthcoming year; and
- **Annual report on remuneration** – which sets out payments and awards made to the Directors and details the link between Company performance and remuneration for 2019, and how the remuneration policy will operate for 2020.

Accordingly, at our 2020 AGM, one remuneration-related resolution will be presented, being the normal annual advisory vote on our Directors' remuneration report (i.e. this annual statement and the Annual report on remuneration).

Membership	Since
Aedamar Comiskey, chairman of the Remuneration Committee since May 2018	2014
Justin Atkinson	2018
David Moorhouse (until his retirement on 28 February 2019)	2013
Michael Salter	2013
Inken Braunschmidt (appointed 1 March 2019)	2019

Key objectives

Our objective is to have a fair, equitable and competitive total reward package that supports our vision; and to ensure the rewards are performance-based and encourage long-term shareholder value creation.

Key responsibilities:

- Designing the remuneration policy
- Implementing the remuneration policy
- Ensuring the competitiveness of reward
- Designing the incentive plans
- Setting incentive targets and determining award levels
- Overseeing all share awards across the Group

Meets at least three times a year

Work of the Committee during 2019

The Committee addressed the following main activities during the year:

- Agreeing the performance against the targets for the 2018 annual bonus awards;
- Setting the targets for the 2019 annual bonus;
- Agreeing the performance against the targets for the 2016 LTIP awards and determining vesting levels;
- Agreeing the award levels and performance targets for the 2019 LTIP awards. No changes were made in respect to the metrics and targets compared to the 2018 LTIP awards;
- Agreeing the retirement arrangements for Nick Henry and the recruitment arrangements for Eoghan O'Lionaird; and
- Agreeing the Chairman's fee and Executive Directors' base salary increases from 1 January 2020.

In addition, the Committee has sought to ensure that the current Policy and practices are consistent with the six factors set out in Provision 40 of the 2018 UK Corporate Governance Code:

- **Clarity** – The current Policy is understood by our senior executive team and we have sought to articulate it clearly to our shareholders and representative bodies (both on an ongoing basis and during consultation when changes are being made).
- **Simplicity** – The Committee is mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our executive remuneration policies and practices are straightforward to communicate and operate.
- **Risk** – Our Policy has been designed to ensure that inappropriate risk-taking is discouraged and will not be rewarded via: (i) the balanced use of both short and LTIPs which employ a blend of financial, non-financial and shareholder return targets; (ii) the significant role played by equity in our incentive plans; and (iii) malus/clawback provisions.
- **Predictability** – Our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits.
- **Proportionality** – There is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/'at-risk' pay, together with the structure of the Executive Directors' service contracts, ensures that poor performance is not rewarded.
- **Alignment to culture** – Our executive pay policies are aligned to culture through the use of metrics in both the annual bonus and LTIP that measure how we perform against our KPIs.

Discretion

The Committee is satisfied that the remuneration policy operated as intended in terms of Group performance and quantum (see below) and no discretion has been exercised in respect of assessing the annual bonus or LTIP performance targets.

Pay and performance in 2019

James Fisher delivered a sound performance in 2019. The key performance measures for the 2019 financial year were as follows:

- Underlying profit before tax £58.5m (2018: £56.1m); and
- Underlying diluted earnings per share 92.8p (2018: 89.5p).

Each year the performance of the Executive Directors is assessed against a range of financial and personal objectives which are aligned with the delivery of the Group's strategy and objectives. By incentivising and rewarding performance that delivers our objectives we ensure that pay is tied to performance and value delivered to shareholders.

Consistent with 2018, the Executive Directors' potential maximum level of bonus in 2019 was 100% of base salary, with 70% based on meeting the Group's financial objectives and 30% based on individual achievement and personal objectives. The Group's financial targets for the year ended 31 December 2019 were partially achieved and therefore 10% of this element of bonus was awarded. The Remuneration Committee concluded that personal objectives were partially met. As a result, a combined bonus of 17% of base salary (17% of the maximum opportunity) was approved for Nick Henry and Fergus Graham, and a combined bonus of 27% of base salary (27% of the maximum opportunity) was approved for Stuart Kilpatrick. These bonuses will be paid in cash since they are below the share deferral threshold.

Awards under the LTIP granted in 2017 will vest on 6 April 2020 at a currently estimated 58.8% of the maximum, with 65.2% of the earnings per share performance targets (70% of awards) over the three years to 31 December 2019 vesting and an estimated 44% vesting against the total shareholder return (TSR) targets (30% of awards) measured over the three years from 6 April 2017. This is an indicative LTIP vesting result based on an estimate of TSR as at 11 February 2020. The final vesting result will be determined based on the actual TSR on 5 April 2020.

Further detail of the targets and achievement against them is set out in the Annual report on remuneration on pages 67 to 70.

Stakeholder feedback

The Committee takes an active interest in stakeholder views on our executive remuneration policy and its operation and is particularly mindful of the concerns of shareholders. We will therefore be consulting stakeholders later this year in respect of the remuneration policy for 2021.

Pending this review, the current three-year remuneration policy (which was approved by a significant majority of shareholders at the 2018 AGM) will continue to apply. At the 2019 AGM both the annual statement and Annual report on remuneration were also supported by a significant majority of shareholders.

Change of CEO

During the financial year, Nick Henry retired from the Board and was replaced by Eoghan O'Lionaird. Full details of Nick Henry's retirement arrangements and Eoghan's O'Lionaird's recruitment arrangements can be found on pages 70 to 71.

Remuneration policy for 2020

Executive Directors' remuneration consists of a base salary, pension contribution, benefit provision and, subject to performance conditions, an annual bonus plan, part paid in cash and part deferred into shares, and shares awarded under an LTIP. Incentive pay is subject to malus and clawback provisions and, post-vesting, Executive Directors are required to retain 50% of the net of tax shares awarded until they have satisfied the Company's share ownership guidelines.

The current remuneration policy was originally approved by shareholders at the 2018 AGM. The Committee considers that the remuneration policy remains appropriate and that it satisfies the Committee's objective to operate a remuneration structure which successfully promotes the long-term success of the Group and fully aligns the interests of the Executive Directors with those of our shareholders. Therefore this policy will continue to apply without amendment for the forthcoming year. The remuneration policy will however be reviewed in Q4 2020 and a new policy will be taken to the 2021 AGM for shareholder approval.

Directors' remuneration report continued**2020 remuneration**

Annual pay awards across the Group are determined on a country and sectoral basis to ensure that pay levels are fair and reflect local market and industry conditions. Individual merit awards are made where appropriate. The average salary award across our UK businesses ranged between a 0% and 3.5% increase on existing salaries for 2020, with the exception of one business which saw an average pay increase of 12.1% as a result of a salary banding exercise aimed at re-aligning that business' remuneration structure with comparative market pay.

The base salaries of Eoghan O'Lionaird and Fergus Graham remain unchanged at £530,000 and £281,875 respectively. Stuart Kilpatrick's base salary was increased by 10% to £350,000 which is considered to be more in line with the FTSE 250 when taking into account the increase to the size and complexity of his role, which have both increased significantly as the Company continues to grow.

As in 2019, the annual bonus maximum opportunity will be 100% of base salary with 70% of the annual bonus determined by underlying profit before tax targets and 30% on personal measures.

The current remuneration policy permits LTIP awards to be granted over shares with a value equal to 200% of base salary although awards have historically been capped at 125% of base salary. For 2020, LTIP award for Directors will remain at 125% of salary determined as to 70% by earnings per share targets and 30% by TSR.

With effect from 1 January 2020, the fees payable to the Chairman and Non-Executive Directors were increased by 2.5%.

I hope you will join me in supporting the resolution in respect of this year's Directors' remuneration report at the AGM on 30 April 2020.

Aedamar Comiskey

Chair of the Remuneration Committee
26 February 2020

Remuneration policy report

Overview of Directors' remuneration policy

James Fisher and Sons plc (the Company) operates in a competitive international environment. To continue to compete successfully, the Committee considers that it is essential that the level of remuneration and benefits achieves the objective of attracting, retaining, motivating and rewarding the necessary high calibre of individuals at all levels of the business. The Company therefore sets out to provide competitive remuneration to all of its employees, appropriate to the business environment in those countries in which it operates.

The remuneration strategy is designed not only to align with the Company's fundamental values of honesty, integrity and fairness, but also to support the Company's corporate strategy, as a significant contributor to competitive advantage.

A cohesive reward structure with a timely pay review process, consistently applied to all employees, with links to corporate performance is seen as critical in ensuring all employees can associate with, and are focused on, the attainment of the Company's strategic goals. Accordingly, the remuneration package for the Executive Directors is normally reviewed annually. Where an Executive Director's responsibilities change during the course of a year, the Committee will consider whether a review is appropriate, outside of the annual process.

Executive remuneration reviews are based upon the following principles:

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

How the Executive Directors' remuneration policy relates to the wider Group

The remuneration policy set out within this report provides an overview of the structure that operates for the Executive Directors in the Group. Employees below Executive level have a lower proportion of their total remuneration made up of incentive-based remuneration, with remuneration driven by market comparators and the impact of the role of the employee in question. Long-term incentives are reserved for those judged as having the greatest potential to influence the Group's earnings growth and share price performance. The Remuneration Committee considers pay and conditions across the workforce when reviewing and setting the Executive Director remuneration policy. The Committee does not currently consult with employees on this matter, although engagement with the workforce in respect of remuneration is being considered as part of the Board's proposed employee engagement activities which are being planned for this year.

How shareholders' views are taken into account

The Committee takes an active interest in shareholder views on our remuneration policy. Following the feedback received around the 2018 AGM, we made a number of enhancements to the disclosures presented in the Annual report on remuneration, particularly in respect of the annual bonus targets and awards. At the 2019 AGM there was a high level of support for the Annual report on remuneration.

Directors' remuneration policy

The table overleaf summarises the remuneration policy approved by shareholders at the 2018 AGM. The policy will be reviewed during 2020 for the 2021 AGM.

Directors' remuneration report continued

Element	Purpose & link to strategy	Operation	Maximum	Performance targets
Salary	Designed to attract, retain, motivate and reward the necessary high calibre of individuals to the Board.	<p>Base salaries are a fixed annual sum normally effective 1 January and payable monthly in cash.</p> <p>Salaries are reviewed each year, normally effective 1 January and recognising the individual's performance and experience, developments in the relevant employment market and having regard to the Group's performance as well as comparing each Executive Director's base salary to market data.</p>	<p>No prescribed maximum salary or salary increase.</p> <p>Salaries are set for each Executive Director within a range around the market median for similar positions in appropriate comparator companies.</p> <p>The Committee is also guided by the general increase for the employee population although increases may be higher or lower than this to recognise, for example, an increase in the scale, scope or responsibility of an individual and/or performance.</p>	Not applicable.
Pensions	To offer competitive retirement benefits.	Executive Directors are eligible to join the Group's defined contribution scheme, receive a company contribution into a personal pension scheme or be paid a cash supplement in lieu of pension.	Up to a maximum of 15% of base salary although the Committee will aim to reduce pension contributions, as a percentage of salary, for new joiners to the Board, where possible. The level of provision for new Directors will be subject to negotiation at the time of the appointment, having regard to the pensions applicable to the other senior management within the Group.	Not applicable.
Benefits	To offer competitive benefits.	Provision of a company car or cash alternative, life assurance and healthcare insurance. Other benefits may be provided where appropriate. These benefits do not form part of pensionable earnings.	No prescribed maximum.	Not applicable.
Annual bonus	To incentivise and reward the Executive Directors to deliver annual financial and operational targets.	<p>Payable on the achievement of financial and personal objectives and non-pensionable.</p> <p>The first 70% is payable in cash. Bonus in excess of 70% of basic salary is subject to deferral into shares, with awards vesting after three years, subject to normal good/bad leaver provisions, but no further performance targets. Dividend equivalent payments may be awarded (in cash or shares).</p> <p>Malus and clawback provisions operate.</p>	Up to 100% of base salary.	Majority of the bonus potential is based on a financial target derived from the annual plan; Minority of the bonus potential is based on individual achievement and personal objectives.

Element	Purpose & link to strategy	Operation	Maximum	Performance targets
LTIP	To align the interests of the Executive Directors with the Group's long-term performance, strategy and the interests of shareholders.	Annual grant of share awards. Non-pensionable. A two-year post-vesting holding period will be applied to awards granted to Executive Directors after the 2018 AGM. Dividend equivalent payments may be awarded (in cash or shares). Malus and clawback provisions operate.	Up to 200% of base salary. Awards above 125% will be subject to stretch targets.	Sliding scale relative to EPS and/or TSR growth targets. 25% of an award vests at threshold increasing to 100% vesting at maximum.
Share ownership	To ensure alignment between the interests of Executive Directors and shareholders.	Executive Directors are required to retain half of the shares vesting after tax under the LTIP until the guidelines are met.	200% of base salary for all Executive Directors.	Not applicable.
Sharesave	To encourage share ownership and align the interests of all-employees and shareholders.	An all-employee share plan.	As per prevailing HMRC limits.	Not applicable.
Non-Executive Directors	To provide fees to reflect the time commitment and responsibilities of each role in line with those provided by similarly sized companies.	Fixed annual fee, paid monthly in cash reviewed annually; Committee determines the Chairman's fees. The Chairman and Executive Directors determine fees for the other Non-Executive Directors.	No prescribed maximum fee or fee increase, although fees are limited by the Company's Articles of Association. The Board/Committee is guided by market rates, time commitments and responsibility levels.	Not applicable.

Notes:

- (1) The choice of the performance metrics applicable to the annual bonus reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of both financial and personal objectives;
- (2) TSR and EPS performance conditions are selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth, and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The TSR performance condition is monitored by an independent advisor whilst EPS growth is derived from the audited financial statements;
- (3) The Committee operates its share plans in accordance with the plan rules and the Listing Rules and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans (e.g. treatment of awards for leavers, change of control, adjustments to performance targets);
- (4) Consistent with HMRC legislation, the all-employee arrangement does not have performance conditions; and
- (5) In approving the Directors' remuneration policy, authority is given to the Company to honour any past commitments entered into with current or former Directors including the vesting of share awards granted in the past.

Malus and clawback provisions

Malus and clawback provisions operate in respect of the annual bonus (cash and deferred shares) and LTIP awards, with Committee discretion to apply them in the event of (i) misstatement of results; (ii) an error in determining the share award; or (iii) gross misconduct. The Committee may decide to operate the malus and clawback provisions within a three-year period commencing on the date that the cash part of any annual bonus is paid (for cash and deferred share bonus awards), and within a three-year period of any LTIP vesting date.

Directors' remuneration report continued

Approach to recruitment

New Executive Directors will be appointed on remuneration packages with the same structure and elements set out in the Directors' remuneration policy table. On-going incentive pay will be limited to:

- Maximum annual bonus of 100% of salary;
- Up to 200% of salary LTIP award; and
- Participation in the Sharesave.

For external appointments, the Committee may offer additional cash or share-based elements to replace deferred or incentive pay forfeited by an executive when leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions. Shareholders will be informed of any such payments as soon as practicable following the appointment.

For an internal appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its original terms. In addition, any other on-going remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the earliest opportunity.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and incidental expenses as appropriate.

Loss of office

The Committee has considered remuneration for Executive Directors leaving the Company and is committed to applying a consistent and equitable approach to ensure the Company is equitable but pays no more than necessary. The loss of office policy is in line with market practice and will be dependent on whether deemed a 'good leaver' or 'bad leaver'. The 'good leaver' policy includes:

- payment in lieu of notice equal to one year's basic salary or, if termination is part way through the notice period, the amount of salary relating to any unexpired notice to the date of termination. There is an obligation on Directors to mitigate any loss which they may suffer if the Company terminates their service contract;
- bonus payments for the period worked may be made, subject to the original performance targets, at the discretion of the Committee. Any such payments would be made on the normal payment date;
- vesting of share scheme awards is not automatic and the Committee retains the discretion to prevent awards from lapsing depending on the circumstances of the departure and the best interests of the Company. For a 'good leaver': (i) deferred bonus awards will normally vest in full at the normal vesting date (although may vest earlier, including at cessation); and (ii) LTIP awards will normally vest at the

normal vesting date (although may vest earlier, including at cessation) subject to performance against the performance targets and LTIP awards will normally be pro-rated. 'Good leaver' reasons are death, injury, illness or disability, redundancy, retirement, transfer of business resulting in cessation of the individual's employment within the Group and any other reason at the Committee's discretion. No compensation is paid for summary dismissal, save for any statutory entitlements; and

- Executive Directors will also be entitled to a payment in respect of accrued but untaken annual holiday entitlements on termination.

Post employment shareholding policy

The Remuneration Committee's post cessation shareholding policy for Executive Directors is as follows:

- Unvested deferred annual bonus and LTIP awards will be treated in line with the 'good leaver'/'bad leaver' provisions explained in the remuneration policy;
- Any LTIP awards which vested pre-cessation but which are still subject to the two-year holding period will need to be retained by the individual (either on a post-tax basis or as unexercised awards), post cessation, until the relevant two-year holding period has expired; and
- No restrictions will apply in respect of own shares held, irrespective of whether those shares are held as part of the shareholding guideline or not.

Service contracts

It is the Board's policy that Executive Directors are employed on contracts subject to no more than 12 months' notice from either side. The Board recognises however that it may be necessary in the case of new executive appointments to offer an initial longer notice period, which would subsequently reduce to 12 months after the expiry of the initial period. The service agreements do not have a fixed term. If it becomes necessary to consider termination of a service contract, the Committee will have regard to all the circumstances of the case, including mitigation, when determining any compensation to be paid. Details of the current service contracts, and Nick Henry's service contract prior to his retirement, are as follows:

	Contract date	Notice period
Eoghan O'Lionaird	1 September 2019	12 months
Stuart Kilpatrick	1 July 2010	12 months
Fergus Graham	26 February 2018	12 months
Nick Henry	1 December 2006	12 months

The Executive Directors are permitted to serve as non-executive directors of other companies, provided the appointment is first approved by the Remuneration and Nominations Committees. Directors are allowed to retain their fees from such appointments. During the period, Nick Henry served on the Board of Britannia's Gold Limited as a non-executive director. He received no fees. The Executive Directors held no other appointments.

Non-Executive Directors do not have service contracts but have a letter of appointment setting out their terms and conditions. Non-Executive Directors are appointed each year for up to 12 months and are entitled to one month's prior written notice of early termination for which no compensation is payable. Details of the letters for the currently appointed Non-Executive Directors are set out below:

	Date of appointment	Letter of appointment
Malcolm Paul	1 February 2011	1 January 2019
Aedamar Comiskey	1 November 2014	1 January 2019
Michael Salter	1 August 2013	1 January 2019
Justin Atkinson	1 February 2018	1 January 2019
Inken Braunschmidt	1 March 2019	1 March 2019

Annual report on remuneration

Remuneration Committee

The Committee members have no personal financial interest other than as shareholders, in the matters to be decided. They have no conflicts of interest arising from cross-directorships with the Executive Directors, nor from being involved in the day-to-day business of the Company.

The Committee operates under clear written terms of reference and confirms that its constitution and operation comply with the applicable provisions of the UK Corporate Governance Code (prevailing at the date this report is signed) in relation to Directors' remuneration policy and practice and that it has applied the Code throughout the year. The Committee's terms of reference include:

- to determine and agree with the Board the framework and policy for Executive Directors and senior managers;
- to review the appropriateness and relevance of the remuneration policy;
- to agree the measures and targets for any performance related bonus and share schemes of the Executive Directors;
- to determine within the terms of the policy the total individual remuneration package of the Executive Directors and selected senior management immediately below Board; and
- to review senior management pay remuneration and workforce remuneration policies and practice.

Advisers to the Remuneration Committee

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, FIT Remuneration Consultants LLP (FIT) acted as the principal external advisers to the Committee during the financial year. The Committee is comfortable that the FIT team provide independent remuneration advice to the Committee and do not have any other connections with the Company that may impair their independence. FIT is a founding member and signatory of the Code of Conduct for Remuneration Consultants, details of which can be found at www.remunerationconsultantsgroup.com.

During the year, FIT provided independent advice on a wide range of remuneration matters including the remuneration policy review and the Board changes. FIT provides no other services to the Company. The fees paid to FIT in respect of work carried out for the year under review were £15,000 (ex VAT).

Non-Executive Directors

For 2020, the Non-Executive Directors' fees are set out below, all of which are payable in cash.

	2020 £	2019 £
Chairman	210,125	205,000
Other Non-Executive Director fees:		
Basic fee	54,632	53,300
Additional fee for Audit Committee	12,000	12,000
Additional fee for the chair of Remuneration Committee	8,000	8,000
Additional fee for the Senior Independent Director	8,000	8,000

Directors' remuneration report continued

Information subject to audit

Total remuneration of the Executive Directors (audited)

	Eoghan O'Lionaird ⁽¹⁾		Nick Henry ⁽²⁾		Stuart Kilpatrick		Fergus Graham	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Base salary	177	-	369	492	318	310	282	275
Benefits ⁽³⁾	9	-	10	14	11	11	10	9
Pension ⁽⁴⁾	3	-	42	56	38	37	28	23
Bonus in cash	-	-	63	345	86	217	48	193
Bonus in deferred shares	-	-	-	103	-	65	-	58
Total short-term remuneration	189	-	484	1,010	453	640	368	558
LTIP – performance	-	-	329	536	221	359	47	-
LTIP – share appreciation	-	-	71	313	47	210	10	-
Dividend equivalents	-	-	18	40	12	27	3	-
LTIP – total ⁽⁵⁾	-	-	418	889	280	596	60	-
Other	346 ⁽⁶⁾	-	-	-	-	-	-	-
Total remuneration	535	-	902	1,899	733	1,236	428	558

(1) Eoghan O'Lionaird was appointed to the Board on 1 September 2019 and was appointed CEO on 1 October 2019. Details of Eoghan's salary are explained on page 71 of this report.

(2) Nick Henry retired from the Board as CEO on 1 October 2019 but will remain an employee until 31 March 2020.

(3) Benefits comprised a cash allowance in lieu of car and medical insurance.

(4) Pension contributions may be paid into personal pension plans, the Company pension scheme or taken as a separate cash allowance, subject to income tax.

(5) The value presented for the 2017 LTIP awards (vesting in April 2020 based on three-year EPS performance to 31 December 2019 and TSR performance to 5 April 2020) is based on an estimated value at vesting. The 2016 LTIP values (vested in April 2019 based on three-year EPS performance to 31 December 2018 and TSR performance to April 2019) were estimates last year, using a share price based on the three-month average share price to 31 December 2018. The table above has been restated for the actual pre-tax value of these awards (based on the share price calculated in accordance with prevailing tax legislation) and the value of dividend equivalents as at vesting on 6 April 2019.

(6) Eoghan O'Lionaird received an award from the Company in connection with his relocation expenses and in respect of amounts forfeited from leaving his previous employer. More details are provided on page 71 of this report.

Annual bonus awards for 2019 (audited)

The maximum annual bonus for Executive Directors was 100% of base salary, with 70% based on financial objectives and 30% based on individual achievement and personal objectives. The first 70% of any bonus award is paid in cash and the balance is awarded in shares and deferred for three years (with dividend equivalents and malus and clawback provisions applying).

The bonuses awarded were as follows (noting that Eoghan O'Lionaird was not eligible to participate in the 2019 annual bonus given that he joined the Company towards the end of the financial year):

		Nick Henry	Stuart Kilpatrick	Fergus Graham
Financial (note 1)	% of this part achieved (max 100%)	10%	10%	10%
	% of salary (max 70% of salary)	7%	7%	7%
Personal (note 2)	% of this part achieved (max 100%)	33%	66%	33%
	% of salary (max 30% of salary)	10%	20%	10%
Total	% of salary (max 100% of salary)	17%	27%	17%

The above bonuses were paid in cash given that bonus awards were below the deferred bonus threshold.

Details of the actual performance against the targets are as follows:

Note 1 – Financial objectives (70% of maximum):

Performance measure	Performance target	Assessment against targets
Adjusted profit before tax target	Minimum threshold £58m Maximum £63m	Threshold starts at 0% and increases to 100% of this element of the bonus at maximum target performance.
Actual performance	£58.5m	10% of this part of the bonus achieved 7% of salary.

Note 2 – Personal objectives (30% of maximum):

Nick Henry

Objectives	Weighting (% of salary)	Committee assessment	Award (% of salary)
1 Maintain operational control across the Group	8%	In some difficult trading conditions at some subsidiaries, Nick delivered a good performance. Nick retired from the Board at the end of September 2019 and has supported a smooth transition to Eoghan in his role as the new CEO.	2%
2 Deliver balanced growth, both organically and acquisitively	6%		2%
3 Ensure effective succession plans at material subsidiaries	6%		2%
4 Supervise the personal development of direct reports	6%		2%
5 Ensure a smooth transition at the time of the CEO succession	4%		2%
Total	30%		10%

Stuart Kilpatrick

Objectives	Weighting (% of salary)	Committee assessment	Award (% of salary)
1 Maintain financial and cash-flow control across the Group	6%	Stuart has maintained effective financial control throughout the Group and managed our financial resources well in some challenging situations. Not all acquisitions have gone as planned. Stuart is making a strong contribution to the smooth transition of Eoghan as the new CEO and is continuing to focus on the development of his team.	5%
2 Deliver acquisition pipeline and review the acquisition strategy	6%		2%
3 Ensure effective finance succession plans at material subsidiaries	6%		5%
4 Personal development of management experience	6%		3%
5 Ensure a smooth transition at the time of the CEO succession	6%		5%
Total	30%		20%

Fergus Graham

Objectives	Weighting (% of salary)	Committee assessment	Award (% of salary)
1 Maintain operational control within the Marine Support division	6%	Some problematic contracts in Marine Support undermined a good performance elsewhere in the division. Fergus has worked hard on developing international business opportunities, particularly in offshore renewable energy, and on succession planning, which is ongoing.	2%
2 Integrate the divisions acquisitions both in the UK and overseas	6%		2%
3 Ensure effective succession plans at material subsidiaries	6%		2%
4 Build a detailed strategy for asset management within renewables	6%		1%
5 Focus on the international business development in new territories.	6%		3%
Total	30%		10%

Directors' remuneration report continued

Vesting of 2017 LTIP awards (audited)

The LTIP values included in the table below relate to awards granted on 9 March 2017 which vest on 6 April 2020 dependent on EPS and TSR performance. EPS is measured over the three-year period ended 31 December 2019 while TSR is measured over the three-year period from 6 April 2017. Therefore the figures set out below for the LTIP vesting are indicative, based on an estimate of TSR as at 11 February 2020. Fergus Graham's LTIP award granted on 9 March 2017 was granted after he joined the Company, but before he was appointed as an Executive Director, and is dependent on EPS performance only (not TSR performance).

