28 August 2019

James Fisher and Sons plc
Half year results for the six months ended 30 June 2019

James Fisher and Sons plc (FSJ.L) ('James Fisher'), the leading marine service provider, announces its unaudited results for the six months ended 30 June 2019.

	2019	2018	**% change**
Revenue	**£286.9m**	£260.5m	**+10%**
Underlying operating profit *	**£24.5m**	£24.5m	**-**
Statutory operating profit	**£24.5m**	£24.3m	**+1%**
Underlying profit before tax *	**£20.9m**	£21.7m	**(4)%**
Statutory profit before tax	**£20.9m**	£21.5m	**(3)%**
Underlying diluted earnings per share *	**33.2p**	34.5p	**(4)%**
Statutory diluted earnings per share	**33.6p**	34.5p	**(3)%**
Interim dividend per share	**11.3p**	10.3p	**+10%**

* excludes separately disclosed items (2019: £nil (2018: charge of £0.2m) see note 6)

Highlights:

- Revenue up 10% and by 4% at constant currency and excluding acquisitions
- Cash conversion of 108% (2018: 120%)
- Strong performance in Offshore Oil and Tankships
- Investment of £52.2m in capital and new businesses
- Interim dividend increased by 10%

Commenting on the results, Chief Executive Officer, Nick Henry, said:

"The Group has made good strategic progress in the first half with the acquisition in Brazil and the purchase of two dive support vessels. We remain well positioned across all four of our divisions with significant growth opportunities ahead. As previously advised, the phasing of projects has made the year more weighted to the second half, which will also begin to benefit from the investment committed to in the first half. The Group remains well placed to deliver an improved financial performance in the year and to continue to provide future value to its shareholders."

For further information:

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Notes:
1. 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. An explanation of APMs is set out in note 3 in these half year results.
2. Certain statements contained in this announcement constitute forward-looking statements. Forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of James Fisher to be materially different from future results, performance or achievements expressed or implied by such statements. Such risks, uncertainties and other factors include exchange rates, general economic conditions and the business environment.

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Review of the six months ended 30 June 2019

Performance

The first half of 2019 saw a strong performance from our Offshore Oil and Tankships divisions. Specialist Technical performed broadly in line against a strong prior year period and further developed its order book for delivery in the second half and future years. Marine Support had a slower start to the year and has seen several projects deferred into the second half.

Group revenue was 10% ahead of the prior period at £286.9m (2018: £260.5m) due to strong growth in Offshore Oil and Tankships and from the two businesses acquired during the first half. At constant currency and excluding acquisitions, revenue grew by 4%. Underlying operating profit was £24.5m (2018: £24.5m) reflecting strong performance from Offshore Oil and Tankships. Marine Support's result reflected its slow start to the year, a weak market in South Africa and contract and doubtful debt provisions in the first half. Specialist Technical was broadly in line with prior period. Statutory operating profit increased to £24.5m (2018: £24.3m).

Underlying diluted earnings per share were 33.2 pence per share (2018: 34.5p), reflecting the lower underlying profit before taxation and a slightly higher effective tax rate. Diluted earnings per share after separately disclosed items were 33.6 pence per share (2018: 34.5p).

Board

With effect from 1 September 2019, Eoghan O'Lionaird will join the Board to become Chief Executive Officer, replacing Nick Henry, who retires on 1 October 2019. The Board would like to express its appreciation to Nick for his contribution to the Group and wish him well for the future.

On 1 March 2019, Dr Inken Braunschmidt was appointed to the Board as an Independent Non-Executive Director. Inken is the Chief Innovation and Digital Officer and a member of the Executive Board at Halma plc and previously spent 13 years at RWE AG, where she held various international roles focusing particularly on strategy, innovation and change management.

David Moorhouse retired from the Board on 28 February 2019 having served on the Board as a Non-Executive Director since August 2013. Aedamar Comiskey was appointed Senior Independent Director on 22 March 2019.

Dividends

The Board has declared an interim dividend of 11.3 pence per share (2018: 10.3p), an increase of 10%. The dividend will be paid on 1 November 2019 to shareholders on the register at the close of business on 4 October 2019. The 2018 final dividend of £10.7m (21.3p per share) was paid on 10 May 2019.

Strategy

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

Strategic progress

In January 2019, our Marine Support division completed the acquisition of Martek Marine, which is headquartered in the UK with an office in Singapore, and provides a range of innovative safety and calibration systems and products to the marine sector.

The Group has also purchased two saturation dive support vessels (DSV) for the West African market for £40.2m which come into service during the second half of 2019 and will be operated by Subtech. The second DSV purchase completed in July 2019 for a cash outflow of £17.4m.

The Group also acquired a 60% interest in Murjan, based in Saudi Arabia, for £4.1m. Murjan is a near shore subsea operations business whose services are complementary to our offshore services in the Arabian Gulf and which enables the Group to increase the local content of services provided in the region.