Under the EPS performance target (70% of awards) which uses a sliding scale, 25% of this part of an award vests where growth of diluted earnings per share of RPI plus 9% is achieved over the three-year performance period, increasing pro-rata to full vesting where growth of RPI plus 18% is achieved. Reported underlying EPS of 92.8p per share has been adjusted by 1.1p per share for the impact of IFRS 16 to provide a consistent measure against base EPS.

Performance target	Base EPS	Adjusted EPS at year end	EPS growth	Threshold RPI +9%	Maximum RPI +18%	Vesting %
Underlying diluted EPS	76.3	93.9	23.1%	18.3%	27.3%	65.2%

Under the TSR performance target (30% of awards) which uses a sliding scale, 25% of this part of an award vests for median TSR increasing pro-rata to full vesting for upper quartile TSR, measured against the constituents of the FTSE 250 excluding investment trusts. The estimated three-year performance based on TSR calculations to 11 February 2020 is as follows:

Performance target	Median TSR	Upper Quartile TSR	James Fisher TSR	Vesting %
TSR v FTSE 250 (excluding investment trusts)	22%	63%	30%	44%

As a result of EPS and TSR performance, the gross value of LTIP share awards expected to vest on 6 April 2020 are as follows:

	Share price at date of grant ⁽³⁾	Share price at 31 December 2019 ⁽³⁾	Proportion to vest	Shares to vest	Performance element ⁽¹⁾ £000	Share appreciation element ⁽²⁾ £000	Dividend equivalents £000	Total £000
Nick Henry	1,610p	1,958p	58.8%	20,420	329	71	18	418
Stuart Kilpatrick	1,610p	1,958p	58.8%	13,696	221	47	12	280
Fergus Graham	1,610p	1,958p	65.2%	2,906	47	10	3	60

(1) The performance element represents the face value of awards that will vest on 6 April 2020.

(2) The share appreciation element represents the value due to the change in share price from the date of award to 31 December 2019.

(3) The share price at grant is based on a five-day average immediately prior to the date of grant and the share price at 31 December 2019 is based on a three-month average.

LTIP awards granted in 2019 (audited)

	Proportion of salary	Maximum shares awarded	Share price at date of grant ⁽¹⁾	Exercise price at grant
LTIPs granted on 2 April 2019				
Nick Henry	125%	31,872	1,929.6p	-
Stuart Kilpatrick	125%	20,584	1,929.6p	-
Fergus Graham	125%	18,260	1,929.6p	-

(1) The share price at date of grant is based on the average of the closing middle-market quotations during the period of five dealing days from the date of the announcement of the 2019 results.

Vesting of the 2019 LTIP award is subject to achievement of performance targets over a three-year period with 70% of the award based on EPS targets and 30% based on TSR targets. EPS target performance is measured over the three-year period ending on 31 December 2021. The EPS element of the award vests if EPS growth at least equals the RPI increase over the period plus 9%. At the threshold level, 25% of the EPS element of the award will vest. Full vesting is achieved if EPS growth is greater than or equal to 18% in excess of the RPI increase over the vesting period. The TSR element of the award is subject to the Company's TSR performance relative to the FTSE 250 index excluding investment trusts, over the three-year period from 6 April 2019. If at the end of the period the Company ranks in the upper quartile, all of the TSR element of the award will vest. If the ranking is at median level, 25% of TSR element of the award will vest. No element of the TSR part of the award will vest for performance below the median. For intermediate ranking, a proportionate part of each award will vest reducing on a straight-line basis. Any part of the award that does not vest at the end of a performance period will lapse immediately.

Deferred bonus awards granted in 2019 in respect of 2018 annual bonus (audited)

	Proportion of salary ⁽¹⁾	Maximum shares awarded	Share price at date of grant ⁽²⁾	Exercise price at grant
Awards granted on 2 April 2019				
Nick Henry	21%	5,354	1,929.6p	-
Stuart Kilpatrick	21%	3,374	1,929.6p	-
Fergus Graham	21%	2,993	1,929.6p	-

(1) Relates to the annual bonus awarded in respect of 2018, whereby any award in excess of 70% of salary was deferred into shares for 3 years with vesting based on continued service (i.e. no further performance conditions apply between grant and vesting).

(2) The share price at date of grant was based on the average of the closing middle-market quotations during the period of five dealing days from the date of the announcement of the 2019 results.

Board changes (audited)

Nick Henry's retirement:

As previously announced, Nick Henry stepped down from the Board with effect from 1 October 2019 and will remain employed by the Company until 31 March 2020 to ensure an effective handover. Details of the retirement arrangements in respect of remuneration are as follows:

- Nick served notice of his intention to retire from the Company in December 2018. As he continued to be employed by the Company throughout his 12 month notice period, he remained eligible for his salary of £492,000 p.a to 31 December 2019.
- In order to achieve a smooth and effective transition of responsibilities to the new Chief Executive Officer and reflecting that Eoghan O'Lionaird's start date was later than originally intended, Nick Henry's employment was extended for three months and he will remain employed until 31 March 2020. During this additional period of employment from 31 December 2019 to 31 March 2020, Nick Henry will receive a reduced salary (resulting in a payment of £96,000 for the additional three months). No benefits or pension will be payable, and Nick Henry is not entitled to a 2020 annual bonus nor to a 2020 LTIP award.
- Nick Henry was eligible to receive an annual bonus in respect of the 2019 financial year, with amounts payable at the normal payment dates to the extent that the relevant performance conditions have been achieved. He was eligible for an annual bonus for the full twelve month period given: (i) Nick Henry continued to work in the business to deliver the Company/his personal performance targets and ensure a smooth and effective transition of responsibilities (reflecting that Eoghan O'Lionaird's start date was later than originally intended); (ii) that his successor was not eligible to receive a pro-rated bonus for 2019 notwithstanding his 1 September 2019 start date.
- Nick Henry's outstanding LTIP awards will vest on their normal vesting dates, subject to performance conditions and time pro-rating and awards under the deferred bonus share scheme will vest in full on their normal vesting dates. Information on the vesting of the LTIP and DBS awards will be disclosed in the relevant Directors' remuneration reports following vesting.
- Nick Henry will receive no payment in lieu of notice or any other termination payments.

Directors' remuneration report continued

Eoghan O'Lionaird's appointment:

Eoghan O'Lionaird was appointed to the Board with effect from 1 September 2019 and became Chief Executive Officer with effect from 1 October 2019. Details of the recruitment package are as follows:

- Basic salary: £530,000 p.a.
- Pension contribution of 7.5% of salary.
- Benefit provision: in line with the current shareholder approved Directors' remuneration policy.
- Annual bonus: 100% of salary (albeit not eligible until 1 January 2020).
- LTIP: 125% of salary (his first award is expected to be granted in April 2020).

In addition to the above, Eoghan O'Lionaird received the following one-off payment from the Company in respect of amounts forfeited from leaving his previous employer.

- £226,000 in lieu of his bonus and long-term incentives forfeited from Spectris plc.
- £120,000 as compensation for the additional costs of moving his family from the Netherlands to the UK to take up the role at the Company.

As part of the recruitment arrangements, the net of tax amounts in respect of the above were required to be invested in the Company's shares which must be held against the 200% of salary shareholding guideline.

In respect of the recruitment package set out above, the Committee noted the following points:

- While the base salary is slightly higher than that of Nick Henry's: (i) this salary level was required to secure the appointment in light of alternative opportunities Eoghan O'Lionaird was considering; (ii) it should be noted that Eoghan O'Lionaird is not entitled to a salary review until 1 January 2021; (iii) a salary of £530,000 is not considered to be out of line with the FTSE 250 when the Company's size and complexity is considered; (iv) Nick Henry's salary was not increased from 1 January 2019 in light of his impending retirement but had it been subject to inflationary increases in 2019 and 2020 the salaries would be comparable.
- The pension provision of 7.5% of salary reflects the mid-point pension provision, across the Group. Given the diverse nature of the Company's businesses and employees, no single Group-wide pension plan operates and therefore pension contribution rates vary from 4% of salary to 15% of salary with pension levels not necessarily reflecting seniority.
- The Committee is comfortable that the buyout awards have been structured in the interests of the Company and shareholders given that: (i) the compensation for the bonus and LTIPs is less than the individual left behind at his previous employer (and paid later due to the requirement to invest amounts into shares); and (ii) the amount paid to compensate relocation costs assistance must also be invested in shares which must be retained against the 200% of salary shareholding guideline.

CEO pay ratio

The data shows how the CEO's single figure remuneration for 2019 (based on a combination of single figure remuneration numbers for the role of CEO for Nick Henry and Eoghan O'Lionaird) compares to equivalent single figure remuneration for full-time equivalent UK employees, on a Group basis, ranked at the 25th, 50th and 75th percentile.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	28 : 1	19 : 1	13 : 1

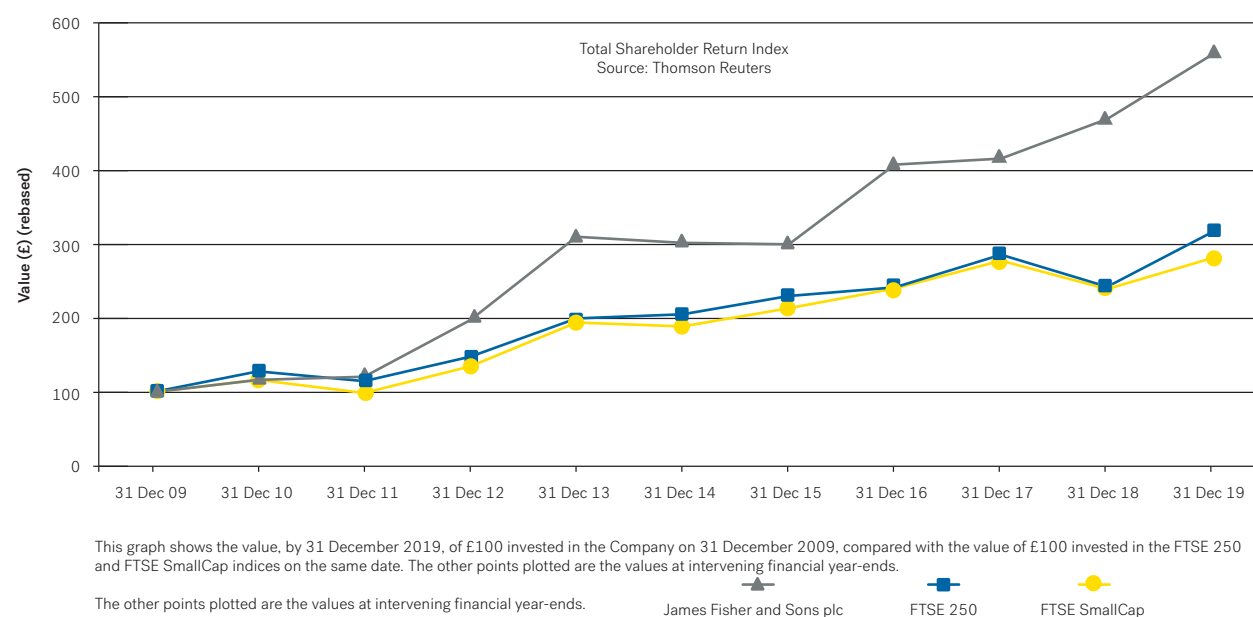
No components of pay and benefits have been omitted for the purpose of the above calculations, other than the one-off payment of £346,000 made to Eoghan O'Lionaird by the Company in the context of his recruitment in connection with his relocation expenses and in respect of amounts forfeited from leaving his previous employer (more details are provided above). This payment was omitted as it was considered to be exceptional and non-recurring, and therefore potentially misleading in presenting the single figure remuneration for the CEO. Option A was selected given that this method of calculation was considered to be the most robust approach in respect of gathering the required data for 2019.

Year	25th % tile	Salary		Total pay and benefits		
		Median	75th % tile	25th % tile	Median	75th % tile
2019	£24,480	£34,150	£52,000	£25,459	£36,541	£55,240

Aligning pay with performance

The following graph shows the total shareholder return compared to the FTSE 250 and the FTSE Small Cap indices excluding investment trusts:

Growth in the value of £100 holding over ten years



Remuneration of CEO compared with growth in underlying diluted earnings per share

	Eoghan O'Lionaird		Nick Henry					Tim Harris			
	2019	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Annual change – underlying diluted EPS (pence)	4%	4%	14%	7%	11%	(7)%	13%	18%	15%	16%	13%
Salary, pensions and benefits (£000)	189	421	526	512	492	492	471	439	355	399	381
Annual performance bonus (£000)	-	35	448	392	429	97	287	263	210	268	256
Short-term remuneration (£000)	189	456	1,010	904	921	589	758	702	565	667	637
Share schemes (£000)	-	418	889	109	183	318	728	691	781	534	124
CEO total remuneration (£000)	189	874	1,899	1,013	1,104	907	1,486	1,393	1,346	1,201	761
Actual bonus as a percentage of the max	-	17%	91%	88%	100%	23%	100%	100%	100%	100%	100%
LTIP vesting as a percentage of the max	-	59%	100%	15%	47%	100%	100%	100%	100%	100%	100%
ESOS vesting as a percentage of the max	-	-	-	-	45%	-	100%	100%	100%	40%	-

Percentage change in CEO's remuneration

The table below shows the percentage change in salary, benefits and annual bonus earned between the year ended 31 December 2018 and the year ended 31 December 2019 for Nick Henry compared to the average earnings of all of the Group's other UK employees. Nick Henry's single figure data (with fixed pay annualised as if he had been CEO for the whole financial year) is considered the most appropriate data to use to reflect the amounts paid to the CEO (noting that Eoghan O'Lionaird joined the Board on 1 October 2019). The Committee chose the Group's UK employees for pay comparison with the Chief Executive Officer as the most meaningful comparator group.

Directors' remuneration report continued

	2019	2018	% change
Salary			
Chief Executive Officer (£000)	492	492	-
UK employee average (£000)	39	39	0.6
Benefits			
Chief Executive Officer (£000)	14	14	-
UK employee average (£000)	1	1	1.9
Annual bonus			
Chief Executive Officer (£000)	35	448	(92.2)
UK employee average (£000)	1	8	(82)
Average number of UK employees	1,764	1,631	8.1

Relative importance of remuneration

	2019 £m	2018 £m	Change £m
Total employee remuneration	160.0	141.0	19.0
Total dividends paid	16.4	14.9	1.5

Interests in shares (audited)

The interests of Directors and their connected persons in ordinary shares as at 31 December 2019, including any interests in share options and shares provisionally awarded under the LTIP and ESOS are as follows:

	Beneficial number	Unvested LTIP number	Unvested deferred bonus shares	Vested but unexercised share options ESOS number	Exercised during the year number	At 31 December 2018 number
Malcolm Paul	13,000	-	-	-	-	13,000
Eoghan O'Lionaird	7,283	-	-	-	-	-
Nick Henry	252,135	107,339	18,597	161,438	-	228,942
Stuart Kilpatrick	47,859	69,545	12,256	69,961	-	39,158
Fergus Graham	-	41,030	2,993	-	-	-
Justin Atkinson	3,150	-	-	-	-	3,150

(1) Between 31 December 2019 and 26 February 2020, there were no changes to the Directors' shareholdings;

(2) No Director has an interest in the preference shares of the Company, or in the shares of any subsidiary or associated undertaking;

(3) The Directors' interests stated above include any shares held by their connected persons; and

(4) Aedamar Comiskey, Michael Salter and Inken Braunschmidt had no interests in ordinary shares as at 31 December 2019.

Against the 200% of salary guideline and based on the share price and prevailing base salary levels as at 31 December 2019, Eoghan O'Lionaird held shares equivalent to 28% of his base salary, Stuart Kilpatrick held shares equivalent to 305% of his base salary, and Fergus Graham held no shares.

Executive Directors' interest in options over shares (audited)

	At 31 December 2019 number	Exercise price	Date from which exercisable	Expiry date
Nick Henry	56,753	410p	19.03.13	19.03.20
	49,105	522p	30.03.14	30.03.21
	48,305	567p	09.04.15	09.03.22
	7,275	1,409p	10.04.17	10.04.24
	161,438			
Stuart Kilpatrick	32,808	522p	30.03.14	30.03.21
	32,274	567p	09.04.15	09.03.22
	4,879	1,409p	10.04.17	10.04.24
	69,961			
Total	231,399			

All options relate to the 2005 ESOS scheme. The 2005 ESOS expired in April 2015 and was not renewed. The last awards were made on 10 April 2014. No options over shares were exercised by Nick Henry (2018: 26,314) or Stuart Kilpatrick during the year and no gains were made (2018: £277,744). As at 26 February 2020, being the last practical date prior to the publication of this report, there were no changes to Directors' options under the ESOS.

Executive Directors' interest in share awards (audited)

		1 January 2019	Granted during year number	Vested during year number	Lapsed during year number	31 December 2019	Vesting date
Nick Henry	LTIP	48,950	-	(48,950)	-	-	6 April 2019
	LTIP	34,728	-	-	-	34,728	6 April 2020
	LTIP	40,739	-	-	-	40,739	6 April 2021
	LTIP	-	31,872	-	-	31,872	6 April 2022
	Deferred Bonus	7,984	-	-	-	7,984	9 March 2020
	Deferred Bonus	5,259	-	-	-	5,259	4 April 2021
	Deferred Bonus	-	5,354	-	-	5,354	2 April 2022
		137,660	37,226	(48,950)	-	125,936	
Stuart Kilpatrick	LTIP	32,832	-	(32,832)	-	-	6 April 2019
	LTIP	23,292	-	-	-	23,292	6 April 2020
	LTIP	25,669	-	-	-	25,669	6 April 2021
	LTIP	-	20,584	-	-	20,584	6 April 2022
	Deferred Bonus	5,355	-	-	-	5,355	9 March 2020
	Deferred Bonus	3,527	-	-	-	3,527	4 April 2021
	Deferred Bonus	-	3,374	-	-	3,374	2 April 2022
		90,675	23,958	(32,832)	-	81,801	
Fergus Graham	LTIP	4,457	-	-	-	4,457	6 April 2020
	LTIP	22,770	-	-	-	22,770	6 April 2021
	LTIP	-	18,260	-	-	18,260	6 April 2022
	Deferred Bonus	-	2,993	-	-	2,993	2 April 2022
		27,227	21,253	-	-	48,480	
Total		255,562	82,437	(81,782)	-	256,217	

A two-year holding period applies to awards granted after the 2018 AGM. The schemes above are not tax-advantaged for HM Revenue and Customs purposes. As at 26 February 2020, being the last practical date prior to the publication of this report, there were no changes to the Executive Directors' interest in LTIP and Deferred Bonus Share awards.

Directors' remuneration report continued

Sourcing of shares and dilution

The Remuneration Committee has regard to the limits on dilution advised by the Investment Association and contained in the relevant share plan rules and reviews the number of shares committed and headroom available under share incentive schemes in accordance with these dilution limits.

On vesting, the awards of shares under the LTIP are satisfied by the shares held by the James Fisher and Sons plc Employee Share Trust (Trust). During the year the Trust purchased 50,000 ordinary shares on the open market (2018: 38,373) and at 31 December 2019 the Trust held 510 ordinary shares (2018: 28,630).

Share price during the financial year

The middle market price of one ordinary share in the Company during the financial year ranged from 1738p to 2260p and at 31 December 2019 was 2025p.

Non-Executive Directors' remuneration

	Total fees	
	2019 £000	2018 £000
Malcolm Paul	205	156
Aedamar Comiskey ¹	61	57
David Moorhouse ²	10	57
Michael Salter	53	52
Justin Atkinson ³	65	55
Inken Braunschmidt ⁴	44	-
Charles Rice ⁵	-	82

(1) The amount received in 2019 includes a payment in respect of Chair of the Remuneration Committee fee of £8,000 per annum and a pro-rated payment in respect of Senior Independent Non-Executive Director fee of £8,000 per annum from 28 February 2019.

(2) The amount received in 2019 includes a pro-rated payment for the period to 28 February 2019 in respect of Senior Independent Non-Executive Director fee of £8,000 per annum.

(3) The amount received in 2019 includes a payment in respect of Chairman of the Audit Committee fee of £12,000.

(4) Inken Braunschmidt was appointed to the Board on 1 March 2019. The amount received is a pro-rated payment for the period from her appointment date.

(5) Charles Rice stepped down from the Board on 3 May 2018.

Shareholder voting

The Company is committed to on-going shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions including in relation to Directors' remuneration, the Company seeks to understand the reasons for any such vote and will report any actions in response to it. Voting at the 2019 AGM was by a show of hands. The following table reflects the valid proxy voting instructions received for the 2019 AGM in respect of the Directors' remuneration report for the year ended 31 December 2018 and the remuneration policy voted upon at the 2018 AGM:

	Directors' remuneration report (2019 AGM)		Remuneration policy (2018 AGM)	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	38,349,397	95.86%	40,478,854	97.89%
Against	1,657,822	4.14%	872,992	2.11%
Total votes cast (excluding withheld votes)	40,007,219		41,351,846	
Total votes withheld	3,325		20,723	
Total votes cast (including withheld votes)	40,010,544		41,372,569	

Implementation of the remuneration policy for 2019

With effect from 1 January 2020, Eoghan O'Lionaird's base salary was £530,000, Stuart Kilpatrick's base salary was £350,000, and Fergus Graham's base salary was £281,875.

The maximum bonus opportunity continues to be set at 100% of base salary. The proposed financial target levels have been set to be challenging and appropriately demanding. 70% of the annual bonus will be determined by adjusted profit before tax targets and 30% by personal objectives. The targets are commercially sensitive but disclosure of the targets and performance against targets will be set out in the 2020 Directors' remuneration report.

Awards under the LTIP will be granted to Eoghan O'Lionaird, Stuart Kilpatrick and Fergus Graham over shares worth 125% of base salary with 70% of the award based on EPS growth targets and 30% based on relative TSR targets. The performance period for the EPS element of the award will run for three years from 1 January 2020 with 25% of the EPS element of the award vesting for EPS growth at least equal to the RPI increase over the period plus 9% rising on a straight-line basis to maximum vesting for EPS growth greater than or equal to 18% in excess of the RPI increase over the vesting period. For the TSR element (measured against the constituents of the FTSE 250 excluding investment trusts), the performance period will be three years from 6 April 2020 with full vesting if the Company ranks in the upper quartile and 25% of the TSR element vesting for ranking median with straight-line vesting in between.

Aedamar Comiskey

Chair of the Remuneration Committee

26 February 2020

Directors' report

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2019.

The Strategic report, which includes our Sustainability report on page 28, Board of Directors biographies on pages 40 and 41, the Corporate governance report on page 42, the Audit Committee report on page 51, the Nominations Committee report on page 56 and the Directors' Remuneration report on page 59 all form part of the Directors' report. The Directors' report and Strategic report comprise the 'management reports' and the Directors' report fulfils the requirements of the Corporate Governance Statement for the purposes of the Financial Services Authority's Disclosure and Transparency Rules.

We have chosen, in accordance with the Act, to include certain information in our Strategic report or financial statements that would otherwise be required to be disclosed in the Directors' report. This is as follows:

Subject matter	Location	Page
Likely future developments in the business	Strategic report	4
Research and development	Strategic report	35
Employment of disabled persons	Strategic report	37
Employee engagement	Strategic report	31
Relationships with suppliers, customers and others	Strategic report	34
Greenhouse gas emissions	Strategic report	33
Use of financial instruments	Note 27	114

Going concern

The Group's business activities, together with the factors likely to affect its future development, the financial position of the Group and a description of the principal risks and uncertainties are set out in the Strategic report on pages 23 to 27. The Group's primary sources of funding are bilateral revolving credit facilities with a core group of banks, which totalled £250m at 31 December 2019 (2018: £225m). Compliance with banking covenants is tested half yearly for the ratio of net debt: earnings before interest, tax, depreciation and amortisation (Ebitda) and interest cover. No breaches in covenants occurred during the year.

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 £41.7m (2018: £92.4m) of undrawn committed facilities as at 31 December 2019. The Group's forecasts and projections, taking account of reasonable changes in trading performance, confirm that the Group should be able to operate within the level of its current banking facilities.

The Group uses cash flow forecasts derived from budgets, forecasts and medium-term planning to identify headroom under the covenant tests. After making enquiries, and having evaluated the on-going trading of the businesses, the Directors have reasonable expectation that the Group has adequate resources to continue to operate for a period considered to be at least 12

months from the date of this report. Accordingly, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the Annual Report and Accounts.

Results and dividends

The Group's profit after tax for the financial year was £36.7m (2018: £45.3m). The results are shown fully in the consolidated financial statements on pages 87 to 135, and discussed in the Financial review on pages 19 to 21.

The Directors recommend a final dividend of 23.4p per share (2018: 21.3p), making a total dividend of 34.7p per share for the year (2018: 31.6p). Subject to shareholders' approval at the AGM, the final dividend will be paid on 11 May 2020 to ordinary shareholders who are on the register at the close of business on 3 April 2020.

Share capital

Details of the share capital of the Company and the shares held by the Company's Employee Share Trust are set out in note 28 on page 123. The rights and obligations attaching to the shares are set out in the Company's Articles of Association (Articles). Copies of the Articles may be obtained from the Group General Counsel and Company Secretary, and are available for inspection at the Company's registered office during normal business hours.

As at 31 December 2019, 50,334,110 ordinary shares of 25p each have been issued, are fully paid up and are listed on the London Stock Exchange.

Substantial shareholders

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure Guidance and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 31 December 2019, the Company had received notifications of the following major shareholdings, representing 3% or more of the voting rights attached to the issued Ordinary Share capital of the Company:

	Ordinary	%	Nature of holding
Mrs Diane Meacock*	7,760,139	15.42	Direct
Therapia Investments	3,732,221	7.41	Direct
Schroders plc	3,069,092	6.10	Indirect
Aberdeen Standard Investments	2,682,872	5.33	Indirect
Baillie Gifford & Co	2,416,722	4.80	Direct
Montanaro Asset Management Limited	1,650,000	3.28	Direct

* Trustee of the Sir John Fisher Foundation in addition to Rowland Hart Jackson who holds 1,064,274 Ordinary Shares (2.11%) on behalf of the Sir John Fisher Foundation

In the period from 31 December 2019 to the date of this report, the Company received no further notifications of a change in shareholding from the major shareholders.

Purchase of own shares

At the 2019 AGM, the Company was given authority to purchase up to 2,513,196 of its ordinary shares until the date of its next AGM. No purchases were made during the year and up to the date of this report by the Company.

Directors

The biographies of the current Board of Directors are set out on pages 40 and 41. Changes in the composition of the Board are provided in more detail in the Nominations Committee report on page 57.

Powers of Directors

The powers of the Directors are determined by the Company's Articles, the Companies Act 2006 and in certain circumstances (including in relation to the issuing or buying back by the Company of its shares) the authority given by the Company in general meeting. The Directors will be seeking to renew the authorities granted to them in prior years at the forthcoming AGM. The Directors are authorised to issue and allot ordinary shares, to disapply statutory pre-emption rights and to make market purchases of the Company's shares. Any shares purchased may be cancelled or held as treasury shares.

Appointment and replacement of Directors

The rules regarding the appointment and replacement of Directors are determined by the Company's Articles and the Companies Act 2006. The Articles provide that at each AGM every Director who has held office on the date seven days before the date of notice of the annual general meeting shall retire from office and shall be eligible for re-election at the AGM.

Directors' and officers' liability insurance

The Company maintains an appropriate level of directors' and officers' liability insurance. The Directors and officers of the Company and its subsidiaries are indemnified against liability to third parties and, to the extent permitted by section 236 of the Companies Act 2006, the Directors may be granted indemnity by the Company pursuant to the Company's Articles.

Directors' conflict of interest

Under the Companies Act 2006, a director must avoid a situation where a direct or indirect conflict of interest may occur. The Board has adopted established procedures to address the management of any potential or actual conflicts of interest. A conflict must be authorised in advance by the Board and each authorisation is reviewed annually to check it is appropriate for the relevant matter to remain authorised.

Additional information for shareholders

The Articles may only be amended by a special resolution at a general meeting of the shareholders.

No political donations were made during the year. Details of the Group's involvement in charitable initiatives is set out on pages 35 and 38.

Details of Group subsidiaries and branches can be found on pages 136 to 137.

Significant agreements – change of control

The Company is a guarantor of all of the Group's bilateral bank facilities which upon a change of control could be withdrawn.

The Singapore Submarine Rescue Service Agreement made between James Fisher Singapore Pte Ltd. and First Response Marine Pte Ltd. dated 17 October 2008 may terminate upon a change of control of the Company or James Fisher Singapore Pte Ltd.

The rules of the Company's LTIP, ESOS and Sharesave schemes set out the consequences of a change of control on the rights of participants under those schemes. Participants are generally able to exercise their options on a change of control, provided that the relevant performance conditions have been satisfied.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that arise in the event of a change of control of the Company.

Information required by UK listing rule 9.8.4

There are no disclosures to be made under listing rule 9.8.4.

Disclosure of information to the Auditor

Each Director in office at the date of approval of this Directors' report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Directors' report continued

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration report and corporate governance statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the annual financial report

Each of the Directors confirms that to the best of his or her knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Signed on behalf of the Board of Directors

E P O'Lionaird

Chief Executive Officer
26 February 2020

S C Kilpatrick

Group Finance Director
26 February 2020

Independent auditor's report

1 Our opinion is unmodified

We have audited the financial statements of James Fisher & Sons plc ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes, including the accounting policies.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 30 June 2008. The period of total uninterrupted engagement is for the 12 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

The impact of uncertainties due to the UK exiting the European Union on our audit

Refer to page 26 (principal risks), page 24 (viability statement), page 51 (Audit Committee Report), page 21 (financial review) and page 42 (corporate governance report).

The risk: Unprecedented levels of uncertainty

All audits assess and challenge the reasonableness of estimates, in particular as described in revenue recognition and valuation of intangible assets below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the group's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.

Our response: We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

1. **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks.

Independent auditor's report continued

- Sensitivity analysis:** When addressing valuation of intangible assets and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
- Assessing transparency:** As well as assessing individual disclosures as part of our procedures on revenue recognition and valuation of intangible assets we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

Our results: As reported under revenue recognition and valuation of intangible assets we found the resulting estimates and related disclosures of Brexit and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Revenue recognition and long-term contracts £617.1m (2018: £561.5m), Contract assets £78.1m (2018: £46.9m) and Contract Liabilities £16.6m (2018: £5.2m) Risk vs 2018: ◀▶

Refer to page 51 (Audit Committee report), page 133 (accounting policy) and page 96 (financial disclosures)

The risk: Subjective estimates

The contractual arrangements that underpin the measurement and recognition of revenue by the Group can be complex, with significant subjective estimates involved in the assessment of current and future contract performance. In particular, where services rendered are provided through long-term contracts and are not completed at the balance sheet date and output measures cannot be estimated reliably, revenue is recognised in proportion to the stage of completion of the transaction measured by reference to an input measure, such as physical progress, attributable man hours and costs incurred measured against the expected outcome which leads to contract asset or liabilities at the period end. The stage of completion is estimated by the Group and includes certain judgements as contracts may run over a number of accounting periods and include forecasts in relation to future costs including labour and materials which are not yet known. In addition, contract modifications can lead to uncertainty over the total contract price. The effect of these matters is that, as part of our risk assessment, we determined that revenue recognition in relation to long-term contracts have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our response: Our audit procedures included:

- Test of details:** selecting the contracts for substantive audit procedures based on qualitative factors, such as commercial complexity and life of contract, and quantitative factors, such as financial significance and profitability that we considered to be indicative of risk. For the selected contracts, agreeing observable inputs used in the calculations of costs incurred to date to be able to assess the stage of completion. Costs incurred are those such as direct costs, labour charges and document delivery records to source data, including customer acceptance acts and countersigned agreements, including testing the allocation of costs incurred to contracts.
- Historical comparisons:** assessing the reliability of the Group's forecasts of costs to complete by considering historical accuracy of their forecasts on completed contracts.
- Personnel enquiries:** discussions with operational management for the sample above regarding their expectations for contracts, and comparing these to the forecasts used for the accounting.
- Our sector experience:** assessing, for the sample above, whether the subjective estimates made by the Group over the stage of completion and estimates over cost to complete are consistent with our understanding of contract activities and performance. This involved comparing assumptions such as the estimate over costs to complete to a variety of information as appropriate, including correspondence with customers, historical outcomes and operational management views. For contracts in the sample above that have significant estimation in the total contract price due to contract modifications, assessing the assumptions made by the Directors in light of the Group's historical experience on similar contracts and correspondence with customers.
- Assessing transparency:** assessing the appropriateness of the Group's disclosures in respect of revenue from long term contracts.

Our results: We found revenue recognition from long term contracts and non-long term contracts acceptable (2018: acceptable).

Valuation of intangible assets, £215.2m (2018: £197.5m) and Parent Company investment in subsidiaries, £495.5m (2018: £400.1m) Risk vs 2018: ◀▶

Refer to page 134 (accounting policy) and pages 100 and 101 (financial disclosures).

The risk: Forecast based valuation

Goodwill and intangible assets in the Group and Parent Company investment in subsidiaries are the most quantitatively significant items on the Group and Parent Company balance sheet respectively, and their recoverability is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

This is considered to be one of the areas that had the greatest effect on our overall Group and Parent Company audits due to their materiality in the context of the Group and Parent Company financial statements and due to the inherent significant judgements involved in the impairment test.

The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the recoverable amount of intangibles had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty in respect of the carrying amount of intangible assets to be less than that materiality. The financial statements (note 12) disclose the sensitivity estimated by the Group.

Our response: Our audit procedures included:

1. **Historical comparisons:** assessing the reasonableness of the budgets by considering the historical accuracy of previous forecasts.
2. **Our sector experience:** assessing whether assumptions used, in particular those relating to forecast revenue growth, profit margins and maintenance capital expenditure, reflect our knowledge of the business and industry, including known or probable changes in the business environment.
3. **Benchmarking assumptions:** challenging the key inputs used in the impairment test, in particular discount rates, by comparing them to externally derived data, including available sources for comparable companies.
4. **Sensitivity analysis:** performing breakeven analysis on the key assumptions noted above.
5. **Our sector experience:** challenging the Group's assessment of the recoverability of capitalised development costs by assessing the technical feasibility and future profitability of the related assets, including comparing the Group's estimates to our understanding of project progress and performance to date.
6. **Test of details:** Where the headroom is considered higher, we have obtained the discounted cash flow workings and re-performed management's sensitivities. Where the headroom is considered lower, we have assessed the appropriate inputs building up these forecasts including the challenge of management drawing on historic data, own research and comparable company rates. Inputs assessed include terminal growth value, discount rate, and the period of cash flows included within the model.
7. **Assessing transparency:** assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Our results: We found the resulting carrying amount of the Group intangible assets and Parent Company investments in subsidiaries to be acceptable. (2018: acceptable).

Group operations in overseas jurisdictions and where uncertain legislation can exist, Risk vs 2017: ▲

Refer to page 53 (Audit Committee report), page 133 (accounting policies) and page 122 (financial disclosures).

The risk: breach of laws and regulations resulting in omitted exposures.

The Group is a multinational and has operations in a number of less developed markets, including countries in South America, South East Asia and Africa. Operating in these territories presents increased operational and financial risks both due to the need to comply with potentially uncertain regulatory and legislative environments, including legislation relating to tax and where local regulations in those markets are different from laws and regulations that govern the Group as a whole. Breaches of compliance or inappropriate assumptions over provisioning for the uncertain legislation could have a significant effect on the results and financial position of the Group and is one of the judgemental areas our audit is focused on.

Our response: Our audit procedures included:

1. **Inspection and enquiry:** considering the Group's exposure to potential breaches of legislation by making appropriate enquiry of the Group in relation to compliance with laws and regulations and the existence and status of any known or suspected significant legal matters. We inspected reports returned by overseas locations to identify actual and potential non-compliance and heightened risks to compliance with laws and regulations, both those specific to the Group's business and those relating to the conduct of the business generally. Where significant or potential matters were identified we made enquiries of the Group's legal counsel and legal representative.
2. **Test of detail:** for any matters or potential matters identified review of underlying correspondence and documentation, including formal confirmations and discussion with external lawyers, where relevant.
3. **Sector experience:** where we considered heightened risks were present, using our experience of procedures adopted by multinational groups to provide assurance that their global components comply with laws and regulations, we undertook additional procedures in relation to the Group's oversight and control of such arrangements which included inspecting the biannual self-reporting by local management and testing a sample of reported 3rd party relationships against Group policy in relation to

Independent auditor's report continued

payments, due diligence process prior to entering into the relationship and completeness of listings at Group level in relation to these relationships. We inspected underlying agreements as considered necessary.

4. **Assessing transparency:** assessing the appropriateness of the Group's disclosures in respect of provisions, and contingencies disclosed.

Our results: We considered the contingency disclosures and provision amounts within the financial statements to be acceptable (2018: acceptable).

3 Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £2.8m (2018: £2.5m), determined with reference to a benchmark of Group profit before tax of £58.5m normalised to exclude separately disclosed items as disclosed in note 5 (2018: £56.1m), of which it represents 4.8% (2018: 4.5%).

The materiality for the Parent company financial statements as a whole was set at £0.7m (2018: £0.7m), determined with reference to a benchmark of gross assets of £540.4m (2018: £429m), of which it represents 0.1% (2018: 0.2%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.15m (2018: £0.1m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 146 (2018: 122) reporting components, we subjected 21 (2018: 19) to full scope or specific procedures audits for Group purposes. Of the aforementioned 21 reporting components, there were 5 components for which specific procedures were performed. The latter were not individually financially significant enough to require a full scope audit for group purposes, but did present specific individual risks that needed to be addressed.

We conducted reviews of financial information (including enquiry) at a further 7 (2018: 5) non-significant components to obtain further coverage. These components were not individually financially significant enough to require an audit for Group reporting purposes.

The components within the scope of our work accounted for the following percentages of the Group's results:

	Number of components	Group revenue	Group profit before tax	Group total assets
Audits and specified procedures for group reporting purposes	21 (2018: 19)	82% (2018: 83%)	71% (2018: 77%)	73% (2018: 74%)
Reviews of financial information (including enquiry)	7 (2018: 5)	10% (2018: 8%)	8% (2018: 3%)	7% (2018: 6%)
Total	28 (2018: 24)	92% (2018: 91%)	79% (2018: 80%)	80% (2018: 80%)

The remaining 8% of total Group revenue, 21% of Group profit before tax and 20% of total Group assets is represented by 118 reporting components, none of which individually represented more than 2% of any of total Group revenue, 8% of Group profit before tax and 2% total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.1m to £1.4m (2018: £0.1m to £0.5m), having regard to the mix of size and risk profile of the Group across the components. The work on 16 (2018: 17) of the 28 (2018: 24) components was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group audit team.

For those items excluded from normalised group profit before tax, the component teams performed procedures on items relating to their components. The group team performed procedures on the remaining excluded items. Telephone conferences were held with these component auditors at the locations which were not audited directly by the Group audit team. At these conferences, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4 We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- Significant cost overruns on the over-time contracts;
- Ability to renew banking facilities

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 24 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5 We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the viability statement that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable

Independent auditor's report continued

expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6 We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7 Respective responsibilities**Directors' responsibilities**

As explained more fully in their statement set out on page 77, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the group's regulatory and legal correspondence and discussed with the directors the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of relevant applicable legislation in the Countries where the Group operates. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we identified transactions with increased risk of non-compliance and considered the effect as part of our procedures on the related financial statement items. Further detail in respect of Group operations in overseas jurisdictions with uncertain legislation is set out in the key audit matter disclosures in section 2.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

8 The purpose of our audit work and to whom we owe our responsibilities

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

Mike Barradell (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

26 February 2020

Consolidated income statement

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Revenue	4	617.1	561.5
Cost of sales		(432.4)	(394.9)
Gross profit		184.7	166.6
Administrative expenses		(129.9)	(107.1)
Share of post-tax results of joint ventures	15	0.8	1.9
Operating profit		55.6	61.4
Underlying operating profit		66.3	62.1
Separately disclosed items	5	(10.7)	(0.7)
Net finance expense	7	(7.8)	(6.0)
Profit before taxation		47.8	55.4
Underlying profit before taxation		58.5	56.1
Separately disclosed items		(10.7)	(0.7)
Income tax	8	(11.1)	(10.1)
Profit for the year		36.7	45.3
Attributable to:			
Owners of the Company		36.7	44.9
Non-controlling interests		-	0.4
		36.7	45.3
Earnings per share			
		pence	pence
Basic	10	73.1	89.5
Diluted	10	72.7	88.9

Consolidated statement of other comprehensive income

for the year ended 31 December 2019

	Notes	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit for the year		36.7	45.3
Items that will not be classified to the income statement			
Actuarial gain/(loss) in defined benefit pension schemes	21	2.2	(1.1)
Fair value adjustment to financial asset		-	(0.9)
Tax on items that will not be reclassified		0.6	0.2
		2.8	(1.8)
Items that may be reclassified to the income statement			
Exchange differences on foreign currency net investments		(8.1)	1.3
Effective portion of changes in fair value of cash flow hedges	27	2.3	(4.0)
Effective portion of changes in fair value of cash flow hedges in joint ventures	15	(0.1)	0.2
Net changes in fair value of cash flow hedges transferred to income statement		(1.4)	0.1
Deferred tax on items that may be reclassified	8	(0.4)	0.5
		(7.7)	(1.9)
Total comprehensive income for the year		31.8	41.6
Attributable to:			
Owners of the Company		31.8	41.2
Non-controlling interests		-	0.4
		31.8	41.6

Consolidated and Company statement of financial position

at 31 December 2019

	Notes	Group		Company	
		31 December 2019 £m	31 December 2018 £m	31 December 2019 £m	31 December 2018 £m
Non-current assets					
Goodwill	12	185.5	171.4	-	-
Other intangible assets	13	29.7	26.1	-	-
Property, plant and equipment	14	210.6	145.4	4.5	4.5
Right-of-use assets	14	27.1	-	1.8	-
Investment in joint ventures	15	8.5	8.2	-	-
Investments in subsidiaries	16	-	-	495.5	400.1
Other investments	16	1.4	1.4	1.4	1.4
Deferred tax assets	9	4.5	3.7	2.0	2.9
		467.3	356.2	505.2	408.9
Current assets					
Inventories	17	47.9	44.9	-	-
Trade and other receivables	18	213.7	186.2	6.9	4.7
Cash and cash equivalents		18.5	18.6	27.1	15.4
		280.1	249.7	34.0	20.1
Current liabilities					
Trade and other payables	19	(158.0)	(138.2)	(10.6)	(11.2)
Provisions and liabilities and charges	20	(0.7)	(2.6)	(0.4)	-
Current tax	8	(10.5)	(8.7)	2.6	0.1
Borrowings	24	(11.3)	(10.0)	(11.0)	(15.5)
Lease liabilities	24	(8.9)	(0.1)	(0.3)	-
		(189.4)	(159.6)	(19.7)	(26.6)
Net current assets		90.7	90.1	14.3	(6.5)
Total assets less current liabilities		558.0	446.3	519.5	402.4
Non-current liabilities					
Other payables	19	(4.8)	-	-	-
Retirement benefit obligations	21	(5.8)	(16.1)	(3.7)	(10.5)
Cumulative preference shares	28	(0.1)	(0.1)	(0.1)	(0.1)
Borrowings	24	(207.3)	(121.9)	(206.7)	(121.9)
Lease liabilities	24	(21.3)	(0.1)	(1.7)	-
Deferred tax liabilities	9	(4.7)	(1.7)	-	-
		(244.0)	(139.9)	(212.2)	(132.5)
Net assets		314.0	306.4	307.3	269.9
Equity					
Called up share capital	28	12.6	12.6	12.6	12.6
Share premium		26.5	25.9	26.5	25.9
Treasury shares		-	(0.4)	-	(0.4)
Other reserves		(10.6)	(0.9)	0.9	(0.5)
Retained earnings		284.7	267.8	267.3	232.3
Equity attributable to owners of the Company		313.2	305.0	307.3	269.9
Non-controlling interests		0.8	1.4	-	-
Total equity		314.0	306.4	307.3	269.9

The consolidated financial statements were approved by the Board of Directors on 26 February 2020 and signed on its behalf by:

S C Kilpatrick

Group Finance Director
Company number 00211475

Consolidated and Company cash flow statement

for the year ended 31 December 2019

	Notes	Group		Company	
		31 December 2019 £m	31 December 2018 £m	31 December 2019 £m	31 December 2018 £m
Profit before tax		47.8	55.4	55.2	39.7
Adjustments to reconcile profit before tax to net cash flows					
Depreciation and amortisation		43.1	31.0	1.2	1.1
Separately disclosed items (excluding amortisation)	5	7.6	(1.9)	3.7	-
Other non cash items		6.4	5.9	(3.8)	(0.3)
(Increase)/decrease in inventories		(2.4)	2.6	-	-
(Increase)/decrease in trade and other receivables		(31.1)	12.5	(1.8)	2.0
Increase/(decrease) in trade and other payables		12.2	(4.0)	1.2	(3.7)
Defined benefit pension cash contributions less service cost		(8.4)	(5.3)	(8.2)	(5.1)
Cash generated from operations		75.2	96.2	47.5	33.7
Cash outflow from separately disclosed items		(7.5)	(0.2)	-	-
Income tax payments		(9.6)	(8.6)	(1.2)	(0.3)
Cash flow from operating activities		58.1	87.4	46.3	33.4
Investing activities					
Dividends from joint venture undertakings		1.7	1.4	-	-
Proceeds from the disposal of property, plant and equipment		2.2	2.8	-	-
Finance income		0.3	0.2	8.3	6.7
Acquisition of subsidiaries, net of cash acquired	23	(12.5)	(10.2)	-	-
Net loans advanced to subsidiaries		-	-	(99.4)	10.9
Investment in joint ventures and other investments		(4.7)	(2.1)	-	-
Acquisition of property, plant and equipment		(88.9)	(32.4)	(0.9)	(0.3)
Development expenditure		(3.5)	(6.1)	-	-
Cash flows (used in)/from investing activities		(105.4)	(46.4)	(92.0)	17.3
Financing activities					
Proceeds from the issue of share capital		-	0.2	-	0.2
Finance costs		(5.3)	(4.9)	(4.4)	(4.6)
Net purchase of own shares by Employee Share Ownership Trust		(1.1)	(0.9)	(1.1)	(1.0)
Notional purchase of own shares for LTIP vesting		(1.3)	-	(1.3)	-
Capital element of lease repayments (2018: Capital element of finance lease repayments)		(11.3)	(0.2)	(0.2)	-
Proceeds from borrowings		106.6	121.1	80.8	-
Repayment of borrowings		(21.2)	(142.5)	-	(27.5)
Dividends paid	11	(16.4)	(14.9)	(16.4)	(14.9)
Dividends paid to minority interest		(2.0)	(0.3)	-	-
Cash flows (used in)/from financing activities		48.0	(42.4)	57.4	(47.8)
Net increase/(decrease) in cash and cash equivalents	25	0.7	(1.4)	11.7	2.9
Cash and cash equivalents at 1 January		18.6	20.3	15.4	12.2
Net foreign exchange differences		(0.8)	(0.3)	-	0.3
Cash and cash equivalents at 31 December		18.5	18.6	27.1	15.4

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Capital		Attributable to equity holders of parent				Total shareholders equity £m	Non-controlling interests £m	Total equity £m
	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Treasury shares £m				
At 1 January 2018	12.6	25.7	238.9	1.0	(0.4)	277.8	1.2	279.0	
Total comprehensive income	-	-	43.1	(1.9)	-	41.2	0.4	41.6	
Contributions by and distributions to owners:									
Ordinary dividends paid	-	-	(14.9)	-	-	(14.9)	(0.3)	(15.2)	
Share based payments	-	-	1.4	-	-	1.4	-	1.4	
Tax effect of share based payments	-	-	0.2	-	-	0.2	-	0.2	
Acquisition	-	-	-	-	-	-	0.1	0.1	
Purchase of shares by ESOT	-	-	-	-	(0.7)	(0.7)	-	(0.7)	
Sale of shares by ESOT	-	-	(0.7)	-	0.5	(0.2)	-	(0.2)	
Arising on the issue of shares	-	0.2	-	-	-	0.2	-	0.2	
Transfer	-	-	(0.2)	-	0.2	-	-	-	
Balance at 31 December 2018	12.6	25.9	267.8	(0.9)	(0.4)	305.0	1.4	306.4	
IFRIC 23 opening balance adjustments (note 34)	-	-	(1.6)	-	-	(1.6)	-	(1.6)	
Total comprehensive income	-	-	38.9	(7.1)	-	31.8	-	31.8	
Contributions by and distributions to owners:									
Ordinary dividends paid	-	-	(16.4)	-	-	(16.4)	(2.0)	(18.4)	
Non-controlling interest dividend waiver	-	-	(1.7)	-	-	(1.7)	0.8	(0.9)	
Acquisitions	-	-	-	(2.6)	-	(2.6)	0.6	(2.0)	
Share based payments	-	-	0.9	-	-	0.9	-	0.9	
Tax effect of share based payments	-	-	0.2	-	-	0.2	-	0.2	
Purchase of shares by ESOT	-	-	-	-	(1.1)	(1.1)	-	(1.1)	
Notional purchase of own shares	-	-	(1.9)	-	-	(1.9)	-	(1.9)	
Arising on the issue of shares	-	0.6	-	-	-	0.6	-	0.6	
Transfer	-	-	(1.5)	-	1.5	-	-	-	
At 31 December 2019	12.6	26.5	284.7	(10.6)	-	313.2	0.8	314.0	

Other reserve movements

	Translation reserve £m	Hedging reserve £m	Put option liability £m	Total £m
Other reserves				
At 1 January 2018	(1.0)	2.0	-	1.0
Other comprehensive income	1.3	(3.2)	-	(1.9)
At 31 December 2018	0.3	(1.2)	-	(0.9)
Other comprehensive income	(8.1)	1.0	-	(7.1)
Remeasurement of non-controlling interest put option	-	-	(2.6)	(2.6)
At 31 December 2019	(7.8)	(0.2)	(2.6)	(10.6)

Company statement of changes in equity

for the year ended 31 December 2019

	Capital					Total equity £m
	Share capital £m	Share premium £m	Retained earnings £m	Hedging reserve £m	Treasury shares £m	
At 1 January 2018	12.6	25.7	207.6	2.5	(0.4)	248.0
Total comprehensive income	-	-	38.9	(3.0)	-	35.9
Contributions by and distributions to owners:						
Ordinary dividends paid	-	-	(14.9)	-	-	(14.9)
Share based compensation	-	-	1.4	-	-	1.4
Tax effect of share based compensation	-	-	0.2	-	-	0.2
Purchase of shares by ESOT	-	-	-	-	(0.7)	(0.7)
Sale of shares by ESOT	-	-	(0.7)	-	0.5	(0.2)
Arising on the issue of shares	-	0.2	-	-	-	0.2
Transfer on disposal of shares	-	-	(0.2)	-	0.2	-
At 31 December 2018	12.6	25.9	232.3	(0.5)	(0.4)	269.9
Total comprehensive income	-	-	53.7	1.4	-	55.1
Contributions by and distributions to owners:						
Ordinary dividends paid	-	-	(16.4)	-	-	(16.4)
Share based compensation	-	-	0.9	-	-	0.9
Tax effect of share based compensation	-	-	0.2	-	-	0.2
Purchase of shares by ESOT	-	-	-	-	(1.1)	(1.1)
Notional purchase of own shares	-	-	(1.9)	-	-	(1.9)
Arising on the issue of shares	-	0.6	-	-	-	0.6
Transfer on disposal of shares	-	-	(1.5)	-	1.5	-
At 31 December 2019	12.6	26.5	267.3	0.9	-	307.3

Notes to the financial statements

1 General information

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 consolidated financial statements comprise the financial statements of the Company, its subsidiary undertakings and its interest in associates and jointly controlled entities (together the Group), for the year ended 31 December 2019. The Company's shares are listed on the London Stock Exchange. The Company and consolidated financial statements were approved for publication by the Directors on 26 February 2020.