Our renewables business has continued work on the East Anglia One windfarm construction and James Fisher has been awarded phase 2 of the unexploded ordnance work and boulder clearance, as well as met mast (measurement tower) decommissioning. This is in addition to providing ongoing construction support services and marine co-ordination and communications services for the project. On the Moray East windfarm, it was awarded a contract for marine co-ordination and communication and its work on site preparations continues at Innogy's Triton Knoll Offshore Wind Farm with a new contract for unexploded ordnance work and boulder clearance. An initial contract in Taiwan for unexploded ordnance and survey work and structural monitoring and consultancy work for high voltage engineering was also awarded in the first half of 2019.

Our strategy to provide services to support the operational efficiency of established windfarms benefited from our first significant contract to provide maintenance support to London Array, announced last year. In 2019, we were awarded a 15 year operations and maintenance contract for offshore transmission (OFTO) assets at Greater Gabbard in Lowestoft, Suffolk.

Our ship-to-ship operations continued to develop with initial operations commenced in Chile during 2019 and good growth in South Africa. Operations in Brazil were lower in the first quarter but improved in the second quarter.

In August, the Group announced the acquisition of a 60% interest in the diving and marine service business, SM Continental SA. Based in Brazil, Continental increases the Group's presence in this important and growing market for subsea services. The combination of its reputation for safety and reliable service delivery and James Fisher's more extensive inspection, repair and maintenance capability provides strong opportunities in a key geographic growth market.

In Specialist Technical, sea trials for the second vessel, delivered to the Indian Navy in December 2018, were completed and we were awarded a contract to supply a submarine rescue vessel for South Korea. Our strategy to provide submarine rescue vessels and long-term support contracts to manage submarine rescue services continues to develop with long-term support contracts in Singapore, India, UK/NATO and Australia.

Our Offshore Oil strategy is to be a niche service provider of equipment and people for the inspection and maintenance market. The sector downturn in 2015 impacted not only exploration but our market for ongoing maintenance. Our reaction to the downturn was to reduce costs and, in particular, headcount by around 40%. Recent months have seen a gradual improvement in demand in the sector and market share gains in our artificial lift services business, RMSpumptools. Our fleet of equipment with a net book value of £42.9m, is well maintained and any upturn in market conditions requires little further investment, leaving the division well placed to take advantage of its operationally geared structure.

In July, the Tankships division was awarded a five year contract from the Ministry of Defence to support the Royal Navy's fueling requirements for which the Raleigh Fisher, a 35kT tanker was purchased for £9m.

Marine Support

	H1 2019	H1 2018	change
Revenue (£m)	**144.3**	127.2	+13%
Underlying operating profit (£m)	**6.6**	10.8	(39)%
Underlying operating margin	**4.6%**	8.5%	(390)bps
Return on capital employed	**6.3%**	12.2%	(590)bps

Revenue increased by 13% to £144.3m (2018: £127.2m) in the first half, mainly due to businesses acquired which contributed 10% of the growth and the balance split evenly between currency effects and organic growth. Underlying operating profit of £6.6m (2018: £10.8m) reflected a slow first quarter, particularly in ship-to ship services in Brazil, weak demand in South Africa and contract and doubtful debt provisions. Ship-to-ship services improved in the second quarter and a number of marine service projects are weighted to the second half.

The Group has won a contract in Northern Mozambique worth £32m for the design and installation of an early beach landing and temporary beach landing. This is the first stage of a major liquefied natural gas development project which was expected to commence earlier in the year but started in July and will take two years to complete.

Diving and subsea services for the Oil & Gas sector in West Africa and the Middle East continued to grow in the first half of 2019. In addition to taking a 60% interest in Murjan to further develop business in the Middle East, the Group made an investment of £22.8m in the first half and a further £17.4m in July in two dive support vessels to enter the saturation diving market in West Africa. Both vessels are due to be put into service during the second half.

Specialist Technical

	H1 2019	H1 2018	change
Revenue (£m)	**75.6**	77.6	(3)%
Underlying operating profit (£m)	**9.3**	9.6	(3)%
Underlying operating margin	**12.3%**	12.4%	(10)bps
Return on capital employed	**16.1%**	17.3%	(120)bps

Specialist Technical produced a similar financial result to the first half of 2018, despite the build phase of the Indian submarine rescue vessel contract largely completing at the end of 2018. A £30m order from Daewoo Shipbuilding & Marine Engineering for the design, construction and delivery of a third generation deep search and rescue vehicle for the

Korean navy, together with training and in-service support was announced and commenced in December 2018 and is due to be delivered in 2021.

Progress continued in the first half on two saturation diving systems for Shanghai Salvage due for delivery in the second half and JFD's Swedish business continued to progress its order for six swimmer delivery vehicles with the first one undergoing sea trials in July. In August 2019, the assets, intellectual property and design rights of Ortega Submersibles BV were acquired, expanding our offering of advanced swimmer delivery vehicles.

Profits from nuclear decommissioning are expected to be second half weighted and progress in developing a range of radiation monitors and inspection devices is on track with product availability due in the second half of 2019. In the first half, a rig hall near Dounreay was purchased for £0.9m to offer an off-site facility in which to test and trial equipment, prior to site installation and to conduct operator training.

Offshore Oil

	H1 2019	H1 2018	change
Revenue (£m)	**33.8**	27.2	+24%
Underlying operating profit (£m)	**4.5**	1.2	+275%
Underlying operating margin	**13.3%**	4.4%	+890bps
Return on capital employed	**7.6%**	1.9%	+570bps

Revenue was 24% ahead of 2019 at £33.8m (2018: £27.2m) reflecting a steady improvement in market conditions in the inspection and maintenance market in recent months within the oil & gas sector. However, well testing remained flat and regionally Middle East continued to be positive whilst Norway showed some improvement. Underlying operating profit increased by £3.3m reflecting the operational gearing from the increased utilisation of hire equipment together with skilled operators.

The division further broadened its end markets by winning its first significant tooling and cutting work in the first half of 2019 and supplying its compressors for offshore renewable applications.

Tankships

	H1 2019	H1 2018	Change
Revenue (£m)	**33.2**	28.5	+17%
Underlying operating profit (£m)	**5.9**	4.3	+37%
Underlying operating margin	**17.8%**	15.1%	+270bps
Return on capital employed	**40.7%**	31.0%	+970bps

Tankships performed strongly in the first half of 2019 with revenue 17% higher at £33.2m (2018: £28.5m) and underlying operating profit 37% higher at £5.9m (2018: £4.3m). Vessel utilisation remained high and the results benefited from temporarily having one additional 4kT vessel in the fleet as a more modern vessel was acquired in 2018 and an older vessel was sold in June 2019. In addition, strong spot trading revenue gave rise to the improved trading performance.

In July, a five year contract was awarded by the Ministry of Defence to support the Royal Navy's refuelling requirements for which the Raleigh Fisher, a 35kT tanker was purchased for £9m and put into service.

Outlook

The Group made good strategic progress in the first half with the acquisition in Brazil and the purchase of two dive support vessels. We remain well positioned across all four of our divisions with significant growth opportunities ahead.

Marine Support is more second half weighted due to delays and phasing of projects and lower ship-to-ship transfers at the beginning of the year. Activity has picked up in the summer months. In the renewables sector the order book continues to rise, and a significant contract in Northern Mozambique has commenced. Specialist Technical is performing well and has secured further contracts for submarine rescue equipment which has strengthened its order book leading into 2020. Offshore Oil continues to benefit from a partial recovery in the market and the division is well positioned to benefit from any upturn. Tankships continues to perform well and in the second half will begin to benefit from the new long-term contract for the Ministry of Defence.

As previously advised, the phasing of projects has made the year more weighted to the second half, which will also begin to benefit from the investment committed to in the first half. The Group remains well placed to deliver an improved financial performance in the year and to continue to provide future value to its shareholders.

Financial review

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 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 on the first half is to increase operating profit and underlying operating profit by £0.5m and net finance charges by £0.9m. The net impact on profit before taxation and underlying profit before taxation in the first half of 2019 therefore is a reduction of £0.4m. Lease liabilities at 30 June 2019 were £31.1m and associated right-of-use assets were £30.7m. The adoption of IFRS 16 has no impact on the Group's lending covenants as these are based upon frozen GAAP.

Taxation

The effective tax rate on underlying profit before tax in the period increased to 20.0% (2018: 18.7%). This rate is based on estimates for the full year and has increased due to a greater proportion of profits being earned in higher tax jurisdictions in the Middle East, Africa and South America. The Group's tanker operations continue to be taxed with respect to tonnage rather than profits and this reduces the effective rate by around 2.6 percentage points in the period.

The Group has adopted IFRIC 23 'Uncertainty over income tax treatments' and recognised additional current tax liabilities of £2.0m on 1 January 2019 reflecting potential tax issues across the Group's international jurisdictions.

Separately disclosed items

The Directors consider that alternative performance measures described in note 3 assist an understanding of the underlying trading performance of the businesses. These measures exclude separately disclosed items which consist of gains or losses on the sale of a business, asset impairments, costs of material litigation and charges or income relating to the acquisition of businesses. Net separately disclosed items before taxation in the six months ended 30 June 2019 were £nil (2018: charge of £0.2m). Statutory profit before tax was £20.9m (2018: £21.5m).