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), adopted by the European Union (adopted IFRS). The financial statements are prepared on a going concern basis and on a historical cost basis, modified to include revaluation to fair value of certain financial instruments. As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes for the holding company have not been presented in these financial statements. The profit after taxation in the Company was £54.8m (2018: £39.6m). The Group and Company financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£m) except when otherwise indicated.

The consolidated financial statements and those of the Company have been prepared in accordance with IFRS adopted by the EU as at 31 December 2019 and are applied in accordance with the provisions of the Companies Act 2006.

2 Alternative performance measures

The Group uses a number of alternative (non-Generally Accepted Accounting Practice (non-GAAP)) performance 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 this Annual Report and Accounts.

2.1 Underlying operating profit and underlying profit before taxation

Underlying operating profit is defined as operating profit before acquisition related income and expense (amortisation or impairment of acquired intangible assets, acquisition expenses, adjustments to contingent consideration), the costs of a material restructuring, litigation, or asset impairment and the profit or loss relating to the sale of businesses. As acquisition related income and expense fluctuates with activity and to provide a better comparison to businesses that are not acquisitive, the Directors consider that these items should be separately disclosed to give a better understanding of operating performance. Underlying profit before taxation is defined as underlying operating profit less net finance expense.

	2019	2018
	£m	£m
Operating profit	55.6	61.4
Separately disclosed items before taxation	10.7	0.7
Underlying operating profit	66.3	62.1
Net finance expense	(7.8)	(6.0)
Underlying profit before taxation	58.5	56.1

2.2 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 10.

2.3 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.

Notes to the financial statements continued

2 Alternative performance measures continued

	2019 £m	2018 £m
Net assets	314.0	306.4
Less right-of-use assets	(27.1)	-
	286.9	306.4
Less cash and short-term deposits	(18.5)	(18.6)
Plus borrowings and lease liabilities	248.9	132.2
Capital employed	517.3	420.0
Underlying operating profit	66.3	62.1
Notional tax at the effective tax rate	(13.1)	(11.6)
	53.2	50.5
Average capital employed	471.1	413.1
Return on average capital employed	11.3%	12.2%

2.4 Cash conversion

Cash conversion is defined as the ratio of operating cash flow to underlying operating profit. Operating cash flow comprises:

	2019 £m	2018 £m
Cash generated from operations	75.2	96.2
Dividends from joint venture undertakings	1.7	1.4
Capital element of lease repayments	(11.3)	(0.2)
less capital element of finance lease repayments	0.2	0.2
Operating cash flow	65.8	97.6
Underlying operating profit	66.3	62.1
Cash conversion	99%	157%

2.5 Underlying earnings before interest, tax, depreciation and amortisation (Ebitda)

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

	2019 £m	2018 £m
Underlying operating profit	66.3	62.1
Depreciation and amortisation	43.1	31.0
Less: depreciation on right-of-use assets	(10.1)	-
amortisation of acquired intangibles (note 5)	(3.1)	(2.6)
Underlying depreciation and amortisation	29.9	28.4
Underlying ebitda	96.2	90.5

2.6 Underlying dividend cover

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

	pence	pence
Underlying earnings per share	92.8	89.5
Dividends per share	34.7	31.6
Underlying dividend cover (times)	2.7	2.8

2.7 Organic

Organic growth represents the performance for the current year compared to the prior year, adjusted for current and prior year acquisitions and for a constant currency. The constant currency adjustment takes the non-sterling results for the prior year and re-translates them at the average exchange rate for the current year.

3 Segmental information

The Group has four operating segments reviewed by the Board: Marine Support, Specialist Technical, Offshore Oil and Tankships. These operating segments form the basis of the primary segmental disclosures below. In applying IFRS 8 'Operating segments', the Group redefined its operating segments to align to the way in which the Group is now being run with the reportable segments presented in 2018 reflecting the way in which information is presented to the Group's Chief Operating Decision Maker, the Company Board. Consequently, £9.9m of revenue and £0.8m of operating profit formerly included within Marine Support is now included within Offshore Oil in the comparative year. Their principal activities are set out in the Strategic report on pages 11 to 18.

The Board assess 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 and 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 liabilities.

IFRS16 'Leases' which was adopted on 1 January 2019 and as permitted by the transitional provisions comparatives have not been restated. The impact on the income statement is set out in note 33.

Year ended 31 December 2019

	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Corporate £m	Total £m
Segmental revenue						
- point in time	270.6	58.8	93.4	-	-	422.8
- over time	35.6	95.4	-	67.9	-	198.9
Inter-segmental sales	(0.1)	(1.5)	(3.0)	-	-	(4.6)
Revenue	306.1	152.7	90.4	67.9	-	617.1
Underlying operating profit	25.1	18.4	13.6	12.0	(2.8)	66.3
Acquisition costs	(0.5)	(0.1)	-	-	-	(0.6)
Amortisation of acquired intangibles	(2.1)	(0.2)	(0.8)	-	-	(3.1)
Costs of material litigation	(1.5)	-	-	-	-	(1.5)
Adjustment to provision for contingent consideration	3.5	-	-	-	-	3.5
Impairment charge	(9.0)	-	-	-	-	(9.0)
Operating profit	15.5	18.1	12.8	12.0	(2.8)	55.6
Net finance expense						(7.8)
Profit before tax						47.8
Income tax						(11.1)
Profit for the year						36.7
Assets and liabilities						
Segmental assets	325.8	166.1	164.2	60.7	22.1	738.9
Investment in joint ventures	3.6	3.0	1.9	-	-	8.5
Total assets	329.4	169.1	166.1	60.7	22.1	747.4
Segmental liabilities	(99.5)	(53.1)	(29.8)	(28.9)	(222.1)	(433.4)
	229.9	116.0	136.3	31.8	(200.0)	314.0
Other segmental information						
Capital expenditure	66.1	4.5	11.9	12.8	-	95.3
Depreciation and amortisation	13.0	7.0	13.0	9.7	0.4	43.1

Notes to the financial statements continued

3 Segmental information continued

Year ended 31 December 2018

	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Corporate £m	Total £m
Segmental revenue						
– point in time	269.8	49.5	72.6	-	-	391.9
– over time	1.0	111.1	-	60.7	-	172.8
Inter-segmental sales	(1.0)	(1.0)	(1.2)	-	-	(3.2)
Revenue	269.8	159.6	71.4	60.7	-	561.5
Underlying operating profit	28.2	20.9	5.9	9.9	(2.8)	62.1
Acquisition costs	(0.5)	(0.2)	-	-	-	(0.7)
Amortisation of acquired intangibles	(1.2)	(0.5)	(0.9)	-	-	(2.6)
Adjustment to provision for contingent consideration	2.6	-	-	-	-	2.6
Operating profit	29.1	20.2	5.0	9.9	(2.8)	61.4
Net finance expense						(6.0)
Profit before tax						55.4
Income tax						(10.1)
Profit for the year						45.3
Assets and liabilities						
Segmental assets	232.4	145.9	150.1	44.3	25.0	597.7
Investment in joint ventures	4.2	3.0	1.0	-	-	8.2
Total assets	236.6	148.9	151.1	44.3	25.0	605.9
Segmental liabilities	(71.2)	(48.4)	(15.4)	(16.0)	(148.5)	(299.5)
	165.4	100.5	135.7	28.3	(123.5)	306.4
Other segmental information						
Capital expenditure	8.0	5.2	7.0	13.2	-	33.4
Depreciation and amortisation	10.3	5.7	11.4	3.6	-	31.0

Geographic information

Geographical revenue is determined by the location in which the product or service is provided. Where customers receive the product or service in one geographical location for use or shipment to another it is not practicable for the Group to identify this and the revenue is attributed to the location of the initial shipment. The geographical allocation of segmental assets and liabilities is determined by the location of the attributable business unit.

	United Kingdom		Rest of Europe		Middle East, Africa & Americas		Asia Pacific		Total	
	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m	2019 £m	2018 £m
Segmental revenue										
– point in time	103.9	92.4	78.0	43.5	134.4	124.6	106.5	131.4	422.8	391.9
– over time	142.3	133.0	-	11.5	35.7	1.7	20.9	26.6	198.9	172.8
Inter-segmental sales	(4.6)	(3.0)	-	-	-	(0.2)	-	-	(4.6)	(3.2)
Revenue	241.6	222.4	78.0	55.0	170.1	126.1	127.4	158.0	617.1	561.5
Assets and liabilities										
Segmental assets	429.2	391.5	59.7	53.9	172.1	76.6	77.8	75.7	738.8	597.7
Investment in joint ventures	0.1	0.1	2.1	1.3	1.5	0.9	4.8	5.9	8.5	8.2
Segmental liabilities	(343.6)	(240.7)	(12.7)	(6.5)	(50.9)	(24.5)	(26.1)	(27.8)	(433.3)	(299.5)
	85.7	150.9	49.1	48.7	122.7	53.0	56.5	53.8	314.0	306.4

4 Revenue and operating charges

Revenue disclosed in the income statement comprises of goods and services of £506.9m (2018: £450.4m), rental income of £42.6m (2018: £35.4m) and construction contract income of £67.6m (2018: £75.7m).

Operating charges reflected within operating profit include:

	2019 £m	2018 £m
Research and development costs	0.2	0.5
Net foreign currency losses/(gains)	1.8	(0.6)
Cost of inventories recognised as an expense	87.5	80.3

4 Revenue and operating charges continued

Auditor's remuneration comprises the following:

	2019	2018
	£m	£m
Audit of the financial statements of the parent	0.5	0.2
Local statutory audits of subsidiaries	0.9	0.6
Total fees payable to Group auditor	1.4	0.8

5 Separately disclosed items

In order for a better understanding of the underlying performance of the Group certain items are disclosed separately (note 2).

Separately disclosed items are as follows:

	2019	2018
	£m	£m
Acquisition related income and (expense):		
Costs incurred in acquiring businesses	(0.6)	(0.7)
Amortisation of acquired intangibles	(3.1)	(2.6)
Adjustment to provision for contingent consideration	3.5	2.6
	(0.2)	(0.7)
Costs of material litigation	(1.5)	-
Impairment charge	(9.0)	-
Separately disclosed items before taxation	(10.7)	(0.7)

Adjustments to the provision for contingent consideration are based on the most recent forecasts and estimates such that the balance sheet liability represents the Director's best estimate of amounts likely to be paid based on current information. The cost of material litigation relate to a contract claim made against one of our Marine Support businesses which was contested and subsequently lost on appeal. The impairment charge relates to the unsuccessful acquisition of a 60% share of Murjan Al-Sharq for Marine Contracting LLC (Murjan) on 8 January 2019. The Group failed to achieve management control of this business and has provided an impairment charge for amounts owed to it by Murjan and its net investment.

6 Group employee costs

(a) Staff costs including Directors' remuneration were as follows:

	Group	
	2019	2018
	£m	£m
Wages and salaries	141.5	124.5
Social security costs	12.5	10.8
Pension costs	5.0	4.3
Share based compensation	1.0	1.4
	160.0	141.0

The monthly average number of persons including Executive Directors employed by the Group was:

	Group	
	2019	2018
	Number	Number
Technical and administrative	2,955	2,604
Seafarers	301	262
	3,256	2,866

The Directors' remuneration and their interest in shares of the Company are set out in the Directors remuneration report on pages 59 to 76. The amount charged against operating profit in the year in respect of Director short-term remuneration was £1.3m (2018: £2.1m) in respect of emoluments and £0.1m (2018: £0.1m) in respect of pension contributions to defined contribution schemes. The charge for share based payments in respect of Directors was £0.5m (2018: £0.8m) and aggregate gains under the exercise of options was £nil (2018: £0.3m).

(b) Compensation of key management to the Group

	2019	2018
	£m	£m
Short-term employee benefits	2.0	2.4
Share based payments	0.5	0.8
	2.5	3.2

Key management personnel include the Board of Directors of the Company and other senior members of the management team.

Notes to the financial statements continued

7 Net finance expense

	2019 £m	2018 £m
Finance income:		
Interest receivable on short-term deposits	0.3	0.2
Finance expense:		
Bank loans and overdrafts	(5.8)	(5.4)
Net interest on pension obligations	(0.3)	(0.5)
Unwind of discount on right-of-use lease liability	(1.7)	-
Unwind of discount on contingent consideration	(0.3)	(0.3)
	(8.1)	(6.2)
Net finance expense	(7.8)	(6.0)

8 Taxation

(a) The tax charge is based on profit for the year and comprises:

	2019 £m	2018 £m
Current tax:		
UK corporation tax	(4.1)	(2.2)
Overseas tax	(9.5)	(9.3)
Adjustment in respect of prior years:		
UK corporation tax	0.5	1.0
Overseas tax	1.0	0.1
Total current tax	(12.1)	(10.4)
Deferred tax:		
Origination and reversal of temporary differences:		
Current year:		
UK	0.8	0.4
Overseas	1.0	0.4
Prior year:		
UK	(0.7)	(0.7)
Overseas	(0.1)	0.2
Total taxation on profit for the year	(11.1)	(10.1)

The total tax charge in the income statement includes a further £0.1m (2018: £0.1m) which is stated within the share of post-tax results of joint ventures.

(b) Income tax on comprehensive income

	2019 £m	2018 £m
Current tax:		
Current tax on foreign exchange losses on internal loans	0.6	(0.3)
Current tax on contributions to defined benefit pension schemes	1.0	0.8
Current tax relating to share based payments	0.5	0.3
Deferred tax:		
Deferred tax on actuarial loss on defined benefit pension schemes	(1.1)	(0.6)
Deferred tax relating to derivatives	(0.4)	0.5
Deferred tax relating to share based payments	(0.3)	(0.1)
	0.3	0.6

8 Taxation continued

(c) Reconciliation of effective tax rate

The Group falls under the UK tonnage tax regime on its ship owning and operating activities and a charge is based on the net tonnage of vessels operated. Profits for these activities are not subject to corporation tax. The tax on the Group's profit before tax differs from the theoretical amount that would arise using the rate applicable under UK corporation tax rules as follows:

	2019 £m	2018 £m
Profit before tax	47.8	55.4
Tax arising from interests in joint ventures	0.1	0.1
	47.9	55.5
Tax on profit at UK statutory tax rate of 19% (2018: 19%)	9.1	10.5
Tonnage tax relief on vessel activities	(1.6)	(1.5)
Expenses not deductible for tax purposes	2.7	0.3
(Over)/under provision in previous years:		
Current tax	(1.5)	(1.1)
Deferred tax	0.8	0.5
Higher tax rates on overseas income	3.2	2.2
Research and development relief	(0.5)	(0.4)
Non-taxable income	(0.7)	(0.9)
Impact of change of rate	0.1	(0.2)
Losses not recognised	(0.4)	0.8
	11.2	10.2

The effective rate on profit before income tax from continuing operations is 23.2% (2018: 18.2%). The effective income tax rate on the underlying profit before tax is 19.8% (2018: 18.7%). Over provision in previous years arose due to the timing in which certain transactions have been accounted for, rather than any correction.

At 31 December 2019, the Group had unrecognised tax losses of £7.3m (2018: £11.1m). A deferred tax asset has not been recognised in respect of these losses due to the uncertainty relating to their future recovery.

9 Deferred tax

Deferred tax at 31 December relates to the following:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Deferred tax assets				
Retirement benefits	1.2	2.3	1.1	1.4
Share based payments	0.7	1.0	0.7	1.0
Derivative financial instruments	-	0.2	-	0.1
Losses carried forward	4.3	3.6	-	-
Temporary differences	1.9	1.8	0.3	0.3
	8.1	8.9	2.1	2.8
Deferred tax liabilities				
Property, plant and equipment	(3.4)	(3.1)	0.1	0.1
Intangible assets	(4.7)	(3.8)	-	-
Derivative financial instruments	(0.2)	-	(0.2)	-
	(8.3)	(6.9)	(0.1)	0.1
Net deferred income tax asset	(0.2)	2.0	2.0	2.9

Deferred tax assets and liabilities included in the consolidated balance sheet have been analysed according to the net exposures in each tax jurisdiction.

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

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Balance at 1 January	2.0	2.0	2.9	2.8
Charged to comprehensive income	(1.5)	(0.1)	(0.7)	-
Charged to equity	(0.3)	(0.1)	(0.3)	(0.1)
Credited to income statement	1.0	0.3	0.1	0.2
Exchange adjustments	(0.1)	-	-	-
Acquisition of subsidiaries	(1.3)	(0.1)	-	-
Balance at 31 December	(0.2)	2.0	2.0	2.9

Notes to the financial statements continued

9 Deferred tax continued

At 31 December 2019, the Group has no recognised deferred income tax liability (2018: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. No deferred income tax liability has been recognised in respect of this temporary timing difference due to the foreign profits exemption, the availability of double taxation relief and the ability to control the remittance of earnings.

Deferred tax credited to the income statement in the year ending 31 December 2019 relates to the following:

	Group	
	2019	2018
	£m	£m
Deferred tax assets	(0.8)	(0.8)
Deferred tax liabilities:		
Property, plant and equipment	0.3	0.4
Intangible assets	(0.5)	(0.4)
Other items	-	0.5
Deferred income tax credit	(1.0)	(0.3)

There is no impact in the deferred tax balances of initially applying IFRS 16.

10 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 year, after excluding 510 (2018: 28,630) ordinary shares held by the James Fisher and Sons plc Employee Share Ownership Trust (ESOT), as treasury shares. Diluted earnings per share are calculated by dividing the net profit attributable to ordinary 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.

At 31 December 2019, 44,809 options (2018: nil) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would be anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

	2019	2018
	Number of shares	Number of shares
Weighted average number of shares		
Basic weighted average number of shares	50,282,962	50,210,684
Potential exercise of share based payment schemes	240,597	299,374
Diluted weighted average number of shares	50,523,559	50,510,058

Underlying earnings per share

To provide a better understanding of the underlying performance of the Group, underlying earnings per share on continuing activities is reported as an alternative performance measure (note 2). Underlying profit is as follows:

	2019	2018
	£m	£m
Profit attributable to owners of the Company	36.7	44.9
Adjustments:		
Separately disclosed items	10.7	0.7
Tax on separately disclosed items	(0.5)	(0.4)
Underlying profit attributable to owners of the Company	46.9	45.2
Earnings per share	pence	pence
Basic earnings per share	73.1	89.5
Diluted earnings per share	72.7	88.9
Underlying basic earnings per share	93.2	90.0
Underlying diluted earnings per share	92.8	89.5

11 Dividends paid and proposed

	2019 pence per share	2018 pence per share	2019 £m	2018 £m
Declared and paid during the year				
Equity dividends on ordinary shares:				
Final dividend for 2018	21.3	19.3	10.7	9.7
Interim dividend for 2019	11.3	10.3	5.7	5.2
			16.4	14.9

A final dividend in respect of the year ended 31 December 2019 of 23.4p per share (2018: 21.3p) is proposed.

12 Goodwill

Group	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Total £m
At 1 January 2018	80.2	41.7	42.4	10.3	174.6
Acquisitions	(2.9)	1.0	-	-	(1.9)
Transfer	2.1	(2.1)	-	-	-
Exchange differences	(1.5)	0.2	-	-	(1.3)
At 31 December 2018	77.9	40.8	42.4	10.3	171.4
Acquisitions	15.3	0.3	-	-	15.6
Transfers	(4.6)	-	5.5	-	0.7
Exchange differences	(0.4)	(0.5)	(1.3)	-	(2.2)
At 31 December 2019	88.2	40.6	46.4	10.3	185.5

Goodwill acquired through business combinations has been allocated for impairment testing purposes to cash generating units (CGU's) of which there are 14 in total. The recoverable amount of these units has been assessed based on value in use calculations using cash projections based on 3 year plans approved by the Board together with projections derived from those plans for the next 2 years.

A terminal value of cash flows beyond that date has been calculated at a growth rate in line with management's long-term expectations for the relevant market, using a growth rate in the range 2.0% to 4.6%. The key assumptions used in the value in use calculations include gross margin, discount rate, inflation of overheads and payroll and growth rates. For presentation purposes the CGU's are grouped into the appropriate division. In applying IFRS 8 'Operating segments', the Group redefined its operating segments to align to the way in which the Group is now being run with a transfer between Marine Support and Offshore Oil.

Growth estimates are based on the levels achieved in the current and historic periods adjusted for management expectations of the impact of management actions and the future development of the relevant market. Short-term growth rates for turnover are based on the 3 year plan and allow for significant growth in project based activities. These growth rates vary dependent on the market conditions in which the CGU operates. Direct costs are expected to increase in line with turnover.

Discount rates applied to cash projections reflect management's estimate of the return required from the business to reflect the cost of funds plus an appropriate risk premium. This has been determined with reference to the CGU's weighted average cost of capital (WACC) adjusted for risks specific to each CGU's cash flows. The range of pre-tax discount rates used was 4.5% to 6.5% (2018: 5.7% to 6.7%).

Effective tax rates of between nil% and 34% (2018: nil% and 35%) dependent upon which jurisdiction the operations are forecast to take place in have been assumed as estimated long-term rates. Based on the value in use calculations set out above no impairment of the goodwill of the cash generating units was identified.

Sensitivity to impairment

Across the business divisions four CGU's were identified as having a higher impairment risk, two in Marine Support, one in Specialist Technical and one in Offshore Oil. Sensitivities carried out included increasing the discount rate by 3%; reducing the terminal growth to zero and reducing operating profit by 30%. In all the scenarios headroom remained positive. The sensitivities identified that the discount rate would need to be increased to 17% to give rise to a goodwill impairment in any CGU.

Notes to the financial statements continued

13 Other intangible assets

Group	Development costs £m	Intellectual property £m	Customer relationships £m	Total £m
Cost				
At 1 January 2018	18.4	7.8	14.2	40.4
Additions	6.1	0.8	0.5	7.4
Exchange differences	0.2	-	(0.1)	0.1
At 31 December 2018	24.7	8.6	14.6	47.9
Additions	3.9	1.7	-	5.6
Acquisitions	-	0.2	5.5	5.7
Disposals	-	-	(0.3)	(0.3)
Exchange differences	(0.2)	(0.1)	(0.4)	(0.7)
At 31 December 2019	28.4	10.4	19.4	58.2
Amortisation				
At 1 January 2018	7.3	1.5	7.0	15.8
Charge for the period	3.0	1.0	2.0	6.0
At 31 December 2018	10.3	2.5	9.0	21.8
Charge for the period	3.3	1.2	2.6	7.1
Disposals	-	-	(0.3)	(0.3)
Exchange differences	-	-	(0.1)	(0.1)
At 31 December 2019	13.6	3.7	11.2	28.5
Net book value at 31 December 2019	14.8	6.7	8.2	29.7
Net book value at 31 December 2018	14.4	6.1	5.6	26.1
Net book value at 31 December 2017	11.1	6.3	7.2	24.6

Customer relationships relate to items acquired through business combinations which are amortised over their estimated useful economic life. Development costs relate to new products developed by the Group and intellectual property represents amounts purchased or acquired relating to technology in the Group's activities. Based on an assessment of value in use, there are no indications that any impairment of these assets has arisen during the period.

14 Property, plant and equipment

Group	Vessels £m	Assets under construction £m	Freehold & leasehold property £m	Plant & equipment £m	Total £m
Cost:					
At 1 January 2018	80.7	8.9	33.0	177.0	299.6
Additions	16.1	3.5	0.8	13.0	33.4
Transfer	-	-	-	9.7	9.7
Reclassifications	-	(7.4)	-	7.4	-
Acquisitions	-	-	-	0.1	0.1
Disposals	(4.7)	(0.2)	-	(8.1)	(13.0)
Exchange differences	0.2	-	0.4	(0.1)	0.5
At 31 December 2018	92.3	4.8	34.2	199.0	330.3
Right-of-use asset	13.1	-	21.0	0.6	34.7
Adjusted balance at 1 January 2019	105.4	4.8	55.2	199.6	365.0
Additions	67.8	5.4	4.0	18.1	95.3
Reclassifications	-	(4.4)	-	4.4	-
Acquisitions	0.5	-	-	2.0	2.5
Disposals	(5.9)	-	(0.2)	(7.9)	(14.0)
Exchange differences	(0.1)	-	(0.9)	(3.7)	(4.7)
At 31 December 2019	167.7	5.8	58.1	212.5	444.1
Group					
Depreciation and impairment:					
At 1 January 2018	56.7	-	8.8	101.6	167.1
Provided during the year	5.2	-	1.6	18.6	25.4
Transfer	-	-	-	2.2	2.2
Disposals	(3.4)	-	-	(6.7)	(10.1)
Exchange differences	0.2	-	0.1	-	0.3
At 31 December 2018	58.7	-	10.5	115.7	184.9
Provided during the year	11.7	-	5.8	18.5	36.0
Disposals	(5.7)	-	(0.1)	(6.1)	(11.9)
Exchange differences	(0.1)	-	(0.1)	(2.4)	(2.6)
At 31 December 2019	64.6	-	16.1	125.7	206.4
Net book value at 31 December 2019	103.1	5.8	42.0	86.8	237.7
Net book value at 31 December 2018	33.6	4.8	23.7	83.3	145.4
Net book value at 31 December 2017	24.0	8.9	24.2	75.4	132.5

Property, plant and equipment held under leasing arrangements

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2019 was £3.5m (2018: £0.4m). In 2018 vessels included assets with a cost of £6.8m and accumulated depreciation of £6.7m which related to assets held under operating leases.

Notes to the financial statements continued

14 Property, plant and equipment continued

Property, plant and equipment

Company	Vessels £m	Freehold & leasehold property £m	Plant & equipment £m	Total £m
Cost:				
At 1 January 2018	9.8	2.3	2.8	14.9
Additions	-	-	0.3	0.3
At 31 December 2018	9.8	2.3	3.1	15.2
Right-of-use asset	-	2.1	-	2.1
Adjusted balance at 1 January 2019	9.8	4.4	3.1	17.3
Additions	0.5	-	0.4	0.9
At 31 December 2019	10.3	4.4	3.5	18.2
Depreciation:				
At 1 January 2018	6.3	1.3	2.0	9.6
Provided during the year	0.5	0.1	0.5	1.1
At 31 December 2018	6.8	1.4	2.5	10.7
Provided during the year	0.5	0.4	0.3	1.2
At 31 December 2019	7.3	1.8	2.8	11.9
Net book value at 31 December 2019	3.0	2.6	0.7	6.3
Net book value at 31 December 2018	3.0	0.9	0.6	4.5
Net book value at 31 December 2017	3.5	1.0	0.8	5.3

15 Investment in subsidiaries, associates and joint arrangements

Details of the Group's joint ventures and associated undertakings are set out on page 138. The Group's share of the assets, liabilities and trading results of these joint venture entities at 31 December 2019 which are accounted for under the equity accounting method, are as follows:

	2019 £m	2018 £m
Current assets	17.2	17.0
Non-current assets	27.0	19.3
Current liabilities	(11.0)	(6.1)
Non-current liabilities	(26.7)	(24.0)
Loans to associate	2.0	2.0
	8.5	8.2
Revenue	17.0	14.9
Cost of sales	(14.1)	(12.4)
Administrative expenses	(2.2)	(0.6)
Profit from operations	0.7	1.9
Net finance expense	0.2	0.3
Profit before income tax	0.9	2.2
Taxation	(0.1)	(0.3)
Profit after tax	0.8	1.9
Segmental analysis of profit after tax:		
Marine Support	0.2	1.5
Specialist Technical	0.6	0.4
	0.8	1.9
Movement on investment in joint ventures:		
At 1 January	8.2	7.1
Acquisitions	11.1	2.1
Profit for the period	0.8	1.9
Transfer	(0.7)	(1.7)
Dividends received	(1.7)	(1.4)
Share of fair value losses on cash flow hedges	(0.1)	0.2
Impairment (note 5)	(9.0)	-
Exchange adjustments	(0.1)	-
At 31 December	8.5	8.2

There are no capital commitments or contingent liabilities in respect of the Group's interests in joint ventures.

16 Financial assets

Other investments

	2019 £m	2018 £m
Group		
At 1 January	1.4	2.3
Fair value adjustment	-	(0.9)
At 31 December	1.4	1.4
Company		
At 1 January	1.4	2.3
Fair value adjustment	-	(0.9)
At 31 December	1.4	1.4

Other investments which are in unquoted entities, and held at fair value and subject to annual review include a 17.2% (2018: 17.2%) equity interest in ordinary shares in SEML De Co-operation Transmanche, an unlisted company incorporated in France, whose main activity is a port and ferry operator. In addition, the Group has a 50% interest in JFD Domeyer GmbH, a company incorporated in Germany which provides in-service support and aftermarket services to the German navy in the operation and control of that business and an interest in Britannia's Gold Limited (BGL). The value of the Group's interest in BGL was written down to nil in 2018.

Investments

Company	Subsidiary undertakings		
	Shares £m	Loans £m	Total £m
Cost			
At 1 January 2018	172.3	237.3	409.6
Additions	0.7	72.0	72.7
Disposal	(2.5)	-	(2.5)
Transfer to subsidiary	(25.9)	25.9	-
Repayments	-	(79.3)	(79.3)
At 31 December 2018	144.6	255.9	400.5
Additions	-	96.1	96.1
Disposal	(0.7)	-	(0.7)
At 31 December 2019	143.9	352.0	495.9
Amount provided			
At 1 January 2018	0.4	-	0.4
At 31 December 2018	0.4	-	0.4
At 31 December 2019	0.4	-	0.4
Net book value at 31 December 2019	143.5	352.0	495.5
Net book value at 31 December 2018	144.2	255.9	400.1

In respect of the loans to subsidiaries there is no expected credit loss.

A list of subsidiary undertakings is included on pages 136 to 137.

17 Inventories

	Group	
	2019 £m	2018 £m
Work in progress	6.0	5.0
Raw materials and consumables	11.2	11.9
Finished goods	30.7	28.0
	47.9	44.9

Inventories are stated net of impairment provisions of £3.8m (2018: £4.0m). During the year £nil (2018: £nil) was charged to the income statement to write down inventories to net realisable value.

Notes to the financial statements continued

18 Trade and other receivables

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade receivables	109.1	115.8	-	-
Amounts owed by group undertakings	-	-	3.3	1.8
Amounts owed by joint venture undertakings	2.4	1.6	-	-
Other non-trade receivables	16.3	14.0	3.1	2.4
Contract assets	78.1	46.9	-	-
Prepayments	7.8	7.9	0.5	0.5
	213.7	186.2	6.9	4.7

Of the above, other non-trade receivables of £0.9m (2018: £2.5m) are expected to be recovered in more than one year.

The movement in contract assets is due to the phasing of projects with regards to the timing of milestone payments.

19 Trade and other payables

Current liabilities

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade payables	48.3	50.0	1.1	0.8
Amounts owed to group undertakings	-	-	5.0	3.7
Taxation and social security	4.0	8.1	0.4	0.2
Other payables	14.0	9.9	0.5	2.8
Accruals	69.3	59.0	3.6	3.7
Deferred consideration	5.8	6.0	-	-
Contract liabilities	16.6	5.2	-	-
	158.0	138.2	10.6	11.2

Non-current liabilities

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Other payables	2.4	-	-	-
Deferred consideration	2.4	-	-	-
	4.8	-	-	-

20 Provisions

	Warranty £m
At 1 January 2018	3.5
Credited to income statement	(0.9)
At 1 January 2019	2.6
Paid	(2.2)
Charged to income statement	0.3
At 31 December 2019	0.7

The warranty provision is based on managements assessment of the previous history of claims, and expenses incurred and an estimate of future obligations on goods supplied where a warranty has been provided to the customer. It is all due within one year.

21 Retirement benefit obligations

The Group and Company defined benefit pension scheme obligations relate to the James Fisher and Sons plc Pension Fund for Shore Staff (Shore staff), the Merchant Navy Officers Pension Fund (MNOFF) and the Merchant Navy Ratings Pension Fund (MNRPF). The financial statements incorporate the latest full actuarial valuations of the schemes which have been updated to 31 December 2019 by qualified actuaries using assumptions set out in the table below. The Group's obligations in respect of its pension schemes at 31 December 2019 were as follows:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Shore staff	(0.4)	(4.6)	(0.4)	(4.6)
MNOFF	(3.4)	(5.1)	(2.2)	(3.6)
MNRPF	(2.0)	(6.4)	(1.1)	(2.3)
	(5.8)	(16.1)	(3.7)	(10.5)

21 Retirement benefit obligations continued

Shore staff

The assets of this scheme are held in a separate trustee administered account and do not include any of the Group's assets. The scheme was closed to new members in October 2001 and closed to future accrual on 31 December 2010. The most recent actuarial valuation was as at 31 July 2016. It is valued every three years following which deficit contributions and the repayment period are subject to agreement between the Company and the Trustees. Estimated contributions to the scheme in 2020 are £1.6m.

MNOPF

The MNOPF is an industry-wide pension scheme which is accounted for as a defined benefit scheme. It is valued every three years and deficits have typically been funded over a ten year period. The most recent triennial actuarial valuation of the scheme was as at 31 March 2018 and no additional deficit funding was requested by the Trustees. The respective share of the Group and Company in the net retirement benefit obligation of the MNOPF are 3.0% (2018: 3.2%) and 1.5% (2018: 1.6%) respectively. Disclosures relating to this scheme are based on these allocations. In accordance with IFRIC 14, the defined pension liability has been calculated by adjusting the Company and Group's share of the Scheme's assets for the NPV of the agreed deficit recovery contributions. Information supplied by the trustees of the MNOPF has been reviewed by the Company's actuaries. The principal assumption in the review is the discount rate on the scheme's liabilities which was 1.95% (2018: 2.90%). The disclosures below relate to the Group's share of the assets and liabilities within the MNOPF. Estimated contributions to this scheme in 2020 are £1.9m.

MNRPF

The MNRPF is an industry-wide pension scheme which is accounted for as a defined benefit scheme. The most recent actuarial valuation of the MNRPF was at 31 March 2017. In accordance with IFRIC 14, the defined pension liability has been calculated by adjusting the Company and Group's share of the Scheme's assets for the NPV of the agreed deficit recovery contributions. Information supplied by the trustees of the MNOPF has been reviewed by the Company's actuaries. The share of the Group and the Company in the net retirement benefit obligation of the MNRPF are 2.20% and 0.79% respectively. The principal assumption in the MNRPF valuation is the discount rate on the schemes liabilities which was 1.95% (2018: 2.90%). Estimated contributions to this scheme are £1.8m in 2020.

Actuarial assumptions

The schemes' assets are stated at their market values on the respective balance sheet dates. The overall expected rates of return on assets reflect the risk-free rate of return plus an appropriate risk premium based on the nature of the relevant asset category. The principal assumptions used in updating the latest valuations for each of the schemes were:

	2019	2018
Inflation (%)	3.00	3.19
Rate of increase of pensions in payment - Shore staff (%)	2.95	3.04
Discount rate for scheme liabilities (%)	1.95	2.90
Expected rates of return on assets (%)	1.95	2.90
Post-retirement mortality: (years)		
Shore staff scheme		
Current pensioner at 65	male	20.3
Current pensioner at 65	female	22.2
Future pensioner at 65	male	21.3
Future pensioner at 65	female	23.3

Following deliberations over the appropriateness of RPI as an inflation index the UK Chancellor and the UKSA (UK Statistics Authority) have announced a series of steps to potentially amend or replace the RPI index calculation as an index. The announcement has resulted in some uncertainty over the assumptions made in approach to determining an appropriate long-term actuarial assumption for RPI/CPI. At this stage it has not been considered appropriate to change the approach used in prior years.

Following a change in actuary, the approach to deriving the discount rate has changed set by deriving a single equivalent discount rate that gives the same liability value as discounting the Scheme's cash flows using the full Buck AA yield curve.

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

Notes to the financial statements continued

21 Retirement benefit obligations continued

Sensitivities

The key sensitivities on the major schemes may be summarised as follows:

Shore staff scheme

Key measure	Change in assumption	Change in deficit
Discount rate	Decrease of 0.25%	Increase by 2.6%
Rate of inflation	Increase by 0.25%	Increase by 1.3%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 3.7%

MNOFF

Key measure	Change in assumption	Change in deficit
Discount rate	Decrease of 0.25%	Increase by 0.01%

MNRPF

Key measure	Change in assumption	Change in deficit
Discount rate	Decrease of 0.25%	Increase by 0.02%

In determining the discount rate, assumptions have been made in relation to corporate bond yields and the expected term of liabilities. As noted above, a change in discount rate applied has a significant impact on the value of liabilities.

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

	Group				Company			
	Shore staff £m	MNOFF £m	MNRPF £m	Total £m	Shore staff £m	MNOFF £m	MNRPF £m	Total £m
As at 31 December 2019								
Gilts/corporate bonds	-	39.6	14.3	53.9	-	19.8	4.9	24.7
Other investments	57.7	62.9	13.8	134.4	57.7	31.5	4.5	93.7
Cash or liquid assets	1.2	1.3	0.6	3.1	1.2	0.7	0.2	2.1
Fair value of scheme assets	58.9	103.8	28.7	191.4	58.9	52.0	9.6	120.5
Present value of scheme liabilities	(59.3)	(107.2)	(30.7)	(197.2)	(59.3)	(54.2)	(10.7)	(124.2)
Net pension liabilities recognised in the balance sheet	(0.4)	(3.4)	(2.0)	(5.8)	(0.4)	(2.2)	(1.1)	(3.7)

	Group				Company			
	Shore staff £m	MNOFF £m	MNRPF £m	Total £m	Shore staff £m	MNOFF £m	MNRPF £m	Total £m
As at 31 December 2018								
Gilts/corporate bonds	-	34.8	12.4	47.2	-	17.6	4.3	21.9
Other investments	53.2	63.3	11.4	127.9	53.2	32.0	3.9	89.1
Cash or liquid assets	0.1	5.6	1.1	6.8	0.1	2.9	0.4	3.4
Fair value of scheme assets	53.3	103.7	24.9	181.9	53.3	52.5	8.6	114.4
Present value of scheme liabilities	(57.9)	(108.8)	(31.3)	(198.0)	(57.9)	(56.1)	(10.9)	(124.9)
Net pension liabilities recognised in the balance sheet	(4.6)	(5.1)	(6.4)	(16.1)	(4.6)	(3.6)	(2.3)	(10.5)

The MNRPF and MNOFF contributions paid by the Group are not refundable in any circumstances and the balance sheet liability reflects an adjustment for any agreed deficit recovery contributions in excess of deficit determined using the Group's assumptions. Other investments in the Shore scheme comprise diversified growth funds, liability driven investments, absolute return and private market funds.

(b) Expense recognised in the income statement

	Group				Company			
	Shore staff £m	MNOFF £m	MNRPF £m	Total £m	Shore staff £m	MNOFF £m	MNRPF £m	Total £m
As at 31 December 2019								
Expenses	0.1	-	-	0.1	0.1	-	-	0.1
Interest cost on benefit obligation	1.6	3.1	0.8	5.5	1.6	1.6	0.3	3.5
Return on scheme assets	(1.5)	(3.0)	(0.7)	(5.2)	(1.5)	(1.5)	(0.3)	(3.3)
	0.2	0.1	0.1	0.4	0.2	0.1	-	0.3

21 Retirement benefit obligations continued

The actual return on the shore staff plan assets is £7.4m, (2018: £(0.4)m).

	Group				Company			
	Shore staff £m	MNOPF £m	MNRPF £m	Total £m	Shore staff £m	MNOPF £m	MNRPF £m	Total £m
As at 31 December 2018								
Expenses	0.1	-	-	0.1	0.1	-	-	0.1
Interest cost on benefit obligation	1.5	2.9	0.9	5.3	1.5	1.5	0.3	3.3
Return on scheme assets	(1.4)	(2.7)	(0.7)	(4.8)	(1.4)	(1.4)	(0.3)	(3.1)
	0.2	0.2	0.2	0.6	0.2	0.1	-	0.3

(c) Movements in the net defined benefit liability

	Group				Company			
	Shore staff £m	MNOPF £m	MNRPF £m	Total £m	Shore staff £m	MNOPF £m	MNRPF £m	Total £m
As at 31 December 2019								
As at 1 January 2019	4.6	5.1	6.4	16.1	4.6	3.6	2.3	10.5
Expense recognised in the income statement	0.2	0.2	0.1	0.5	0.2	0.1	-	0.3
Contributions paid to scheme	(1.6)	(1.9)	(5.1)	(8.6)	(1.6)	(1.5)	(1.8)	(4.9)
Remeasurement gains and losses	(2.8)	-	0.6	(2.2)	(2.8)	-	0.6	(2.2)
	0.4	3.4	2.0	5.8	0.4	2.2	1.1	3.7

	Group				Company			
	Shore staff £m	MNOPF £m	MNRPF £m	Total £m	Shore staff £m	MNOPF £m	MNRPF £m	Total £m
As at 31 December 2018								
As at 1 January 2018	5.8	6.8	7.2	19.8	5.8	5.0	2.9	13.7
Expense recognised in the income statement	0.2	0.2	0.2	0.6	0.2	0.1	-	0.3
Contributions paid to scheme	(1.7)	(1.9)	(1.8)	(5.4)	(1.7)	(1.5)	(0.5)	(3.7)
Remeasurement gains and losses	0.3	-	0.8	1.1	0.3	-	(0.1)	0.2
	4.6	5.1	6.4	16.1	4.6	3.6	2.3	10.5

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

	Group				Company			
	Shore staff £m	MNOPF £m	MNRPF £m	Total £m	Shore staff £m	MNOPF £m	MNRPF £m	Total £m
As at 31 December 2019								
As at 1 January 2019	57.9	108.8	31.3	198.0	57.9	56.1	10.9	124.9
Expenses	0.1	-	-	0.1	0.1	-	-	0.1
Interest cost	1.6	3.1	0.8	5.5	1.6	1.6	0.3	3.5
Remeasurement loss/(gain):								
Actuarial (gain)/loss arising from changes in demographic assumptions	(1.2)	(2.8)	3.7	(0.3)	(1.2)	(2.0)	1.3	(1.9)
Actuarial loss arising from changes in financial assumptions	4.9	-	-	4.9	4.9	-	-	4.9
Net benefits paid out	(4.0)	(1.9)	(5.1)	(11.0)	(4.0)	(1.5)	(1.8)	(7.3)
	59.3	107.2	30.7	197.2	59.3	54.2	10.7	124.2

	Group				Company			
	Shore staff £m	MNOPF £m	MNRPF £m	Total £m	Shore staff £m	MNOPF £m	MNRPF £m	Total £m
As at 31 December 2018								
As at 1 January 2018	61.9	115.6	36.4	213.9	61.9	60.0	13.1	135.0
Expenses	0.1	-	-	0.1	0.1	-	-	0.1
Interest cost	1.5	2.9	0.9	5.3	1.5	1.5	0.3	3.3
Remeasurement (gain)/loss:								
Actuarial loss/(gain) arising from scheme experience	0.3	(7.8)	(4.2)	(11.7)	0.3	(3.9)	(1.9)	(5.5)
Actuarial loss arising from changes in demographic assumptions	1.0	-	-	1.0	1.0	-	-	1.0
Actuarial (gain) arising from changes in financial assumptions	(2.7)	-	-	(2.7)	(2.7)	-	-	(2.7)
Net benefits paid out	(4.2)	(1.9)	(1.8)	(7.9)	(4.2)	(1.5)	(0.6)	(6.3)
	57.9	108.8	31.3	198.0	57.9	56.1	10.9	124.9

Notes to the financial statements continued

21 Retirement benefit obligations continued

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

	Group				Company			
	Shore staff £m	MNOFF £m	MNRPF £m	Total £m	Shore staff £m	MNOFF £m	MNRPF £m	Total £m
As at 31 December 2019								
As at 1 January 2019	53.3	103.7	24.9	181.9	53.3	52.5	8.6	114.4
Return on scheme assets recorded in interest	1.5	3.0	0.7	5.2	1.5	1.5	0.3	3.3
Remeasurement loss/(gain):								
Return on plan assets excluding interest income	6.5	(2.8)	3.1	6.8	6.5	(2.0)	1.1	5.6
Contributions by employer	1.6	1.9	5.1	8.6	1.6	1.5	1.8	4.9
Net benefits paid out	(4.0)	(2.0)	(5.1)	(11.1)	(4.0)	(1.5)	(2.2)	(7.7)
	58.9	103.8	28.7	191.4	58.9	52.0	9.6	120.5

	Group				Company			
	Shore staff £m	MNOFF £m	MNRPF £m	Total £m	Shore staff £m	MNOFF £m	MNRPF £m	Total £m
As at 31 December 2018								
As at 1 January 2018	56.1	108.8	29.2	194.1	56.1	55.0	10.3	121.4
Return on scheme assets recorded in interest	1.4	2.7	0.7	4.8	1.4	1.4	0.3	3.1
Remeasurement loss/(gain):								
Return on plan assets excluding interest income	(1.7)	(7.8)	(5.0)	(14.5)	(1.7)	(3.9)	(1.9)	(7.5)
Contributions by employer	1.7	1.9	1.8	5.4	1.7	1.5	0.5	3.7
Net benefits paid out	(4.2)	(1.9)	(1.8)	(7.9)	(4.2)	(1.5)	(0.6)	(6.3)
	53.3	103.7	24.9	181.9	53.3	52.5	8.6	114.4

(f) History of experience gains and losses

Shore staff	2019	2018	2017	2016	2015
	£m	£m	£m	£m	£m
Fair value of scheme assets	58.9	53.3	56.1	54.2	50.8
Defined benefit obligation	(59.3)	(57.9)	(61.9)	(64.3)	(59.4)
Deficit in scheme	(0.4)	(4.6)	(5.8)	(10.1)	(8.6)
Remeasurement gain/(loss):					
Return on plan assets excluding interest income	6.5	(1.7)	2.4	6.5	(1.3)
Remeasurement gain/(loss) on scheme liabilities	2.2	(0.3)	1.4	-	(0.1)
MNOFF	2019	2018	2017	2016	2015
Group	£m	£m	£m	£m	£m
Fair value of scheme assets	103.8	103.7	108.8	104.0	83.9
Defined benefit obligation	(107.2)	(108.8)	(115.6)	(112.5)	(93.6)
Deficit in scheme	(3.4)	(5.1)	(6.8)	(8.5)	(9.7)
MNOFF	2019	2018	2017	2016	2015
Company	£m	£m	£m	£m	£m
Fair value of scheme assets	52.0	52.5	55.0	49.0	39.5
Defined benefit obligation	(54.2)	(56.1)	(60.0)	(55.3)	(46.9)
Deficit in scheme	(2.2)	(3.6)	(5.0)	(6.3)	(7.4)
MNRPF	2019	2018	2017	2016	2015
Group	£m	£m	£m	£m	£m
Fair value of scheme assets	28.7	24.9	29.2	27.8	20.7
Defined benefit obligation	(30.7)	(31.3)	(36.4)	(36.0)	(29.3)
Deficit in scheme	(2.0)	(6.4)	(7.2)	(8.2)	(8.6)
MNRPF	2019	2018	2017	2016	2015
Company	£m	£m	£m	£m	£m
Fair value of scheme assets	9.6	8.6	10.2	9.7	7.5
Defined benefit obligation	(10.7)	(10.9)	(13.1)	(12.9)	(10.6)
Deficit in scheme	(1.1)	(2.3)	(2.9)	(3.2)	(3.1)

The cumulative amount of actuarial gains and losses relating to all schemes recognised since 1 January 2004 in the Group and Company statement of comprehensive income is a loss of £49.2m (2018: £51.4m).

21 Retirement benefit obligations continued

(g) Defined contribution schemes

The Group operates a number of defined contribution schemes. The pension charge for the year for these arrangements is equal to the contributions paid and was £5.0m (2018: £4.3m). During the year the Company contributed £0.3m (2018: £0.4m) into defined contribution schemes.

22 Share based payments

The Company operates a Long-Term Incentive Plan (LTIP) in respect of Executive Directors and certain senior employees and details of these are set out in the Director's remuneration report on pages 59 to 76. The Company also operates a Sharesave scheme (Sharesave) for eligible employees which is HM Revenue and Customs approved.

Long-Term Incentive Plan (LTIP)

The Group recognises an expense for these benefits provided to employees and the amount charged in respect of equity-settled share based payments was £0.9m (2018: £1.4m) (Company £0.9m (2018: £0.9m)). The Company has granted conditional awards in the form of options over shares or conditional rights to have shares transferred to certain employees under the LTIP scheme over 304,784 (2018: 373,582) ordinary shares of 25p each.

The weighted average exercise prices (WAEP) and movements in share options during the year are as follows:

Group	2019	WAEP	2018	WAEP	nil options	
	Number		Number		2019	2018
					Number	Number
Outstanding at 1 January	435,553	£8.06	564,652	£7.07	373,582	377,100
Granted during the year	49,065	£20.98	38,002	£16.31	108,168	140,778
Forfeited during the year	(15,382)	£17.10	(21,085)	£14.52	(38,811)	(131,818)
Exercised	(114,431)	£7.55	(146,016)	£5.45	(138,155)	(12,478)
Outstanding at 31 December	354,805	£9.62	435,553	£8.06	304,784	373,582
Exercisable at 31 December	231,668	£5.62	305,507	£5.53	-	-

The weighted average share price at the date of exercise for the options exercised was £19.96 (2018: £16.49). For the share options outstanding at 31 December 2019, the weighted average remaining contractual life is 1 year and 6 months (2018: 2 years and 2 months). The weighted average fair value of options granted during the year was £13.39 (2018: £11.74). The range of exercise prices for options outstanding at the end of the year was £13.98 - £20.98 (2018: £6.02 - £16.31).

Company	2019	WAEP	2018	WAEP	nil options	
	Number		Number		2019	2018
					Number	Number
Outstanding at 1 January	315,882	£5.83	432,442	£5.35	252,756	249,813
Granted during the year	2,325	£20.98	1,024	£16.31	74,447	97,769
Forfeited during the year	(543)	£20.98	(654)	£13.95	(34,818)	(82,348)
Exercised	(77,766)	£5.65	(116,930)	£4.10	(89,832)	(12,478)
Outstanding at 31 December	239,898	£6.01	315,882	£5.83	202,553	252,756
Exercisable at 31 December	231,527	£5.61	304,993	£5.52	-	-

The weighted average share price at the date of exercise for the options exercised was £20.22 (2018: £16.14). For the share options outstanding at 31 December 2019, the weighted average remaining contractual life is 1 year and 6 months (2018: 2 years and 0 months). The weighted average fair value of options granted during the year was £16.86 (2018: £13.49). The range of exercise prices for options outstanding at the end of the year was £13.98 - £20.98 (2018: £6.02 - £16.31). The fair value of share based payments has been estimated using the Black-Scholes model for the Sharesave and the earnings per share (EPS) element of the LTIP. The fair value of share based payments relating to the total shareholder return (TSR) element of the LTIP has been estimated using the Monte Carlo model.

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

	2019	2018
Dividend yield (%)	1.6%	1.8%
Expected life of option (years)	3 - 7.22	3 - 7.22
Share price at date of grant	£19.70 - £19.88	£15.12 - £15.34
Expected share price volatility (%)	30%	30%
Risk-free interest rate (%)	0.62% - 0.80%	0.94% - 1.12%

Notes to the financial statements continued

22 Share based payments continued

Sharesave

All employees, subject to the discretion of the Remuneration Committee, may apply for share options under an employee save as you earn plan which may from time to time be offered by the Company. An individual's participation is limited so that the aggregate price payable for shares under option at any time does not exceed the statutory limit. Options granted under the plans will normally be exercisable if the employee remains in employment and any other conditions set by the Remuneration Committee have been satisfied. Options are normally exercisable at the end of the related savings contract but early exercise is permitted in certain limited circumstances. The performance period will not normally be less than three and a half years or greater than seven and a half years. Awards were made under this scheme on 3 April 2019.

23 Business combinations

Year ended 31 December 2019

On 4 January 2019, the Group acquired the entire share capital of Martek Holdings Limited (Martek) for an initial cash consideration of £9.0m, with potential further consideration of up to £1.0m subject to a profit target for the year ending 28 February 2020. Martek was founded near Rotherham, UK in 2000 and provides a range of innovative safety and calibration systems and products to the marine sector. Martek, which joined the Marine Support division, further enhances the Group's capability to offer innovative solutions to the marine sector and provides a proven channel to market for the Group's adjacent products and services.