Cash flow and borrowings

Summary cash flow

	H1 2019	H1 2018
	£m	£m
Underlying operating profit (pre IFRS 16)	**24.0**	24.5
Depreciation & amortisation	**15.3**	13.6
Ebitda *	**39.3**	38.1
Working capital	**(7.1)**	(7.5)
Pension / other	**(6.2)**	(1.2)
Operating cash flow	**26.0**	29.4
Interest & tax	**(6.2)**	(5.5)
Capital expenditure	**(38.3)**	(15.4)
Acquisitions	**(13.9)**	(9.4)
Dividends	**(11.1)**	(9.7)
Other	**(2.3)**	(1.6)
Net outflow	**(45.8)**	(12.2)
Net borrowings at start of period	**(113.6)**	(132.5)
Net borrowings at end of period	**(159.4)**	(144.7)
Net borrowings plus operating leases	**(190.5)**	n/a

* Underlying earnings before interest, tax, depreciation and amortisation

Underlying Ebitda, which is adjusted in the summary to exclude the effect of IFRS 16 for comparative purposes, was 3% higher at £39.3m (2018: £38.1m). Cash conversion, the ratio of operating cash flow to underlying operating profit was 108% (2018: 120%), after a £3.8m catch-up payment to an industry wide pension scheme.

Investment in acquisitions of £13.9m comprised Martek (£8.3m), Murjan (£4.1m) with the balance for joint ventures and acquisition costs. Capital investment of £38.3m included £22.8m on dive support vessels, £1.4m for cutting tools in Offshore Oil and £0.9m for a rig hall in Dounreay.

This investment, together with dividends, interest and tax, increased net borrowings by £45.8m (2018: £12.2m) to £159.4m at 30 June 2019 (2018: £144.7m). Net borrowings including operating leases following the adoption of IFRS 16 were £190.5m.

The ratio of net borrowings, excluding right-of-use lease liabilities, to Ebitda was 1.7 times (2018: 1.7 times) and inclusive of project related bonds and guarantees was 2.3 times (2018: 2.2 times). Net gearing, the ratio of net debt to equity was 52% (2018: 51%).

Balance sheet

	30 June 2019 £m	30 June 2018 £m
Intangible assets	**212.5**	197.7
Other assets	**183.8**	152.3
Right-of-use assets	**30.7**	-
Working capital	**94.8**	116.0
Pensions	**(10.7)**	(19.7)
Other liabilities	**(11.9)**	(17.8)
Capital employed	**499.2**	428.5
Net borrowings	**159.4**	144.7
Right-of-use liabilities	**31.1**	-
Equity	**308.7**	283.8
	499.2	428.5

Intangible assets have increased by £14.8m since June 2018 due to the acquisitions of Martek and Murjan in January 2019. Other assets have increased due to the capital investment referred to above.

The ratio of working capital to sales at 30 June 2019 was 16.1% (2018: 21.9%) reflecting the unwind of working capital from 2018 from the submarine rescue vessel project for the Indian Navy. Net pension liabilities have reduced by £9.0m in the last year to £10.7m reflecting contributions paid over the period.

At 30 June 2019 the Group had committed revolving credit facilities of £250.0m (2018: £225.0m) and £83.7m of headroom (2018: £67.7m).

Risks and uncertainties

The principal risks and uncertainties which may have the largest impact on performance in the second half of the year are the same as disclosed in the 2018 Annual Report and Accounts on pages 20-25. The principal risks set out in the 2018 Annual Report and Accounts were:

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

The Board considers that the principal risks and uncertainties set out in the 2018 Annual Report and Accounts have not changed and remain relevant for the second half of the financial year.

On 29 March 2017, the United Kingdom invoked Article 50 of the Treaty on European Union (EU) which began the member state's withdrawal, commonly known as Brexit, from the EU. The Board continues to monitor the progress of the UK's proposed exit from the EU. In addition, and in view of the time scale, the Group has been assessing the implications and potential mitigating actions of a no-deal scenario. The Board continues to consider that the UK's exit from the European Union is unlikely to have a material impact on the Group, as its business interests and customer base in the EU are not significant.

Directors' Responsibilities

We confirm that to the best of our knowledge:

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

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

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

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

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

N P Henry
Chief Executive Officer

S C Kilpatrick
Group Finance Director

27 August 2019

CONDENSED CONSOLIDATED INCOME STATEMENT
for the six months ended 30 June 2019

	Note	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Revenue	4	**286.9**	260.5	561.5
Cost of sales		**(204.9)**	(184.8)	(394.9)
Gross profit		**82.0**	75.7	166.6
Administrative expenses		**(58.7)**	(52.4)	(107.1)
Share of post-tax results of joint ventures		**1.2**	1.0	1.9
Operating profit	4	**24.5**	24.3	61.4
Analysis of operating profit:				
Underlying operating profit		**24.5**	24.5	62.1
Separately disclosed items	6	**-**	(0.2)	(0.7)
Net finance expense	5	**(3.6)**	(2.8)	(6.0)
Profit before taxation		**20.9**	21.5	55.4
Analysis of profit before tax:				
Underlying profit before taxation		**20.9**	21.7	56.1
Separately disclosed items	6	**-**	(0.2)	(0.7)
Income tax	7	**(4.0)**	(3.8)	(10.1)
Profit for the period		**16.9**	17.7	45.3
Attributable to:				
Owners of the Company		**17.0**	17.4	44.9
Non-controlling interests		**(0.1)**	0.3	0.4
		16.9	17.7	45.3
Earnings per share				
		pence	pence	pence
Basic	8	**33.8**	34.7	89.5
Diluted	8	**33.6**	34.5	88.9