On 7 August 2019, the Group acquired 60% of the share capital of Continental Participação E Administração Ltda., the holding company of Serviços Marítimos Continental S.A. (together Continental) for a total cash consideration of £7.5m, £4.9m payable on completion and £2.6m payable in January 2022. Continental is an established air diving service provider to the offshore oil sector in Brazil, providing inspection, repair and maintenance services to offshore oil terminals.

The fair values of the assets and liabilities acquired are set out below:

	Book value £m	Fair value adjustments £m	Total £m
Martek			
Intangible assets	-	2.2	2.2
Property, plant and equipment	0.3	-	0.3
Inventories	1.4	(0.2)	1.2
Trade and other receivables	1.3	(0.2)	1.1
Cash and short-term deposits	2.7	-	2.7
Trade and other payables	(2.8)	(0.5)	(3.3)
Interest bearing loans and borrowings	(0.5)	-	(0.5)
Deferred tax	-	(0.4)	(0.4)
Fair value of net assets acquired	2.4	0.9	3.3
Goodwill			8.5
			11.8
Cash consideration			10.2
Deferred consideration			0.7
Contingent consideration			0.9
			11.8

	Book value £m	Fair value adjustments £m	Total £m
Continental			
Intangible assets	-	3.3	3.3
Property, plant and equipment	2.3	-	2.3
Trade and other receivables	1.1	-	1.1
Cash and short-term deposits	0.5	-	0.5
Trade and other payables	(3.3)	-	(3.3)
Interest bearing loans and borrowings	(1.3)	-	(1.3)
Deferred tax	-	(1.1)	(1.1)
Fair value of net assets acquired	(0.7)	2.2	1.5
Minority interest	0.3	(0.9)	(0.6)
Goodwill			6.6
			7.5
Cash consideration			4.9
Deferred consideration			2.6
			7.5

23 Business combinations continued

The Group acquired the trade and assets of Ortega BV, a Netherlands based swimmer delivery vehicle business for £0.6m. The adjusted book value of the assets acquired comprised property, plant and equipment of £0.1m, intellectual property of £0.2m and goodwill of £0.3m. Other goodwill adjustments in the year were £0.2m (2018: £nil).

Cash flow in respect of business combinations	Martek £m	Continental £m	Other £m	Total £m
Cash paid	10.2	4.9	0.6	15.7
Cash and short-term deposits acquired	(2.7)	(0.5)	-	(3.2)
Acquisition of business net of cash acquired	7.5	4.4	0.6	12.5
Interest bearing borrowings acquired	0.4	1.4	-	1.8
Acquisition costs	0.1	-	-	0.2
	8.0	5.8	0.6	14.4

Contribution to Group results

The business acquired during the period contributed £2.1m to the Group's profit after tax and £16.0m of revenues. If these businesses had been acquired at the start of the financial year, the contribution to Group profit after tax would have been £2.4m with revenue of £20.3m.

24 Loans and borrowings

Non-current liabilities

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Bank loans	207.3	121.9	206.7	121.9
Finance leases	2.3	0.1	-	-
Right-of-use liability	19.0	-	1.7	-
	228.6	122.0	208.4	121.9

Current liabilities

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Overdrafts	11.0	-	11.0	15.5
Bank loans	0.3	10.0	-	-
Finance leases	0.5	0.1	-	-
Right-of-use liability	8.4	-	0.3	-
	20.2	10.1	11.3	15.5

Bank loans

Loans analysed by currency are repayable as follows:

As at 31 December 2019

Currency	Group				Company			
	GBP	USD	BRL	Total	GBP	USD	BRL	Total
Due within one year	11.0	-	0.3	11.3	11.0	-	-	11.0
Due between one and two years	18.8	-	0.6	19.4	18.8	-	-	18.8
Due between two and five years	167.1	20.8	-	187.9	167.1	20.8	-	187.9
	196.9	20.8	0.9	218.6	196.9	20.8	-	217.7

As at 31 December 2018

Currency	Group				Company			
	GBP	USD	BRL	Total	GBP	USD	BRL	Total
Due within one year	10.0	-	-	10.0	10.0	-	-	10.0
Due between one and two years	84.3	0.7	-	85.0	84.3	0.7	-	85.0
Due between two and five years	28.8	8.1	-	36.9	28.8	8.1	-	36.9
	123.1	8.8	-	131.9	123.1	8.8	-	131.9

The interest rates charged during the year ranged from 1.7% to 4.0% (2018: 1.4% to 2.4%). There were no loans secured against the assets of the Group or Company in the current or prior period.

Notes to the financial statements continued

24 Loans and borrowings continued

Obligations under finance leases and hire purchase contracts

Group

The minimum future lease payments due under finance leases and hire purchase contracts are as follows:

	Group	
	2019	2018
	£m	£m
Future minimum payments due:		
Within one year	0.5	0.1
Within two to five years	1.8	0.1
After five years	0.8	-
	3.1	0.2
Present value of minimum lease payments is analysed as follows:		
Within one year	0.5	0.1
Within two to five years	1.6	0.1
After five years	0.7	-
	2.8	0.2

Company

The Company does not have any outstanding finance lease commitments.

25 Reconciliation of net debt

Net debt comprises interest bearing loans and borrowings less cash and cash equivalents.

	31 December	Cash	Other	Exchange	31 December
	2018	flow	non cash	movement	2019
	£m	£m	£m	£m	£m
Cash in hand and at bank	18.6	0.7	-	(0.8)	18.5
Debt due after 1 year	(122.0)	(84.1)	(2.3)	1.0	(207.4)
Debt due within 1 year	(10.0)	(1.3)	-	-	(11.3)
	(132.0)	(85.4)	(2.3)	1.0	(218.7)
Lease liabilities	(0.2)	11.3	(40.7)	(0.6)	(30.2)
Net borrowings plus operating leases	(113.6)	(73.4)	(43.0)	(0.4)	(230.4)
Right-of-use liability	-	(11.1)	37.9	0.6	27.4
Net borrowings	(113.6)	(84.5)	(5.1)	0.2	(203.0)
	31 December	Cash	Other	Exchange	31 December
	2017	flow	non cash	movement	2018
	£m	£m	£m	£m	£m
Cash in hand and at bank	20.3	(1.4)	-	(0.3)	18.6
Debt due after 1 year	(152.2)	31.2	(0.4)	(0.6)	(122.0)
	(0.2)	(9.8)	-	-	(10.0)
Debt due within 1 year	(152.4)	21.4	(0.4)	(0.6)	(132.0)
Finance leases	(0.4)	0.2	(0.1)	0.1	(0.2)
Net borrowings	(132.5)	20.2	(0.5)	(0.8)	(113.6)

26 Leases

The Group leases land and buildings for some of its offices, warehouses and factory facilities. The length of these leases can typically run for up to 25 years, with most less than 10 years. Some leases include an option to renew the lease for an additional period after the end of the contract term. Some leases provide for additional rent payments that are based on changes in local price indices.

Some of the buildings contain extension options that are exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group includes extension options in new leases to provide operational flexibility, that are exercisable by the Group but not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension option, and then reassesses this in the event that there is a significant event or change in circumstances within its control.

The Group also leases vessels, with lease terms typically of up to five years and IT equipment and machinery, typically for a duration of less than 10 years. The Group also has short-term and/or leases of low-value items, and has elected not to recognise right-of-use assets and lease liabilities for these leases.

Right-of-use assets

	Property £m	Vessels £m	Other £m	Total £m
Balance at 1 January 2019	21.0	13.1	0.6	34.7
Depreciation charge for the year	(4.1)	(5.6)	(0.4)	(10.1)
Net additions to right-of-use assets	1.6	0.5	0.4	2.5
Balance at 31 December 2019	18.5	8.0	0.6	27.1

Amounts recognised in profit and loss:

	2019 £m
Interest on lease liabilities	1.7
Expenses relating to short-term leases	0.2
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	0.1

During 2018, £12.4m was charged to the income statement in respect of operating leases.

The Group has entered into leases on certain properties, vessels, plant and motor vehicles. These leases have a life of between one and 10 years and are renewable at the option of the lessee. The future minimum rentals payable in respect of short-term and/or leases of low-value items under non-cancellable leases in 2019, together with operating leases for the comparative year are as follows:

Operating leases

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Within one year	1.1	11.2	-	-
After one year but not more than five years	0.4	18.3	-	1.0
After five years	-	8.7	-	0.6
	1.5	38.2	-	1.6

27 Financial instruments

Capital management

The primary objective of the Group's capital management policy is to maintain a strong credit rating and covenant ratios in order to be able to support the continued growth of its trading businesses and to increase shareholder value. The Group meets its day-to-day working capital requirements through operating cash flows, with borrowings in place to fund acquisitions and capital expenditure. At 31 December 2019 the Group had £41.7m (2018: £92.4m) of undrawn committed facilities none of which expire within twelve months.

The Group is required under the terms of its loan agreements to maintain covenant ratios in respect of net debt to Ebitda and net interest costs to underlying earnings before interest (underlying Ebit). The Group met its covenant ratios for the year ended 31 December 2019. The Directors have prepared forecasts of the cash flows for the subsequent eighteen-month period which indicate that, taking into account the factors noted above, the Group will meet its covenant requirements for this period. The total amount that it is able to borrow under existing revolving credit facilities is limited to a maximum of £250m (2018: £225m).

Notes to the financial statements continued

27 Financial instruments continued

The Group manages its capital structure so as to maintain investor, supplier and market confidence and to provide returns to shareholders that will support the future development of the business. Capital is monitored by measuring the gearing ratio which is net debt divided by capital. Net debt comprises interest bearing loans and borrowings less cash and cash equivalents. Capital represents net equity attributable to the equity holders of the parent. Return on capital employed is also monitored. The Group's dividend policy is based on the expected growth in sustainable income streams after making provision for the retention of capital to invest in growth and acquisitions. In evaluating growth investment opportunities the Group has a target of a 15% pre-tax return on the capital invested.

	2019	2018
	£m	£m
Interest bearing loans and borrowings	218.7	132.0
Finance leases	2.8	0.2
Less cash and cash equivalents	(18.5)	(18.6)
Net borrowings	203.0	113.6
Right-of-use liability	27.4	-
Equity attributable to the equity holders of the parent	230.4	113.6
	313.2	305.0
Gearing ratio	64.8%	37.2%

The Group recognised right-of-use assets and liabilities during 2019 and was not required to restate comparatives. The gearing after including right-of-use liabilities was 73.6%.

The Group has exposure to the following financial risks:

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. These arise principally from the Group's receivables from customers and from cash balances held with financial institutions. The carrying amount of financial assets represents the maximum credit exposure. There are no significant concentrations of credit risk within the Group. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the industry and country in which each customer operates. The Group has a number of large customers including Government agencies in the UK and overseas, major oil companies and other multinational corporations. The ten largest customers of the Group accounted for approximately 26% of Group revenue (2018: 26%). No customer accounted for more than 4% (2018: 4%) of Group revenue. New customers are subject to creditworthiness checks and credit limits are subject to approval by senior management. Goods are sold subject to retention of title clauses so that in the event of non-payment the Group may have a secured claim.

The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2019	2018	2019	2018
	£m	£m	£m	£m
Receivables	206.0	176.0	4.9	2.6
Cash and cash equivalents	18.5	18.6	27.1	9.9
Interest rate swaps used for hedging:				
Assets	0.4	1.5	0.4	1.5
Forward exchange contracts used for hedging:				
Assets	1.6	0.1	1.6	0.1
	226.5	196.2	34.0	14.1

Trade receivables are non-interest bearing and are generally on 30 to 60 days terms. At 31 December the value of trade debtors outstanding was:

	Group			
	2019		2018	
	gross	allowance	gross	allowance
	£m	£m	£m	£m
Not past due	47.5	-	49.1	-
Past due	67.0	(5.4)	70.1	(3.4)
	114.5	(5.4)	119.2	(3.4)

27 Financial instruments continued

	Group		Company	
	gross 2019	gross 2018	gross 2019	gross 2018
	£m	£m	£m	£m
Not yet due	47.5	49.1	-	-
Overdue 1 to 30 days	26.1	27.0	-	-
Overdue 31 to 60 days	11.8	9.4	-	-
Overdue 61 to 90 days	7.8	19.1	-	-
Overdue more than 90 days	21.3	14.6	-	-
	114.5	119.2	-	-

The movement in the provision for impairment of trade receivables is as follows:

	Group		Company	
	2019	2018	2019	2018
	£m	£m	£m	£m
Balance at 1 January	3.4	3.6	-	-
On acquisition of subsidiaries	0.2	-	-	-
Provided in the year	1.8	1.2	-	-
Write-offs	-	(1.4)	-	-
	5.4	3.4	-	-

The Group considers that the trade receivables that have not been provided against and are past due by more than 30 days are collectable based on historic payment behaviour and extensive analysis of underlying customers' credit ratings. Based on historic default rates, used to inform our view of future expected credit losses, the Group believes that apart from the amounts included in the table above, no impairment allowance is necessary in respect of trade receivables. The material balances over 90 days are in respect of specific contracts or markets where the balance is considered recoverable, except to the extent that they are already provided, and there is no material impact on expected credit losses.

Loss allowances for trade receivables and contract assets are measured at amount equal to lifetime expected credit losses (ECL) based on the simplified approach. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information (both qualitative and quantitative) that is relevant and available without undue cost or effort. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days overdue.

In respect of contract assets the Group has not historically suffered significant credit losses and does not have an expectation of such losses. In the event of a contract issue specific provision is made where appropriate, and therefore no additional provisions have been made.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its cash resources and borrowings to ensure that it will have sufficient liquidity to meet its liabilities as they fall due but in a manner designed to maximise the benefit of those resources whilst ensuring the security of investment resources. The Group forecasts the profile of its cash requirements on a monthly basis and ensures that sufficient facilities are available to meet peak requirements which occur at predictable times in the year. The Group manages the maturity profile of its borrowings by maintaining a regular dialogue with its lenders and ensuring that it commences the renegotiation of facilities sufficiently early to allow a comprehensive review of its requirements before completion.

The Group's revolving credit facilities extend over several accounting periods and fall due for renewal in different accounting periods ensuring that the Group negotiations with individual lenders follow an orderly process which does not expose the Group to the possibility of a significant reduction in available facilities in any single period. At 31 December 2019, the Group had £41.7m (2018: £92.4m) of undrawn committed bank facilities.

Notes to the financial statements continued

27 Financial instruments continued

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

As at 31 December 2019

Group	Carrying amount £m	Contractual cash flows £m	Within 1 year £m	1 – 2 years £m	2 – 5 years £m
Non-derivative financial liabilities					
Unsecured bank loans and overdrafts	207.6	(224.8)	(6.1)	(25.5)	(193.2)
Lease liabilities	30.2	(30.2)	(8.9)	(8.5)	(12.8)
Trade and other payables	162.8	(162.8)	(162.8)	-	-
Derivative financial liabilities					
Interest rate swaps used for hedging	(0.1)	0.2	0.1	0.1	-
Outflow on forward exchange contracts used for hedging:	(1.6)	(53.8)	(53.8)	-	-
	398.9	(471.4)	(231.5)	(33.9)	(206.0)

As at 31 December 2018

Group	Carrying amount £m	Contractual cash flows £m	Within 1 year £m	1 – 2 years £m	2 – 5 years £m
Non-derivative financial liabilities					
Unsecured bank loans and overdrafts	131.9	(140.2)	(13.9)	(87.4)	(38.9)
Finance lease liabilities	0.2	(0.2)	(0.1)	(0.1)	-
Trade and other payables	132.6	(132.6)	(126.6)	-	(6.0)
Derivative financial liabilities					
Interest rate swaps used for hedging	(1.4)	0.6	0.1	0.2	0.3
Outflow on forward exchange contracts used for hedging:	2.2	(50.4)	(50.4)	-	-
	265.5	(322.8)	(190.9)	(87.3)	(44.6)

As at 31 December 2019

Company	Carrying amount £m	Contractual cash flows £m	Within 1 year £m	1 – 2 years £m	2 – 5 years £m
Non-derivative financial liabilities					
Unsecured bank loans and overdrafts	217.7	(223.8)	(5.8)	(25.2)	(192.8)
Trade and other payables	5.8	(5.8)	(5.8)	-	-
Derivative financial liabilities					
Interest rate swaps used for hedging	(0.1)	0.2	0.1	0.1	-
Outflow on forward exchange contracts used for hedging:	(1.6)	(53.8)	(53.8)	-	-
	221.8	(283.2)	(65.3)	(25.1)	(192.8)

As at 31 December 2018

Company	Carrying amount £m	Contractual cash flows £m	Within 1 year £m	1 – 2 years £m	2 – 5 years £m
Non-derivative financial liabilities					
Unsecured bank loans and overdrafts	131.9	(140.2)	(13.9)	(87.4)	(38.9)
Trade and other payables	5.3	(5.3)	(5.3)	-	-
Derivative financial liabilities					
Interest rate swaps used for hedging	(1.4)	0.6	0.1	0.2	0.3
Outflow on forward exchange contracts used for hedging:	2.2	(50.4)	(50.4)	-	-
	138.0	(195.3)	(69.5)	(87.2)	(38.6)

(c) Foreign exchange risk

The Group is exposed to foreign currency risks on sales, purchases, cash and borrowings denominated in currencies other than Sterling. These transactional exposures are mainly to movement in the US Dollar and the Euro. The Group uses forward exchange contracts to hedge its transactional exposures. Most forward exchange contracts have maturities of less than one year after the balance sheet date. Forward exchange contracts which qualify as effective cash flow hedges are stated at fair value. The principal translation exposures relate to the US Dollar, Norwegian Kroner, Singapore Dollar and Brazilian Real.

27 Financial instruments continued

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

	31 December 2019						31 December 2018				
	USD m	EUR m	SEK m	SGD m	AUD m	NGN m	USD m	EUR m	SGD m	AUD m	NGN m
Trade receivables	46.8	2.8	-	-	0.3	75.6	34.5	2.3	-	0.1	71.0
Cash at bank and in hand	12.2	4.9	0.2	(1.0)	0.1	16.1	6.7	(0.2)	2.8	-	117.3
Unsecured bank loans	(27.6)	-	-	-	-	-	(11.2)	-	-	-	-
Trade payables	(13.2)	(2.8)	-	-	-	(5.7)	(5.9)	(2.7)	(0.2)	(0.2)	(36.3)
Gross balance sheet exposure	18.2	4.9	0.2	(1.0)	0.4	86.0	24.1	(0.6)	2.6	(0.1)	152.0
Forecast sales	129.3	8.5	-	-	0.4	403.5	153.1	12.3	-	-	86.1
Forecast purchases	(37.8)	(16.4)	(36.0)	(2.1)	-	(100.9)	(44.8)	(14.5)	(0.1)	(0.1)	(59.8)
Gross exposure	109.7	(3.0)	(35.8)	(3.1)	0.8	388.6	132.4	(2.8)	2.5	(0.2)	178.3
Forward exchange contracts	(71.3)	0.5	36.0	-	-	-	(64.2)	-	-	-	-
Net exposure	38.4	(2.5)	0.2	(3.1)	0.8	388.6	68.2	(2.8)	2.5	(0.2)	178.3

Changes in the level of exchange rates will have an impact on consolidated earnings. The following table shows the impact on earnings of a 5% strengthening in the exchange rate in the Group's key currencies against Sterling. The obverse movements would be of the same magnitude. These amounts have been calculated by applying changes in exchange rates to the Group's foreign currency profits and losses and to financial instruments denominated in foreign currency.

	2019		2018	
	Equity £m	Income statement £m	Equity £m	Income statement £m
US Dollar	(2.3)	(3.2)	(2.4)	(4.3)
Norwegian Kroner	-	-	(0.1)	-
Euro	-	0.4	-	(0.1)
Singaporean Dollar	(0.1)	0.1	(0.1)	0.1
Australian Dollar	-	(0.3)	(0.3)	(0.2)
	(2.4)	(3.0)	(2.9)	(4.5)

(d) Interest rate risk

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

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Fixed rate instruments				
Financial liabilities	(0.1)	(0.1)	(0.1)	(0.1)
Variable rate instruments				
Financial assets	18.5	18.6	27.1	9.9
Financial liabilities	(207.6)	(131.9)	(217.7)	(137.4)
	(189.1)	(113.3)	(190.6)	(127.5)

Where hedging criteria are met the Group classifies interest rate swaps as cash flow hedges and states them at fair value. Over the longer-term permanent changes in interest rates would have an impact on consolidated earnings. At 31 December 2019, a general increase of one percentage point would have had the following impact:

	2019 Income statement £m	2018 Income statement £m
Variable rate instruments	(2.0)	(1.1)
Interest rate swap	0.8	0.8
Cash flow sensitivity	(1.2)	(0.3)

Notes to the financial statements continued

27 Financial instruments continued

(e) Fair values

There are no material differences between the book value of financial assets and liabilities and their fair value other than set out below:

Group	Note	2019		2018	
		Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Liabilities carried at amortised cost					
Unsecured bank loans and overdrafts	24	(207.6)	(210.7)	(131.9)	(128.1)
Trade and other payables	19	(162.8)	(162.8)	(132.6)	(132.6)
Leases	24	(30.2)	(30.2)	(0.2)	(0.3)
Preference shares	28	(0.1)	(0.1)	(0.1)	(0.1)
		(400.7)	(403.8)	(264.8)	(261.1)
Company					
Liabilities carried at amortised cost					
Unsecured bank loans and overdrafts	24	(217.7)	(210.1)	(147.4)	(143.6)
Trade and other payables	19	(5.8)	(5.8)	(5.3)	(5.3)
Leases		(2.0)	(2.0)	-	-
Preference shares	28	(0.1)	(0.1)	(0.1)	(0.1)
		(225.6)	(218.0)	(152.8)	(149.0)

Fair value has been determined by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments. The fair value of the financial assets has been assessed by the Directors with reference to the current prospects of the investments and risks associated with those prospects.

Fair value hierarchy

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

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments carried at fair value as set out below:

Group	Level 2		Level 3	
	2019 £m	2018 £m	2019 £m	2018 £m
Financial assets measured at fair value				
Forward exchange contracts – cash flow hedges	1.6	0.1	-	-
Interest rate swaps – cash flow hedges	0.4	1.5	-	-
	2.0	1.6	-	-
Financial liabilities measured at fair value				
Forward exchange contracts – cash flow hedges	-	(2.3)	-	-
Interest rate swaps – cash flow hedges	(0.3)	(0.1)	-	-
Contingent consideration	-	-	(3.5)	(6.0)
Financial liabilities not measured at fair value				
Unsecured bank loans	(210.7)	(128.1)	-	-
Leases	(30.2)	(0.3)	-	-
	(241.2)	(130.8)	(3.5)	(6.0)
	(239.2)	(129.2)	(3.5)	(6.0)

27 Financial instruments continued

Company	Level 2	
	2019 £m	2018 £m
Financial assets measured at fair value		
Forward exchange contracts – cash flow hedges	1.6	0.1
Interest rate swaps – cash flow hedges	0.4	1.5
	2.0	1.6
Financial liabilities measured at fair value		
Forward exchange contracts – cash flow hedges	-	(2.3)
Interest rate swaps – cash flow hedges	(0.3)	(0.1)
Financial liabilities not measured at fair value		
Unsecured bank loans and overdrafts	(210.1)	(128.1)
	(210.4)	(130.5)
	(208.4)	(128.9)

There have been no transfers between categories during the period. The fair value of interest rate swap contracts and forward exchange contracts are calculated by management based on external valuations received from the Group's bankers and is based on forward exchange rates and anticipated future interest yields respectively.

Fair value hedges – Group and Company

At 31 December 2019 and 31 December 2018 the Group did not have any outstanding fair value hedges.

Cash flow hedges – Group and Company

Note 31.3 (d) describes the Group's approach to hedge accounting following the introduction of IFRS 9.

Forward contracts and interest rate swaps are included within "trade and other payables/trade and other receivables" in the Statement of Financial Position; in "effective portion of changes in fair value of cash flow hedges" in the Consolidated statement of other comprehensive income (OCI), and in "administrative expenses" within the Income Statement.

At 31 December 2019, the Group and Company held forward currency contracts designated to hedge future commitments in US Dollars and Swedish Krone. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £m
Sell			
US\$ 81.3m	January 2020 – December 2020	1.30	1.5
Buy			
Euro 0.5m	January 2020 – December 2020	1.18	-
SEK 36.0m	January 2020 – December 2020	12.23	-

At 31 December 2018, the Group and Company held forward currency contracts designated to hedge future commitments in US Dollars and Swedish Krone. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £m
Sell			
US\$ 64.2m	January 2019 – December 2019	1.35	(2.2)
Buy			
SEK 83.5m	January 2019 – December 2019	11.39	0.1
SEK 5.6m	January 2020 – December 2020	11.23	-

The foreign exchange contracts have been negotiated to match the expected profile of receipts. At 31 December 2019, these hedges were assessed to be highly effective and an unrealised gain of £2.2m (2018: loss £4.3m) relating to the hedging instruments is included in equity.

Notes to the financial statements continued

27 Financial instruments continued

Interest rate swaps

The Group and Company entered into interest rate swap contracts in respect of Sterling denominated debt to swap a variable rate liability for a fixed rate liability. These instruments have been allocated against the Group and Company debt in the tables shown above. Details of the contracts and their fair values at 31 December are set out below:

	Amount		Maturity	Fixed rate %	Fair value	
	2019 £m	2018 £m			2019 £m	2018 £m
Sterling interest rate swaps	75.0	81.0	30 January 2020 to 30 October 2022	0.5% - 1.2%	0.1	1.4

In respect of the Interest rate swaps income of £0.1m (2018: £0.2m cost) was recognised in the income statement, and £1.3m loss (2018: £0.7m gain) in the OCI. A gain of £1.4m (2018: £0.1m loss) was recognised in the income statement and £2.3m (2018: £4.3m loss) in the OCI relating to forward contracts.

(f) Market risk

The Group has the following derivative financial instruments in the following line items in the statement of financial position:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Current assets				
Foreign currency forwards – cash flow hedges	1.6	0.2	1.6	0.2
Interest rate swaps – cash flow hedges	0.4	1.4	0.4	1.4
Total current derivative financial instrument assets	2.0	1.6	2.0	1.6

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Current liabilities				
Foreign currency forwards – cash flow hedges	(0.1)	(2.3)	(0.1)	(2.3)
Interest rate swaps – cash flow hedges	(0.3)	-	(0.3)	-
Total current derivative financial instrument liabilities	(0.4)	(2.3)	(0.4)	(2.3)

28 Share capital

Allotted, called up and fully paid

	25p Ordinary shares		£1 Cumulative Preference shares	
	2019	2018	2019	2018
In millions of shares				
In issue at 1 January	50.3	50.2	0.1	0.1
Exercise of share options	-	0.1	-	-
In issue at 31 December	50.3	50.3	0.1	0.1
	2019 £m	2018 £m	2019 £m	2018 £m
Issued share capital	12.6	12.6	0.1	0.1

The preference shareholders are entitled to receive 3.5% cumulatively per annum, payable in priority to any dividend on the ordinary shares. The ordinary shareholders are entitled to receive dividends as declared from time to time by the Directors.

Shares all carry equal voting rights of one vote per share held. They also have the right to attend and speak at general meetings, exercise voting rights and appoint proxies. Neither type of share is redeemable. In the event of a winding-up order the amount receivable in respect of the cumulative preference shares is limited to their nominal value. The ordinary shareholders are entitled to an unlimited share of the surplus after distribution to the cumulative preference shareholders.

	2019 £m	2018 £m
Treasury shares	-	0.4
510 (2018: 28,630) ordinary shares of 25p	-	0.4

The Company has an established Employee Share Ownership Trust, the James Fisher and Sons plc Employee Share Ownership Trust, to meet potential obligations under share option and long-term incentive schemes awarded to employees. The market value of these shares at 31 December 2019 was £nil (2018: £0.5m). The Trust has not waived its right to receive dividends.

28 Share capital continued

In the year ended 31 December 2019, 30,579 (2018: 63,370) ordinary shares with an aggregate nominal value of £7,645 (2018: £15,843) were issued to satisfy awards made under the Company's Executive Share Option Scheme at an option prices of 522p (2018: 354p and 410p) per share giving rise to total consideration of £383,250 (2018: £245,142).

During the year the Trust purchased 50,000 (2018: 38,373) of its own shares in the market at an average cost per share of £21.08 (2018: £15.67) and a total cost of £1.1m (2018: £0.6m).

29 Commitments and contingencies

Capital commitments

At 31 December, capital commitments for which no provision has been made in these accounts amounted to:

Group		Company	
2019	2018	2019	2018
£m	£m	£m	£m
1.3	0.5	-	-

Contingent liabilities

- In the ordinary course of the Company's business, counter indemnities have been given to banks in respect of custom bonds, foreign exchange commitments and bank guarantees.
- A Group VAT registration is operated by the Company and six Group undertakings in respect of which the Company is jointly and severally liable for all amounts due to HM Revenue & Customs under the arrangement.
- A guarantee has been issued by the Group and Company to charter parties in respect of obligations of a subsidiary, James Fisher Everard Limited, in respect of charters relating to nine vessels. The charters expire between 2020 and 2024.
- Subsidiaries of the Group have issued performance and payment guarantees to third parties with a total value of £73.9m (2018: £56.2m).
- The Group is liable for further contributions in the future to the MNOFP and MNRPF if additional actuarial deficits arise or if other employers liable for contributions are not able to pay their share. The Group and Company remains jointly and severally liable for any future shortfall in recovery of the MNOFP deficit.
- The Group has given an unlimited guarantee to the Singapore Navy in respect of the performance of First Response Marine Pte Ltd, its Singapore joint venture, in relation to the provision of submarine rescue and related activities.
- In the normal course of business, the Company and certain subsidiaries have given parental and subsidiary guarantees in support of loan and banking arrangements.
- The Group operates in multinational and less developed markets which presents increased operational and financial risk in both complying with potentially uncertain regulatory and legislative (including in relation to tax) environments and where local practice in those markets may be inconsistent with laws and regulations that govern the Group. Given this risk, from time to time concerns are raised and investigated regarding the potential for non-compliance with the legal and regulatory framework applicable to the Group. In preparing the consolidated financial statements, judgements and estimates are required to be made in respect of any matters under active considerations at that time. This may include matters in areas such as relevant exchange control regulations, compliance with relevant laws and regulations, the impact of political instability, tax legislation and overall operating environments. Any changes impacting the assumptions underlying those estimates or judgements may give rise to a liability. The Directors consider the possibility of any liability arising in the future cannot currently either be excluded or quantified and therefore no provision has been included within the financial statements of the Company and the Group for any such matters.
- The Company and its subsidiaries may be parties to legal proceedings and claims which arise in the ordinary course of business, and can be material in value. Appropriate provision has been made in these accounts where, in the opinion of the Directors, liabilities may materialise.

30 Related party transactions

Transactions with related parties:

FCM businesses

The Group has interests of between 40% and 50% in several joint ventures providing ship-to-ship transfer services in Northern Europe and Asia through its wholly owned subsidiary, Fender Care Marine Ltd.

Notes to the financial statements continued

30 Related party transactions continued

First Response Marine

The Group holds through James Fisher Marine Services Limited (JFMS) a 50% interest in First Response Marine Pte Ltd (FRM). FRM provides submarine rescue services to the Singapore government under a 20 year service contract which commenced in March 2009. Included in the contract is the provision of a submarine rescue vessel acquired by FRM from JFMS. FRM subcontracts part of the provision of the submarine rescue service to JFMS and its subsidiary James Fisher Singapore Pte Ltd. JFMS has also provided a loan to FRM of £2.0m to support its day-to-day operations. The loan which is included in the Group balance sheet as part of the investment in joint ventures is interest bearing and is repayable at the end of the project. Interest charged in the period amounted to £0.1m (2018: £0.1m). Dividends received or receivable during the period included in the results of the Group are £0.5m (2018: £0.6m).

JFD Domeyer

The Group, through JFD Limited has a 50% stake in JFD Domeyer, an entity which provides in-service support and aftermarket services to customers in Germany. Details of equipment sales to this entity are set out in the table below.

Eurotestconsult

The Group through James Fisher Testing Services Limited, has a 50% stake in Eurotestconsult Limited, an entity which provides testing services to customers in Europe. Details of service sales and recharges for labour and subcontractor works to this entity are set out in the table below.

Wuhu Divex Diving Systems

The Group, through JFD Limited, has a 49% stake in Wuhu Divex Diving System Ltd, an entity which manufactures advanced diving systems for the Chinese market. Details of equipment sales are set out in the table below.

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

		Services to related parties £m	Sales to related parties £m	Purchases from related parties £m	Amounts owed by parties £m	Amounts owed to parties £m
FCM businesses	2019	-	0.5	1.2	0.4	0.8
	2018	-	0.2	-	0.5	-
First Response Marine	2019	6.3	-	-	2.0	-
	2018	5.6	-	-	0.9	-
JFD Domeyer	2019	-	0.5	-	2.1	-
	2018	-	0.6	-	0.1	-
Eurotestconsult	2019	-	-	-	-	-
	2018	-	0.4	-	-	-
Wuhu Divex Diving Systems	2019	-	1.8	-	0.1	-
	2018	-	6.2	-	0.1	-
Murjan Al-Sharq	2019	-	-	3.0	-	-

No allowance for expected credit losses (ECL) for bad debts has been made in respect of these balances (2018: £nil). No bad debts arose during the period relating to these transactions (2018: £nil). All transactions with related parties are priced on an arms length basis on terms equivalent to those provided to wholly external parties.

Britannia's Gold Limited

Britannia's Gold Limited (BGL) is not a related party under the requirements of IAS 24 or under the definitions set out in the Listing Rules. In the interest of corporate governance, and due to Nick Henry being a non-executive director of BGL with a small equity interest, the Group has disclosed transactions with BGL. The Group has a 5.7% equity interest in BGL acquired in exchange for services provided in 2017 and written down to £nil.

Over the past three years the Group has entered into a series of marine salvage transactions with BGL. Whilst the transactions entered into in 2017 and 2018 were settled in full, BGL has defaulted on the debt arising from the transactions entered into in 2019. The Group is pursuing through legal means the collection of the outstanding debt and full provision has been made within the accounts. Partial payment has been received since the year end.

Company

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

The amount outstanding from subsidiary undertakings to the Company at 31 December 2019 was £352.0m (2018: £255.9m). Amounts owed to subsidiary undertakings by the Company at 31 December 2019 totalled £5.0m (2018: £3.7m).

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2018: £nil).

31 Significant accounting policies

This is the first set of the Group's financial statements in which IFRS 16 Leases has been applied. The related changes to significant account policies are described in note 33. Otherwise, the principal accounting policies, which have been applied consistently throughout the year and the preceding year, are set out below.

31.1 Basis of preparation of the consolidated financial statements

The results of subsidiaries are consolidated for the periods from or to the date on which control has passed. Control exists when the Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee. Acquisitions are accounted for under the purchase method of accounting from the acquisition date, which is the date on which control is passed to the Group. The financial statements of subsidiaries are prepared for the same reporting period as the Parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in the consolidated financial statements.

Payment for the future services from employees or former owners are expensed. Any payments to employees or former owners in respect of the acquisition of the business are capitalised. This is carefully managed during the acquisition process so that former owners and/or employees do not receive any incentive payments during an earn-out period.

Joint arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

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

Non-controlling interests

Non-controlling interests represent the proportion of profit or loss and net assets not held by the Group and are presented separately in the income statement and in the consolidated statement of financial position. On the acquisition of non-controlling interests, the difference between the consideration paid and the fair value of the share of net assets acquired is recognised in equity. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Company investments in subsidiaries and joint ventures

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

31.2 Foreign currency

Group

The financial statements of subsidiary undertakings are prepared in their functional currency which is the currency of the primary economic environment in which they operate. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated into UK Sterling, which is the Group's presentational currency.

(i) Foreign currency transactions in functional currency

Transactions in currencies other than the entities functional currency are initially recorded at rates of exchange prevailing on the date of the transaction. At each subsequent balance sheet date:

- (i) Foreign currency monetary items are retranslated at rates prevailing on the balance sheet date and any exchange differences recognised in the income statement;
- (ii) Non-monetary items measured at historical cost are not retranslated; and
- (iii) Non-monetary items measured at fair value are retranslated using exchange rates at the date the fair value was determined. Where a gain or loss is recognised directly in equity, any exchange component is also recognised in equity and conversely where a gain or loss is recognised in the income statement, any exchange component is recognised in the income statement.

Notes to the financial statements continued

31 Significant accounting policies continued

(ii) Net investment in foreign operations

Exchange differences arising on monetary items forming part of the Group's net investment in overseas subsidiary undertakings which are denominated in the functional currency of the subsidiary undertaking are taken directly to the translation reserve and subsequently recognised in the consolidated income statement on disposal of the net investment. Exchange differences on foreign currency borrowings to the extent that they are used to provide an effective hedge against Group equity investments in foreign currency are taken directly to the translation reserve.

(iii) Translation from functional currency to presentational currency

The assets and liabilities of operations, where the functional currency is different from the Group's presentational currency are translated at the period end exchange rates. Income and expenses are translated at the average exchange rate for the reporting period. All other exchange differences on transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Resulting exchange differences are recognised in the consolidated statement of other comprehensive income. Tax charges and credits attributable to exchange differences included in the reserve are also dealt with in the translation reserve.

Company

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

All exchange differences on assets and liabilities denominated in foreign currencies are taken to the income statement, other than investments in foreign operations and foreign currency borrowings used to hedge those investments, where exchange differences are taken to the translation reserve.

31.3 Financial instruments

IFRS 9 Financial Instruments became effective on 1 January 2018. This standard replaces IAS39 and introduced new requirements for classifying and measuring financial instruments and put 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 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.

(a) Financial assets

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset, other than a trade receivable without a significant financing component, or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Policy applicable from 1 January 2018

A financial asset is measured at amortised cost if it is not designated as fair value through the profit and loss account (FVTPL) and it is held to collect contractual cash flows with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income (FVOCI) if it is not designated as at FVTPL, and it is held with the objective of collecting contractual cash flows and selling financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment not held for trading, the Group can irrevocably elect, on an investment by investment basis, to present subsequent changes in the investment's fair value in OCI.

All financial assets not classified as measured at amortised cost or FVOCI, as described above, including derivative financial instruments are measured at fair value through profit and loss.

Financial assets at fair value through profit and loss, including any interest or dividend income, are recognised in the profit and loss.

31 Significant accounting policies continued

Financial assets at amortised cost are valued using the effective interest method with the amortised cost reduced by any impairment losses, with interest income, foreign exchange gains or losses, impairment and de-recognition gains or losses recognised in profit or loss.

Debt investments are measured at fair value with interest income calculated using the effective interest method with any foreign exchange gains and losses, or impairments, taken through the profit and loss. Other net gains or losses, and those on de-recognition accumulated through the OCI, are re-classified in the profit or loss.

Equity investments are measured at fair value with dividends recognised through the profit and loss. Other net gains or losses, are recognised in the OCI, and are never re-classified in the profit or loss.

(b) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Contingent consideration is considered to be a financial liability measured at FVTPL.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses, and any gain or loss on de-recognition are recognised in profit or loss.

(c) De-recognition

The Group de-recognises a financial asset when the contractual rights to the cash flows from that asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

(d) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge and the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The appropriate level of hedging is monitored by Group Treasury and the Group Board. As part of this review process the following are assessed:

- the hedging effectiveness to determine that there is an economic relationship between the hedged item and the hedging instrument;
- the hedge ratio; and
- that the hedged item and instrument are not intentionally weighted to create hedge ineffectiveness.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships.

For all hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

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

Notes to the financial statements continued

31 Significant accounting policies continued

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Net investment hedges

When a derivative instrument or a non derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity.

Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

(e) Expected credit losses

IFRS 9 introduced a new model for the recognition of impairment losses - the Expected Credit Loss (ECL) model. ECL is the expected value decrease in an asset. The expected credit loss model constitutes a change from the previous IAS 39 incurred loss model. The key difference between incurred and expected is the requirement to consider forward looking scenarios. Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

31.4 Intangible assets

Intangible assets, excluding goodwill arising on a business combination, are stated at cost or fair value less any provision for impairment.

Intangible assets assessed as having finite lives are amortised over their estimated useful economic life and are assessed for impairment whenever there is an indication that they are impaired. Amortisation charges are on a straight-line basis and recognised in the income statement. Estimated useful lives are as follows:

Development costs	5 years or over the expected period of product sales, if less
Intellectual property	3 to 20 years
Patents and licences	5 years or over the period of the licence, if less
Other intangibles	5 years

(a) Goodwill arising on a business combination

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of the fair value of the consideration over the aggregate fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses.

Costs related to an acquisition, other than those associated with the issue of debt or equity securities incurred in connection with a business combination, are expensed to the income statement. The carrying value of goodwill is reviewed annually for impairment but more regularly if events or changes in circumstances indicate that it may be impaired. When an impairment loss is recognised it is not reversed in a subsequent accounting period, even if the circumstances which led to the impairment cease to exist.

(b) Acquired intangible assets

Intangible assets that are acquired as a result of a business combination including but not limited to customer relationships, supplier lists, patents and technology and that can be separately measured at fair value on a reliable basis are recorded initially at fair value and amortised over their expected useful life. Amortisation is expensed to the consolidated income statement.

31.5 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment losses. Refit costs relating to vessels are capitalised when incurred and amortised over their estimated useful economic life of 30 months. Cost comprises expenditure incurred during construction, delivery and modification. Where a substantial period of time is required to bring an asset into use, attributable finance costs are capitalised and included in the cost of the relevant asset.

31 Significant accounting policies continued

Depreciation is provided to write off the cost of property, plant and equipment to their residual value in equal annual instalments over their estimated useful lives, as follows:

Freehold property	40 years
Leasehold improvements	25 years or the period of the lease, if shorter
Plant and equipment	Between 5 and 20 years
Vessels	Between 10 and 25 years

No depreciation is charged on assets under construction.

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

31.6 Impairment of tangible and intangible assets

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

(a) Impairment of goodwill

Goodwill acquired in a business combination is allocated against the appropriate combination of business units deemed to obtain advantage from the benefits acquired with the goodwill. These are designated as cash generating units (CGU). Impairment is then assessed by comparing the recoverable amount of the relevant CGU with the carrying value of the CGU's goodwill. Recoverable amount is measured as the higher of the CGU's fair value less cost to sell and the value in use. Where the recoverable amount of the CGU is less than its carrying amount including goodwill, an impairment loss is recognised in the income statement. An impairment loss for goodwill is not reversed in a subsequent period.

(b) Impairment of tangible and other intangible assets

If any indication of a potential impairment exists, the recoverable amount is estimated to determine the extent of any impairment loss. Assets are grouped together for this purpose at the lowest level for which there are separately identifiable cash flows.

(c) Research and development costs

Research expenditure is expensed in the income statement as incurred.

Expenditure on development which represents the application of research to the development of new products or processes is capitalised provided that specific projects are identifiable, technically feasible, and the Group has sufficient resources to complete development. The useful life of projects meeting the criteria for capitalisation is determined on a project by project basis. Capitalised development expenditure is measured at cost and amortised over its expected useful life on a straight-line basis. Other development costs are recognised in the income statement as incurred.

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

31.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables stores and finished goods for sale are stated at purchase cost on a first in first out basis. Work in progress and finished goods are stated at the cost of direct materials and labour plus attributable overheads allocated on a systematic basis based on a normal level of activity. Net realisable value is based on estimated selling price less the estimated costs of completion and sale or disposal.

31.8 Taxation

Corporation tax is provided on taxable profits from activities not qualifying for tonnage tax relief and is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Notes to the financial statements continued

31 Significant accounting policies continued

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

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

- No provision is made where a deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination that at the time of the transaction affect neither accounting nor taxable profit; and
- No provision is made for deferred tax that would arise on all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

31.9 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately where they are different from those under IFRS 16 and the impact of changes is disclosed in note 33.

(a) Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index rate at the commencement date;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

31 Significant accounting policies continued

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or it is recorded in profit or loss if the carrying amount of the right-of-use asset is reduced to zero. The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less at inception and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Under IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. This is outlined in 'Policy applicable before 1 January 2019' below.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease, making an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is treated as a finance lease, otherwise as an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and sub-lease separately, assessing the classification of the sub-lease with reference to the right-of-use asset arising from the head lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

(b) Policy applicable before 1 January 2019

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

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

Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. All other leases are classified as operating leases and rentals payable are charged to the income statement on a straight-line basis over the lease term.

31.10 Pension plans

(i) Defined contribution schemes

Pre-determined contributions paid to a separate privately administered pension plan are recognised as an expense in the income statement in the period in which they arise. Other than this contribution the Group has no further legal or constructive obligation to make further contributions to the scheme.

(ii) Defined benefit schemes

A defined benefit scheme is a pension plan under which the amount of pension benefit that an employee receives on retirement is defined by reference to factors including age, years of service and compensation. The schemes are funded by payments determined by periodic actuarial calculations agreed between the Group and the trustees of trustee-administered funds.

The cost of providing benefits is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (current service cost) and to current and prior periods (to determine the present value of the defined benefit obligation). Current service costs are recognised in the income statement in the current year. Past service costs are recognised in the income statement immediately. When a settlement (which eliminates all obligations for benefits already accrued) or a curtailment (which reduces future obligations as a result of a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and any gain or loss is recognised in the income statement.

Notes to the financial statements continued

31 Significant accounting policies continued

The interest element of the defined benefit charge is determined by applying the discount rate to the net defined benefit liability at the start of the period and is recognised in the income statement. A liability is recognised in the statement of financial position which represents the present value of the defined benefit obligations at the balance sheet date, less the fair value of the scheme assets and is calculated separately for each scheme.

The defined benefit obligations represent the estimated amount of future benefits that employees have earned in return for their services in current and prior periods, discounted at a rate representing the yield on a high quality corporate bond at the balance sheet date, denominated in the same currency as the obligations, and having the same terms to maturity as the related pension liability, applied to the estimated future cash outflows arising from these obligations. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available from any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement. Actuarial gains and losses on experience adjustments and changes in actuarial assumptions are recognised in the statement of other comprehensive income.

31.11 Share based payments

Executive savings related share option schemes are operated under which options are granted to employees of the Group. An expense is recognised in the income statement with a corresponding credit to equity in respect of the fair value of employee services rendered in exchange for options granted, which is determined by the fair value of the option at the date of grant. The amount is expensed over a specified period until the options can be exercised (the vesting period).

The fair value of an option is determined by the use of mathematical modelling techniques, including the Black-Scholes option pricing model and the Binomial model. Non-market vesting conditions (such as profitability and growth targets) are excluded from the fair value calculation but included in assumptions about the number of options that are expected to become exercisable.

An estimate is made of the number of options that are expected to become exercisable at each balance sheet date. Any adjustments to the original estimates are recognised in the income statement (and equity) over the remaining vesting period with any element of any adjustments relating to prior periods recognised in the current period. No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition (such as total shareholder return of the Group relative to an index). These are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

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

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

31.12 Short-term employee benefits

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

31.13 Share capital and reserves

Ordinary shares are classified as equity. Costs attributable to the issue of new shares are deducted from equity from the proceeds.

(a) Treasury shares

Shares issued by the Company which are held by the Company or its subsidiary entities (including the Employee Share Ownership Trust (ESOT)), are designated as treasury shares. The cost of these shares is deducted from equity. No gains or losses are recognised on the purchase, sale, cancellation or issue of treasury shares. Consideration paid or received is recognised directly in equity.

(b) Employee Share Ownership Plan (ESOP)

Company shares are held in an ESOP. The finance costs and administration costs relating to the ESOP are charged to the income statement. Dividend income arising on own shares is excluded in arriving at profit before taxation and deducted from aggregate dividends paid.

31 Significant accounting policies continued

The Group maintains the following reserves:

Translation reserve

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

Hedging reserve

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

31.14 Revenue recognition

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.

Point in time revenue includes services provided over periods of up to seven days.

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.

Notes to the financial statements continued

31 Significant accounting policies continued

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 provision of services are expensed when incurred.

Warranty costs

Provision is made for warranties offered with products where it is probable that an obligation to transfer economic benefits to the customer in future will arise. This provision is based on management's assessment of the previous history of claims and probability of future obligations arising on a product by product basis. Provisions for warranty costs are set out in note 20.

Revenue - operating lease rental income

Revenue is measured at the fair value of consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised in the income statement on a straight-line basis over the period of the hire.

31.15 Other investments

Other investments which are in unquoted entities are held at fair value and subject to an annual review. The Group elects on an asset by asset basis whether fair value movements are posted to the income statement or directly to reserves.

31.16 Intra-group financial instruments

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

32 Significant accounting judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. The outcome may differ from these estimates.

Estimates and underlying assumptions are reviewed and revised on an on-going basis.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below:

Revenue

Revenue is set out in notes 4 and 31.14. Revenue is recognised as performance obligations are satisfied as control of the goods and services are transferred to the customer. The timing of the performance obligations will vary depending on the terms of the sales agreement, the evaluation of the specific risks associated with the performance of the contract (for example design, construction and testing) or generally accepted practice where there are no specific arrangements in the contract. Areas of judgement relate to construction contract accounting and specifically estimating the stage of completion and forecast outturn of the contract.

Operating in overseas jurisdictions

The Group operates in emerging markets which increases contractual, operational and financial risk with potentially uncertain or changing regulatory and political environments. This is referred to in the Group's principal risks and uncertainties on page 26 and in note 27. In preparing the consolidated financial statements the management form a judgement about the risk of exchange control regulations, political stability, potential changes to tax regimes and operating environments.

32 Significant accounting judgements and estimates continued

(b) Estimates

Impairment of goodwill

Goodwill, which is set out in note 12, of £185.5m (2018: £171.4m) is tested annually for any permanent impairment in accordance with the accounting policy in note 31.6. The value in use of the Group's cash generating units (CGU) requires assumptions about future levels of demand, gross margins and cost inflation. Inherent uncertainty involved in forecasting and discounting future cash flows is a key area of judgement. If indicators of impairment exist the carrying value of goodwill is compared to its recoverable amount which represents the higher of the net present value of the CGU's forecast cash flow and its carrying value. The assessment also includes sensitivity analysis to identify the range of outcomes and the validity of underlying assumptions. In the current year it is not expected that there is a risk of material misstatement based on these assessments.

Business combinations

Business combinations are set out in note 23 and the Group makes an assessment of the fair values of the assets and liabilities arising in a business combination and of any related contingent consideration. Judgement is applied in assessing appropriate fair values of the assets and liabilities required, identifying any intangible assets of the acquired business and in estimating the likelihood of contingent targets being achieved during the relevant period. The outcome of contingent consideration arrangements depends on a number of factors outside the control of the business including, but not limited to competition, general economic conditions and the availability of resources within the business to meet its obligations to its customers. The Group regularly assesses the likelihood of the targets being achieved during the performance period and makes appropriate adjustments to the provision for contingent consideration through the income statement. The Group uses a discounted cash flow analysis to assess the value of contingent consideration.

Income taxes

Taxation is set out in notes 8,9 and 31.8. The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax risk issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has entered the UK tonnage tax regime under which tax on its ship owning and operating activities is based on the net tonnage of vessels operated. Income and profits outside this regime are taxed under normal tax rules. This means that it is necessary to make estimates of the allocation of some income and expenses between tonnage and non-tonnage tax activities. These estimates are subject to agreement with the relevant tax authorities and may be revised in future periods.

Tax provisions as at 31 December 2019 totalled £3.1m (2018: £1.9m), of this amount, £1.5m relates to tax risks in overseas jurisdictions. The risks do not relate to any individually material tax uncertainty instead a collection of risks around the group. Whilst a range of outcomes is reasonably possible, the extent of this range is difficult to define due to the nature of the risks and the numerous Tax Authorities included.

(c) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2019 is included in the following notes:

- Note 9 - recognition of deferred tax assets, and the availability of future taxable profit against which tax losses carried forward can be used;
- Notes 12 and 13 - impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs; and
- Note 23 - Business combinations.

33 Changes in significant accounting policies

(a) Adjustments recognised on adoption of IFRS 16

The Group has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions. The reclassifications and adjustments arising from IFRS 16 are recognised in the opening balance sheet at 1 January 2019.