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
for the six months ended 30 June 2019

	Note	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Profit for the period		**16.9**	17.7	45.3
Items that will not be reclassified to the income statement				
Actuarial loss in defined benefit pension schemes	10	**-**	(1.5)	(1.1)
Fair value adjustment to financial asset		**-**	-	(0.9)
Tax on items that will not be reclassified		**-**	0.3	0.2
		-	(1.2)	(1.8)
Items that may be reclassified subsequently to the income statement				
Exchange differences on foreign currency net investments		**1.2**	0.2	1.3
Effective portion of changes in fair value of cash flow hedges		**(0.7)**	(2.5)	(4.0)
Effective portion of changes in fair value of cash flow hedges in joint ventures		**(0.1)**	0.2	0.2
Net change in fair value of cash flow hedges transferred to income statement		**(0.6)**	0.2	0.1
Deferred tax on items that may be reclassified		**0.3**	0.4	0.5
		0.1	(1.5)	(1.9)
Total comprehensive income for the period		**17.0**	15.0	41.6
Attributable to:				
Owners of the Company		**17.1**	14.7	41.2
Non-controlling interests		**(0.1)**	0.3	0.4
		17.0	15.0	41.6

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2019

	Note	**30 June 2019 £m**	30 June 2018 £m	31 December 2018 £m
Non-current assets				
Goodwill		**184.2**	171.9	171.4
Other intangible assets		**28.3**	25.8	26.1
Property, plant and equipment		**172.8**	141.7	145.4
Right-of-use assets		**30.7**	-	-
Investment in joint ventures		**9.6**	8.3	8.2
Other investments		**1.4**	2.3	1.4
Deferred tax assets		**4.0**	3.1	3.7
		431.0	353.1	356.2
Current assets				
Inventories		**50.2**	49.8	44.9
Trade and other receivables		**202.5**	217.8	186.2
Cash and cash equivalents	11	**17.4**	12.1	18.6
		270.1	279.7	249.7
Current liabilities				
Trade and other payables		**(155.2)**	(151.6)	(132.2)
Provisions for liabilities and charges		**(5.7)**	(4.5)	(2.6)
Current tax		**(9.8)**	(8.9)	(8.7)
Borrowings		**(10.9)**	-	(10.0)
Lease liabilities		**(8.9)**	(0.3)	(0.1)
		(190.5)	(165.3)	(153.6)
Net current assets		**79.6**	114.4	96.1
Total assets less current liabilities		**510.6**	467.5	452.3
Non-current liabilities				
Provisions for liabilities and charges		**(0.6)**	(6.8)	(6.0)
Retirement benefit obligations	10	**(10.7)**	(19.7)	(16.1)
Cumulative preference shares		**(0.1)**	(0.1)	(0.1)
Borrowings		**(165.6)**	(156.4)	(122.0)
Lease liabilities		**(22.4)**	-	-
Deferred tax liabilities		**(2.5)**	(0.7)	(1.7)
		(201.9)	(183.7)	(145.9)
Net assets		**308.7**	283.8	306.4
Equity				
Called up share capital		**12.6**	12.6	12.6
Share premium		**26.2**	25.9	25.9
Treasury shares		**-**	(0.6)	(0.4)
Other reserves		**(0.9)**	(0.5)	(0.9)
Retained earnings		**270.7**	245.1	267.8
Equity attributable to owners of the Company		**308.6**	282.5	305.0
Non-controlling interests		**0.1**	1.3	1.4
Total equity		**308.7**	283.8	306.4