The Group recognised lease liabilities in respect of leases previously classified as operating leases under IAS 17 'Leases'. These liabilities were measured at the present value of remaining lease payments, discounted at the lessees weighted average incremental borrowing rate of 5.4%. For leases previously classified as finance leases, the carrying amount of the assets and related finance lease liability as at 1 January 2019 under IAS 17 is unchanged.

Notes to the financial statements continued

33 Changes in significant accounting policies continued

	1 January 2019 £m
Operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated financial statements	38.2
Discounted using the incremental borrowing rate at 1 January 2019	34.4
Finance lease liabilities recognised as at 31 December 2018	0.2
Recognition exemption for:	
- Short-term leases	(0.9)
- Leases of low-value items	(0.1)
Extension and termination options reasonably certain to be exercised	1.3
Lease liabilities recognised at 1 January 2019	34.9

The Group elected to apply recognition exemptions to short-term leases (12 months or less) and leases of low-value at inception, recognising the lease payments associated with these leases as an expense on a straight-line basis over the lease term. For leases of other assets, which were classified as operating leases under IAS 17, the Group recognised right-of-use assets and lease liabilities. The carrying amounts of right-of-use assets and depreciation for the year ended 31 December 2019 are:

	Property, plant and equipment			Total £m
	Property £m	Vessels £m	Other £m	
Balance at 1 January 2019	21.0	13.1	0.6	34.7
Balance at 31 December 2019	18.5	8.0	0.6	27.1
Depreciation	4.1	5.6	0.4	10.1

The right-of-use assets were initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

The Group primarily leases vessels in its Tankships division and operating premises or offices. From 1 January 2019, leases are recognised as a right-of-use asset with a corresponding liability. Each lease payment is allocated between the liability and finance costs; the latter is charged to the income statement over the lease period to produce a constant periodic rate of interest on the remaining liability in each period. The right-of-use asset is depreciated over the shorter of the useful life and the lease term on a straight-line basis.

In applying IFRS 16 for the first time the Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact for the period

The impact of applying IFRS 16 was as follows:

	1 January 2019 £m	31 December 2019 £m
Right-of-use asset	34.7	27.1
Lease liability		
- current	9.6	8.4
- non-current	25.1	19.0
	34.7	27.4

In relation to those leases under IFRS 16, the Group has recognised £10.1m of depreciation on right-of-use assets and £1.7m of interest charges instead of an operating leases expense of £11.3m.

(b) IFRIC 23 Uncertainty over income tax treatments

This interpretation clarifies accounting for uncertainties for income taxes providing additional requirements to those of IAS 12 'Income Taxes' to reflect the effects of uncertainty in accounting for corporate taxes. On 1 January 2019, the Group recognised additional current tax liabilities of £1.6m as an adjustment to retained earnings with no impact on profit.

Subsidiaries and associated undertakings

Subsidiary undertakings

Name of company	Address	Group percentage of equity capital
Marine Support		
Fender Care Limited	Barrow-in-Furness ¹	100%
Fender Care Marine Ltd	Barrow-in-Furness ¹	100%
Fendercare Servicos Marinheiros do Brasil Ltda	Avenida Feliciano Sodre 325, Centro, Niteroi, Rio De Janeiro, CEP: 24030-012, Brazil	100%
Fendercare Australia Pty Ltd	23 Sparks Road, Henderson WA 6166, Australia	100%
Fender Care Marine (Asia Pacific) Pte Ltd	6 Pioneer Place, 627705, Singapore	100%
Fender Care Marine Products (Asia Pacific) Pte Limited	6 Pioneer Place, 627705, Singapore	100%
Fender Care (Changshu) Limited	Room 1211, Building 4, Huifeng Times Plaza, No 22 Huanghe Road, Changshu City, Jiangsu, 215500, China	100%
Fender Care Marine (Gibraltar) Limited	28 Irish Town, Gibraltar	100%
Fender Care Marine Sohar LLC	Al Batinah Region, PO Box 37, Sohar, 327	70%
Fender Care Marine Ltd, Agencia Chile – Chile branch	El Trovador 4280, Apt 1205, Las Condes, Santiago, 253-389, Chile	100%
James Fisher Marine Services Limited	Barrow-in-Furness ¹	100%
James Fisher Maritime Deutschland GmbH	Uwestraße 12, 22525, Hamburg, Germany	100%
Electricity Distribution Services Limited	Barrow-in-Furness ¹	100%
EDS HV Services Limited	Barrow-in-Furness ¹	100%
EDS HV Management Limited	Barrow-in-Furness ¹	100%
Foresight HV Operations Limited	Second Floor, Sketrick House, Jubilee Road, Newtownards, Northern Ireland, BT23 4YH	100%
James Fisher Testing Services Limited	Barrow-in-Furness ¹	100%
James Fisher Testing Services (Ireland) Limited	Unit D, Zone 5, Clonminam Business Park, Portlaoise, County Laois, Ireland	100%
Strainstall UK Limited	Barrow-in-Furness ¹	100%
Strainstall Middle East Limited	Vistra (Cayman), Grand Pavilion, Hibiscus Way, 802 West Bay Road, PO Box 31119, Grand Cayman, KY1-1205, Cayman Islands	100%
Strainstall Malaysia Sdn Bhd	Ground Floor, 8, Lorong Universiti B, Section 16, 46350 Petaling Jaya Selangor Darul Ehsan, Malaysia	100%
Strainstall Singapore Pte Ltd	50 Raffles Place, #06-00 Singapore Land Tower, Singapore, 048623	100%
Subtech (Pty) Ltd	Warehouse 1, 20 Rustic Close, Briardene, Durban, 4051, South Africa	100%
Subtech Norte Lda	Rua de Se no 114, Distrito Urbano 1, Bairro Central, Maputo City, Mozambique	100%
Subtech (Pty) Ltd – Mozambique branch	Rua da Educacao, No.38, Matola, Mozambique	100%
Subtech Middle East Saudi Company	Office 102, Al Jazira Building, Al Khobar, Saudi Arabia	95%
Subtech South Africa (Pty) Ltd	Warehouse 1, 20 Rustic Close, Briardene, Durban, 4051, South Africa	90%
Subtech Marine (Pty) Limited	PO Box 90757, Shop 48, Old Power Station Complex, Armstrong Street, Windhoek, Namibia	70%
Subtech Diving & Marine Tanzania Limited	The Slipway Road, Msanani Peninsula, Dar Es Salaam, United Republic of Tanzania	100%
Subtech Offshore	Ocra (Mauritius) Limited, Level 2, Max City Building, Remy Ollier Street, Port Louis, Mauritius	100%
Namibia Subtech Diving and Marine (Proprietary) Limited	Shop 48, Second Floor, Old Power Station Complex, Armstrong Street, Windhoek, Namibia	100%
Martek Marine Limited	Barrow-in-Furness ¹	100%
Martek-Marine (Asia Pacific) Pte Ltd	3 Church Street, #08-00, Samsung Hub, Singapore, 049483	100%
Continental Participacao E Administracao Ltda	Rua Tenente Celio, No.150, Bairro Granja Caveleiros, Macae, State of Rio de Janeiro, 27.930-120, Brazil	60%

¹ Fisher House, PO Box 4, Barrow-in-Furness, Cumbria, LA14 1HR

² North Meadows, Oldmeldrum, Aberdeenshire, AB51 0GQ

* held by the Parent Company (all other subsidiaries are held by an intermediate subsidiary)

** consolidated as subsidiary undertakings

*** held by nominee shareholders

Name of company	Address	Group percentage of equity capital
Marine Support		
Servicos Maritimos Continental S.A.	Rua Tenente Celio, No.150, Bairro Granja Caveleiros, Macae, State of Rio de Janeiro, 27.930-120, Brazil	60%
James Fisher MIMIC Limited	Barrow-in-Furness ¹	100%
Prolec Limited	Barrow-in-Furness ¹	100%
Rotos 360 Limited	Barrow-in-Furness ¹	100%
Maritime Engineers Pty Ltd	23 Sparks Road, Henderson, WA 6166, Australia	100%
Maritime Engineers (Asia Pacific) Pte Ltd	1 North Bridge Road, #06-15, High Street Centre, Singapore 179094	100%
Mojo Maritime France	3 rue de France Comte, CS50311, Hauts de Quimper, 5103, Cherbourg, France	100%
JF STS (Guernsey) Ltd	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%***
Murjan Al-Sharq for Marine Contracting LLC	Kobar – Al-Olaya District, PO Box 77090, Khobar 31952, Kingdom of Saudi Arabia	60%
Hughes Marine Engineering Limited	Barrow-in-Furness ¹	100%
Hughes Sub Surface Engineering Limited	Barrow-in-Furness ¹	100%
JCM Scotload Ltd	Barrow-in-Furness ¹	100%
Load Test Sdn Bhd	Ground Floor 8, Lorong Universiti B, Section 16, 46350 Petaling Jaya Selangor Darul Ehsan, Malaysia	100%
Osiris Marine Services Limited	Barrow-in-Furness ¹	100%
Testconsult Limited	Barrow-in-Furness ¹	100%

Specialist Technical

JFD Limited	JFD, Westhill Industrial Estate, Enterprise Drive, Westhill, Aberdeen, AB32 6TQ	100%
James Fisher Defence Limited	Barrow-in-Furness ¹	100%
JFD Australia Pty Ltd	BDO, 38 Station Street, Subiaco WA 6008, Australia	100%
James Fisher Singapore Pte Ltd	19 Loyang Lane, Singapore 508929	100%
JFD Singapore Pte Ltd	19 Loyang Lane, Singapore, 508929	100%
Lexmar Sat Systems PTE Ltd	19 Loyang Lane, Singapore, 508929	100%
JFD Sweden AB (formerly James Fisher Defence Sweden AB)	Rindovagen, Rindo Vastrå, 185 41 Vaxholm, Sweden	100%
JFD Ortega B.V.	Vliegvelddstraat 100, B515, Technology Base, Enschede, Netherlands	100%
JFD South Africa (Pty) Limited	c/o Mazars, Mazars House, Rialto Road, Grand Moorings Precinct, Century City, Cape Town, SA 7441, South Africa	100%
Cowan Manufacturing Pty Limited	BDO Tax (WA) Pty Ltd, 'BDO', 38 Station Street, Subiaco, WA6008, Australia	100%
James Fisher Defence Italy	Via Giulio Caccini, 100198, Rome, Italy	100%
James Fisher Defence North America Limited	Suite 808, 1220 North Market Street, Wilmington DE 19801, United States	100%
James Fisher Nuclear Limited	Oldmeldrum ²	100%
JF Nuclear Limited	Barrow-in-Furness ¹	100%
James Fisher Nuclear GmbH	Uwestraße 12, 22525 Hamburg, Germany	80%
High Technology Sources Limited	Barrow-in-Furness ¹	100%
James Fisher NDT Limited	Barrow-in-Furness ¹	100%
James Fisher Rumic Limited	Barrow-in-Furness ¹	100%*
Divex Asia Pacific Pty Ltd	54 Bushland Ridge, Bibra Lake WA 6163, Australia	100%
Divex FZE	PO Box 261749, Jebel Ali Free Zone, Dubai, United Arab Emirates	100%
Divex Limited	JFD, Westhill Industrial Estate, Enterprise Drive, Westhill, Aberdeen, AB32 6TQ	100%

Subsidiaries and associated undertakings continued

Subsidiary undertakings – continued

Name of company	Address	Group percentage of equity capital	Name of company	Address	Group percentage of equity capital
Offshore Oil			Holding Companies		
RMSPumptools Limited	Barrow-in-Furness ¹	100%	EDS HV Group Limited	Barrow-in-Furness ¹	100%
RMSPumptools FZE	1-153, THUB, Dubai Silicon Oasis, Dubai, United Arab Emirates	100%	Fender Care Marine Solutions Limited	Barrow-in-Furness ¹	100%
Scan Tech AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%	James Fisher (Aberdeen) Limited	Barrow-in-Furness ¹	100%*
Scan Tech Personell AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%	James Fisher and Sons Nigeria Limited	7th Floor, 1 Kingsway Road, Falomo, Ikoyi, Lagos, Lagos State, Nigeria	99%*
Scan Tech Productt Personell AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%	James Fisher Holdings UK Limited	Barrow-in-Furness ¹	100%*
Scantech Offshore Limited	Barrow-in-Furness ¹	100%*	James Fisher Hong Kong Limited	Level 17, Silvercord Tower 2, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	100%
Scantech Offshore Pty Ltd	23 Sparks Road, Henderson WA 6166, Australia	100%	James Fisher Norway AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%*
Scantech Offshore do Brasil Comercio E Servicos Ltda	R 01 223, Lote 146 Quadra 02, Balneario das Garcas, Rio das Ostras, 28.898-268, Brazil	100%	James Fisher Nuclear Holdings Limited	Barrow-in-Furness ¹	100%*
James Fisher Offshore Limited	Oldmeldrum ²	100%*	James Fisher Properties Limited	Oldmeldrum ²	100%
James Fisher Offshore Malaysia Sdn Bhd	Room A, Ground Floor, Lot 7, Block F, Saguking Commercial Building Jalan Patau-Patau, 87000 Labuan FT, Malaysia	100%	James Fisher Servicos Empresariais Ltda	Rua 01 No 223, Quadra 02, Lote 146-part, Balneario das Garcas, Brazil	100%
James Fisher Marine Services Malaysia Ltd	Level 1, Lot 7, Block F, Sanguking Commercial Building Jalan Patau-Patau, 87000 Labuan FT, Malaysia	100%	James Fisher Subtech Group Limited	Barrow-in-Furness ¹	100%*
JF Singapore Holdings PTE Ltd	9 Raffles Place, #27-00 Republic Plaza, Singapore 048619	100%	James Fisher Tankships Holdings Limited	Barrow-in-Furness ¹	100%*
James Fisher Marine Services Middle East Limited FZCO	PO Box 371072, Dubai, United Arab Emirates	100%	JF Australia Holding Pty Ltd	54 Bushland Ridge, Bibra Lake, WA 6163	100%
James Fisher MFE Limited	Barrow-in-Furness ¹	100%	JF Overseas Ghana Limited	The Octogon Building, 7th Floor Suite B701, Accra Central, Accra, Ghana	100%
James Fisher Subsea Excavation Mexico S.A. de C.V.	Gabriel Mancera 1041 Del Valle, Benito Juarez, 03100, Ciudad de Mexico, D.F., Mexico	100%	JF Overseas Limited	Barrow-in-Furness ¹	100%*
James Fisher Personnel S.A. de C.V.	Gabriel Mancera 1041 Del Valle, Benito Juarez, 03100, Ciudad de Mexico, D.F., Mexico	100%	Martek Holdings Limited	Barrow-in-Furness ¹	100%
James Fisher Subsea Excavation Pte Limited	133 Cecil Street, #16-01, Keck Seng Tower, Singapore, 069535	100%	Strainstall Group Limited	Barrow-in-Furness ¹	100%*
James Fisher Subsea Excavation Incorporated	21559 Provincial Boulevard, Katy TX 77450, United States	100%	Subtech Group Holdings (Pty) Ltd	20 Rustic Close, Briardene, KwaZulu-Natal, 4051, South Africa	100%
James Fisher Ocean Team Limited	Rooms 1318-19, 13/F, Hollywood Plaza, 610 Nathan Road, Mongkok, Kowloon, Hong Kong	60%			
James Fisher Asset Information Services Limited (formerly Return To Scene Limited)	Barrow-in-Furness ¹	100%			
Buchan Technical Services Limited	Barrow-in-Furness ¹	100%			
Tankships					
James Fisher Everard Limited	Barrow-in-Furness ¹	100%			
F.T.Everard & Sons Limited	Barrow-in-Furness ¹	100%*			
James Fisher (Shipping Services) Limited	Barrow-in-Furness ¹	100%*			
F.T. Everard Shipping Limited	Barrow-in-Furness ¹	100%			
James Fisher Crewing (CY) Limited	115 Griva Digeni, Trident Centre, Limassol, 3101, Cyprus	100%			
James Fisher (Crewing Services) Limited	Barrow-in-Furness ¹	100%*			
Cattedown Wharves Limited	Barrow-in-Furness ¹	100%			
James Fisher (Guernsey) Limited	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%***			
Everard (Guernsey) Ltd	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%			
James Fisher (New Zealand) Limited	Level 10, 34 Shortland Street, Auckland 1010, New Zealand	100%*			
Scottish Navigation Company Limited	Oldmeldrum ²	100%			
Onesimus Dorey (Shipowners) Ltd	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%*			

¹ Fisher House, PO Box 4, Barrow-in-Furness, Cumbria, LA14 1HR

² North Meadows, Oldmeldrum, Aberdeenshire, AB51 0GQ

* held by the Parent Company (all other subsidiaries are held by an intermediate subsidiary)

** consolidated as subsidiary undertakings

*** held by nominee shareholders

Associated undertakings and significant holdings in undertakings other than subsidiary undertakings

Name of company	Address	Group percentage of equity capital	Name of company	Address	Group percentage of equity capital
Marine Support			Specialist Technical		
Fendercare Marine Ghana Limited	11 Aduemi Close, North Kaneshie, Accra, Ghana	50%	First Response Marine Pte Ltd	16 Benoi Road, 629889, Singapore	50%
Fender Care Omega (Middle East) FZC	E-LOB Office No. E-69G-20, PO Box 51602, Hamriyah Free Zone - Sharjah, United Arab Emirates	50%	James Fisher Technologies LLC	Units 1 and 2, 1234 Sherman Drive, Longmont CO 80501, Colorado	49%
Fender Care Marine Services LLC	G013, GH-1, Industrial City of Abu Dhabi (ICAD-1), Mussafeh, PO Box 45628, Abu Dhabi, United Arab Emirates	49%**	JFD Domeyer GmbH	Konsul-Smidt-Str. 15, 28217, Bremen, Germany	50%
Fender Care Marine LLC	Fujairah Port, PO Box 5198, Fujairah, United Arab Emirates	49%**	Wuhu Divex Diving System Limited	No.58 Yongchang Road, Jiujiang District, Wuhu City, Anhui Province, PR China	49%
Fender Care Middle East LLC	Plot 146/16, Emirates Industrial City, Sajja Industrial Area, PO Box 25896, Sharjah, United Arab Emirates	49%**			
Fender Care Benelux B.V.	Torontostraat 20, 3197 KN, Rotterdam Botlek, Netherlands	50%			
FC Viking Sdn.Bhd	Suite 6.01, 6th Floor, Plaza See Hoy Chan Jalan Raja Chulan, 50200, Kuala Lumpur, Malaysia	49%			
Fendercare Marine (M) SDN BHD	5-2 Jalan 109E, Desa Business Park, Taman Desa Off Jalan Klang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan, Malaysia	49%			
Fendercare Marine Omega India Private Limited	JA 1104 - 1106, DLF Tower - A, Jasole District Centre, New Delhi, 11044, India	50%			
Subtech Offshore Services Nigeria Limited	Plot 15, Block 110, Henry Ojogho Crescent, Off Road 69, Lekki Phase 1, Lagos, Nigeria	49%			
Subtech Core Innovation (Pty) Ltd	20 Rustic Close, Briardene, KwaZulu-Natal, 4014, South Africa	49%			
Strainstall Middle East LLC	PO Box 111007Jebel Ali Industrial Area 1, Dubai, United Arab Emirates	49%**			
Strainstall Saudi Arabia Limited	PO Box 30124, Riyadh 11372, Saudi Arabia	49%**			
Strainstall Testing Lab LLC	PO Box 62579, Abu Dhabi, United Arab Emirates	49%**			
Strainstall Laboratories WLL	PO Box 2255, Office #2, Property No.25, Tariq Bin Ziyad Street, Al Ghanim, Doha, Qatar	49%**			
James Fisher Nigeria Limited	34 Awolowo Road, Ikoyi, Lagos, Nigeria	49%			
Eurotestconsult UK Limited	Ruby House, 40A Hardwick Grange, Woolston, Warrington, Cheshire, WA1 4RF	50%			
Eurotestconsult Limited	Unit D, Zone 5, Clonminan Industrial Estate, Portlaoise, County Laois, Ireland	50%			
James Fisher Angola UK Limited	Barrow-in-Furness ¹	50%			
James Fisher (Angola) Limitada	67 Rua Damiao de Gois, Alvalade, Borough, District of Maianga, Ingombota Municipality, Angola	49%*			
Lome Offshore Services Inc	Trust Co Complex, Ajeltake Road, Majouro, Marshall Islands	45%			

1 Fisher House, PO Box 4, Barrow-in-Furness, Cumbria, LA14 1HR

2 North Meadows, Oldmeldrum, Aberdeenshire, AB51 0GQ

* held by the Parent Company (all other subsidiaries are held by an intermediate subsidiary)

** consolidated as subsidiary undertakings

*** held by nominee shareholders

Group financial record

For the five years ended 31 December

	2019	2018	2017	2016	2015
	£m	£m	£m	£m	£m
Revenue					
Marine Support	306.1	269.8	229.6	195.9	183.4
Specialist Technical	152.7	159.6	149.6	151.8	129.4
Offshore Oil	90.4	71.4	63.1	62.8	72.6
Tankships	67.9	60.7	57.0	55.5	52.5
	617.1	561.5	499.3	466.0	437.9
Underlying operating profit					
Marine Support	25.1	28.2	25.9	20.8	17.5
Specialist Technical	18.4	20.9	18.8	19.9	13.9
Offshore Oil	13.6	5.9	3.0	4.4	9.2
Tankships	12.0	9.9	8.8	8.2	7.2
Common costs	(2.8)	(2.8)	(2.4)	(2.5)	(2.2)
	66.3	62.1	54.1	50.8	45.6
Net finance costs	(7.8)	(6.0)	(5.5)	(5.0)	(4.4)
Underlying profit before taxation	58.5	56.1	48.6	45.8	41.2
Separately disclosed items	(10.7)	(0.7)	(1.3)	(0.9)	5.0
Profit before taxation	47.8	55.4	47.3	44.9	46.2
Taxation	(11.1)	(10.1)	(7.9)	(6.8)	(5.5)
Profit after taxation	36.7	45.3	39.4	38.1	40.7
Capital employed					
Intangible assets	215.2	197.5	199.2	180.5	156.5
Property, plant and equipment	210.6	145.4	132.5	131.0	127.6
Right-of-use assets	27.1	-	-	-	-
Investment in associates and joint ventures	9.9	9.6	9.4	7.8	7.7
Working capital	106.3	96.3	109.5	86.3	68.1
Deferred consideration	(8.2)	(6.0)	(12.8)	(9.2)	(14.5)
Pension obligations	(5.8)	(16.1)	(19.8)	(26.8)	(27.0)
Taxation	(10.7)	(6.7)	(6.5)	(5.6)	(4.1)
Capital employed	544.4	420.0	411.5	364.0	314.3
Net borrowings	203.0	113.6	132.5	105.7	93.9
Right-of-use liabilities	27.4	-	-	-	-
Equity	314.0	306.4	279.0	258.3	220.4
	544.4	420.0	411.5	364.0	314.3
Earnings per share					
	pence	pence	pence	pence	pence
Basic	73.1	89.5	77.5	79.4	79.7
Diluted	72.7	88.9	76.9	78.7	79.2
Underlying basic	93.2	90.0	79.3	76.9	69.0
Underlying diluted	92.8	89.5	78.7	76.3	68.5
Dividends declared per share	34.7	31.6	28.7	26.2	23.8
Other key performance indicators					
Operating margin (%)	10.7%	11.0%	10.8%	10.9%	10.4%
Return on capital employed (post tax) (%)	11.3%	12.2%	12.0%	13.0%	13.5%
Net gearing (%)	64.8%	37.2%	47.7%	41.0%	43.0%
Dividend cover (times)	2.7	2.5	2.7	2.9	2.9

Investor information

Company Secretary

Jim Marsh

Registered office

James Fisher and Sons plc
Fisher House, PO Box 4
Barrow-in-Furness
Cumbria LA14 1HR

Incorporated in England under
Company no. 211475

www.james-fisher.com

Registrar

Link Asset Services

34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditor

KPMG LLP

1 St Peters Square
Manchester M2 3AE

Bankers

Barclays Bank PLC

1st Floor
3 Hardman Street
Spinningfields
Manchester M3 3HF

DBS Bank Ltd

London Branch
4th Floor
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Handelsbanken

First Floor East
Bridge Mills
Stramongate
Kendal LA9 4UB

HSBC UK Bank PLC

2nd Floor
4 Hardman Square
Spinningfields
Manchester M3 3EB

Lloyds Bank PLC

Lovell Park
1 Lovell Park Road
Leeds LS7 1DZ

Santander UK PLC

7th Floor
No 4 St Paul's Square
Liverpool L3 9SJ

Merchant bankers

E C Hambro Rabben and Partners Ltd

32-33 St James's Place
London SW1A 1NR

Brokers

Investec Bank (UK) Limited

30 Gresham Street
London EC2V 7QP

Jefferies International Limited

Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Financial Calendar

2 April 2020

Ex dividend date for 2019 final dividend

3 April 2020

Record date

30 April 2020

Annual General Meeting

11 May 2020

Payment of 2019 final dividend

25 August 2020*

Announcement of 2020 Half Year results

Disclaimer

This Annual Report has been prepared for the members of the Company only. The Company, its Directors, employees and agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements that are subject to future events including, amongst other matters, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates and the availability of financing to the Group. As such the forward-looking statements involve risk and uncertainty. Accordingly, whilst it is believed the expectations reflected in these statements are reasonable at the date of publication of this Annual Report they may be affected by a wide range of matters which could cause actual results to differ materially from those anticipated. The forward-looking statements will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

* provisional



James Fisher and Sons plc

Fisher House
PO Box 4
Barrow-in-Furness
Cumbria
LA14 1HR

T: 01229 615 400

F: 01229 836 761

E: enquiries@james-fisher.com



This Report has been printed in the UK. Our printers are environmental management system ISO 14001-accredited and Forest Stewardship Council® (FSC®) chain of custody certified. This paper is environmentally friendly ECF (elemental chlorine-free) and wood free with a high content of selected pre-consumer recycled material. The mill is fully FSC-certified. The paper is also completely bio-degradable and recyclable.

If you have finished reading this 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 Annual Report is available at www.james-fisher.com

Designed and produced by Perivan 257640