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 30 June 2019

	Note	**Six months ended 30 June 2019 £m**	Six months ended 30 June 2018 £m	Year ended 31 December 2018 £m
Profit before tax for the period		**20.9**	21.5	55.4
Adjustments to reconcile profit before tax to net cash flows				
Depreciation and amortisation		**16.8**	15.0	31.0
Depreciation of right-of-use assets		**5.0**	-	-
Acquisition costs charged		**0.5**	0.1	0.7
Profit on disposal of fixed assets		**(0.2)**	0.6	0.3
Transferred from hedging reserve to income statement		**(0.6)**	0.2	0.1
Other separately disclosed items		**(2.0)**	(1.3)	(2.6)
Net finance expense		**3.6**	2.8	6.0
Share of post-tax results of joint ventures		**(1.2)**	(1.0)	(1.9)
Share based payments		**0.9**	0.4	1.4
(Increase)/decrease in inventories		**(4.8)**	(2.4)	2.6
(Increase)/decrease in trade and other receivables		**(14.3)**	(20.7)	12.5
Decrease/(increase) in trade and other payables		**12.0**	15.6	(4.0)
Defined benefit pension cash contributions less service cost		**(5.6)**	(1.8)	(5.3)
Cash generated from operations		**31.0**	29.0	96.2
Cash outflow from acquisition costs		**(0.6)**	(0.2)	(0.2)
Income tax paid		**(4.1)**	(3.0)	(8.6)
Cash flow from operating activities		**26.3**	25.8	87.4
Investing activities				
Dividends from joint venture undertakings		**0.5**	0.4	1.4
Proceeds from the disposal of property, plant and equipment		**1.1**	0.7	2.8
Finance income		**0.1**	0.1	0.2
Acquisition of subsidiaries, net of cash acquired		**(11.3)**	(9.2)	(10.2)
Acquisition of property, plant and equipment		**(37.6)**	(13.2)	(32.4)
Investment in joint ventures and available for sale assets		**(0.7)**	(0.2)	(2.1)
Development expenditure		**(1.7)**	(2.2)	(6.1)
Cash flows used in investing activities		**(49.6)**	(23.6)	(46.4)
Financing activities				
Proceeds from the issue of share capital		**0.3**	0.2	0.2
Finance costs		**(2.2)**	(2.5)	(4.9)
Purchase of own shares by Employee Share Ownership Trust		**(2.3)**	(1.1)	(0.9)
Capital element of lease repayments (2018: Capital element of finance lease repayments)		**(5.6)**	(0.1)	(0.2)
Proceeds from borrowings		**111.3**	76.7	121.1
Repayment of borrowings		**(68.4)**	(73.1)	(142.5)
Dividends paid		**(10.7)**	(9.7)	(14.9)
Dividend paid to non-controlling interest		**(0.4)**	(0.3)	(0.3)
Cash flows from financing activities		**22.0**	(9.9)	(42.4)
Net decrease in cash and cash equivalents		**(1.3)**	(7.7)	(1.4)
Cash and cash equivalents at beginning of period		**18.6**	20.3	20.3
Net foreign exchange differences		**0.1**	(0.5)	(0.3)
Cash and cash equivalents at end of period	11	**17.4**	12.1	18.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2019

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Treasury shares £m	Shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 1 January 2019	**12.6**	**25.9**	**267.8**	**(0.9)**	**(0.4)**	**305.0**	**1.4**	**306.4**
IFRIC 23 – opening balance adjustments – note 14(b)	**-**	**-**	**(2.0)**	**-**	**-**	**(2.0)**	**-**	**(2.0)**
Total comprehensive income	**-**	**-**	**17.1**	**-**	**-**	**17.1**	**(0.1)**	**17.0**
Contributions by and distributions to owners:								
Ordinary dividends paid	**-**	**-**	**(10.7)**	**-**	**-**	**(10.7)**	**-**	**(10.7)**
Dividend paid to non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**(0.4)**	**(0.4)**
Acquisition of non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**(0.8)**	**(0.8)**
Share based payments	**-**	**-**	**0.9**	**-**	**-**	**0.9**	**-**	**0.9**
Tax effect of share based payments	-	**-**	**0.3**	**-**	**-**	**0.3**	**-**	**0.3**
Purchase of shares by ESOT	**-**	**-**	**-**	**-**	**(2.3)**	**(2.3)**	**-**	**(2.3)**
Arising on the issue of shares	**-**	**0.3**	**-**	**-**	**-**	**0.3**	**-**	**0.3**
	-	**0.3**	**(9.5)**	**-**	**(2.3)**	**(11.5)**	**(1.2)**	**(12.7)**
Transfer	**-**	**-**	**(2.7)**	**-**	**2.7**	**-**	**-**	**-**
At 30 June 2019	**12.6**	**26.2**	**270.7**	**(0.9)**	**-**	**308.6**	**0.1**	**308.7**

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

NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR STATEMENTS

1 Basis of preparation

James Fisher and Sons plc (the Company) is a public limited company registered and domiciled in England and Wales and listed on the London Stock Exchange. The condensed consolidated half year financial statements of the Company for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the Group) and the Group's interests in jointly controlled entities.

Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 'Interim Financial Reporting' as adopted by the European Union (EU). As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed consolidated set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 December 2018 with the exceptions described below. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

The comparative figures for the financial year ended 31 December 2018 are not the Group's statutory accounts for that financial year. Those accounts which were prepared under International Financial Reporting Standards (IFRS) as adopted by the EU (adopted IFRS), have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements of the Group for the year ended 31 December 2018 are available upon request from the Company's registered office at Fisher House, PO Box 4, Barrow-in-Furness, Cumbria, LA14 1HR or at www.james-fisher.co.uk.

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

Going concern

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

The Group meets its day to day working capital requirements through operating cash flows with borrowings in place to fund acquisitions and capital expenditure. The Group had £83.7m of undrawn committed facilities at 30 June 2019 (2018: £67.7m) and no revolving credit facilities due for renewal within the next twelve months.

Significant accounting policies

The Group has adopted IFRS 16 'Leases', using the modified retrospective approach, and consequently has not restated its comparatives. Otherwise, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2018.

The Group has adopted IFRIC 23 'Uncertainty over income tax treatments' from 1 January 2019 with an adjustment to the opening retained earnings of £2.0m and with no impact on profit.

2 Accounting estimates and judgements

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 31 December 2018.

3 Alternative performance measures

The Group uses a number of alternative (non-Generally Accepted Accounting Practice (non-GAAP)) financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures are important and should be considered alongside the IFRS measures. The adjustments are separately disclosed (note 6) and are usually items that are significant in size or non-recurring in nature. The following non-GAAP measures are referred to in the half year results.

3.1 Underlying operating profit and underlying profit before taxation

Underlying operating profit is defined as operating profit before 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 Six months ended 30 June £m	2018 Six months ended 30 June £m	2018 Year ended 31 December £m
Operating profit	**24.5**	24.3	61.4
Separately disclosed items before taxation	**-**	0.2	0.7
Underlying operating profit	**24.5**	24.5	62.1
Net finance expense	**(3.6)**	(2.8)	(6.0)
Underlying profit before taxation	**20.9**	21.7	56.1

3.2 Underlying earnings per share

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

3.3 Capital employed and Return on Capital Employed (ROCE)

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

3.4 Cash conversion

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

	2019 Six months ended 30 June £m	2018 Six months ended 30 June £m	2018 Year ended 31 December £m
Cash generated from operations	**31.0**	29.0	96.2
Dividends from joint venture undertakings	**0.5**	0.4	1.4
Operating lease payments	**(5.5)**	-	-
	26.0	29.4	97.6

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

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

3.6 Underlying dividend cover

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

4 Segmental information

Management has determined that the Group has four operating segments reviewed by the Board; Marine Support, Specialist Technical, Offshore Oil and Tankships. Their principal activities are set out in the Strategic Report within the consolidated financial statements of the Group for the year ended 31 December 2018.

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

Six months ended 30 June 2019

	Marine Support	*Specialist Technical*	*Offshore Oil*	*Tankships*	*Corporate*	*Total*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*
Revenue						
Segmental revenue reported						
- point in time	**143.8**	**24.8**	**35.6**	**-**	**-**	**204.2**
- over time	**0.5**	**51.7**	**-**	**33.2**	**-**	**85.4**
Inter-segmental sales	**-**	**(0.9)**	**(1.8)**	**-**	**-**	**(2.7)**
	144.3	**75.6**	**33.8**	**33.2**	**-**	**286.9**
Underlying operating profit	**6.6**	**9.3**	**4.5**	**5.9**	**(1.8)**	**24.5**
Acquisition costs	**(0.5)**	**-**	**-**	**-**	**-**	**(0.5)**
Amortisation of acquired intangibles	**(0.9)**	**(0.2)**	**(0.4)**	**-**	**-**	**(1.5)**
Adjustment to provision for contingent consideration	**3.5**	**-**	**-**	**-**	**-**	**3.5**
Costs of material litigation	**(1.5)**	**-**	**-**	**-**	**-**	**(1.5)**
Operating profit	**7.2**	**9.1**	**4.1**	**5.9**	**(1.8)**	**24.5**
Net finance expense						**(3.6)**
Profit before tax						**20.9**
Income tax						**(4.0)**
Profit for the period						**16.9**
Assets & liabilities						
Segmental assets	**307.7**	**152.7**	**134.9**	**45.4**	**20.1**	**660.8**
Right-of-use assets	**3.8**	**7.0**	**7.5**	**10.4**	**2.0**	**30.7**
Investment in joint ventures	**5.1**	**3.4**	**1.1**	**-**	**-**	**9.6**
Total assets	**316.6**	**163.1**	**143.5**	**55.8**	**22.1**	**701.1**
Segmental liabilities	**(97.0)**	**(54.7)**	**(23.7)**	**(27.9)**	**(189.1)**	**(392.4)**
	219.6	**108.4**	**119.8**	**27.9**	**(167.0)**	**308.7**
Other segmental information						
Capital expenditure	**29.9**	**1.6**	**5.4**	**1.6**	**-**	**38.5**
Depreciation and amortisation	**7.1**	**4.0**	**5.8**	**4.7**	**0.2**	**21.8**

Six months ended 30 June 2018

	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Corporate £m	Total £m
Revenue						
Segmental revenue reported						
- point in time	126.8	24.0	27.7	-	-	178.5
- over time	0.4	54.0	-	28.5	-	82.9
Inter-segmental sales	-	(0.4)	(0.5)	-	-	(0.9)
	127.2	77.6	27.2	28.5	-	260.5
Underlying operating profit	10.8	9.6	1.2	4.3	(1.4)	24.5
Acquisition costs	-	(0.1)	-	-	-	(0.1)
Amortisation of acquired intangibles	(0.8)	(0.1)	(0.5)	-	-	(1.4)
Adjustment to provision for contingent consideration	1.3	-	-	-	-	1.3
Operating profit	11.3	9.4	0.7	4.3	(1.4)	24.3
Net finance expense						(2.8)
Profit before tax						21.5
Income tax						(3.8)
Profit for the period						17.7
Assets & liabilities						
Segmental assets	253.9	179.6	128.4	38.5	24.1	624.5
Investment in joint ventures	4.4	3.5	0.4	-	-	8.3
Total assets	258.3	183.1	128.8	38.5	24.1	632.8
Segmental liabilities	(78.6)	(64.8)	(11.9)	(10.2)	(183.5)	(349.0)
	179.7	118.3	116.9	28.3	(159.4)	283.8
Other segment information						
Capital expenditure	2.4	1.2	2.6	6.8	0.2	13.2
Depreciation and amortisation	4.7	2.9	5.5	1.6	0.3	15.0

Year ended 31 December 2018

	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Corporate £m	Total £m
Revenue						
Segmental revenue reported						
- point in time	279.7	49.5	62.7	-	-	391.9
- over time	1.0	111.1	-	60.7	-	172.8
Inter-segmental sales	(1.0)	(1.0)	(1.2)	-	-	(3.2)
	279.7	159.6	61.5	60.7	-	561.5
Underlying operating profit	29.0	20.9	5.1	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	29.9	20.2	4.2	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 & liabilities						
Segmental assets	252.5	145.9	130.0	44.3	25.0	597.7
Investment in joint ventures	4.2	3.0	1.0	-	-	8.2
Total assets	256.7	148.9	131.0	44.3	25.0	605.9
Segmental liabilities	(73.9)	(48.4)	(12.7)	(16.0)	(148.5)	(299.5)
	182.8	100.5	118.3	28.3	(123.5)	306.4
Other segment information						
Capital expenditure	8.6	5.2	6.4	13.2	-	33.4
Depreciation and amortisation	11.3	5.7	10.4	3.6	-	31.0

5 Net finance expense

	2019 Six months ended 30 June £m	2018 Six months ended 30 June £m	2018 Year ended 31 December £m
Finance income:			
Interest receivable on short-term deposits	**0.1**	0.1	0.2
Finance expense:			
Bank loans and overdrafts	**(2.5)**	(2.6)	(5.4)
Net interest on pension obligations	**(0.2)**	(0.2)	(0.5)
Unwind of discount on right-of-use lease liability	**(0.9)**	-	-
Unwind of discount on contingent consideration	**(0.1)**	(0.1)	(0.3)
	(3.7)	(2.9)	(6.2)
Net finance expense	**(3.6)**	(2.8)	(6.0)

6 Separately disclosed items

	2019 Six months ended 30 June £m	2018 Six months ended 30 June £m	2018 Year ended 31 December £m
Included in operating profit:			
Acquisition related income and (expense):			
Costs incurred on acquiring businesses	**(0.5)**	(0.1)	(0.7)
Amortisation of acquired intangibles	**(1.5)**	(1.4)	(2.6)
Adjustment to provision for contingent consideration	**3.5**	1.3	2.6
Costs of material litigation	**(1.5)**	-	-
Separately disclosed items before taxation	**-**	(0.2)	(0.7)
Tax on separately disclosed items	**0.2**	0.2	0.4
	0.2	-	(0.3)

Adjustments to the provision for contingent consideration are based on the most recent forecasts and estimates such that the balance sheet liability represents the Directors' best estimate of amounts likely to be paid based on current information. The costs of material litigation relate to a contract claim made against one of our Marine Support businesses which was contested and subsequently lost on appeal.

7 Taxation

The effective income tax rate on underlying profit before income tax, based on an estimated rate for the year ending 31 December 2019, is 20.0% (30 June 2018: 18.7%, 31 December 2018: 18.7%). The effective rate on profit before income tax is 18.9% (30 June 2018: 18.0%, 31 December 2018: 18.2%). This is based on the estimated effective tax rate for the year to 31 December 2019. Of the total tax charge, £2.5m relates to overseas businesses (30 June 2018: £3.1m). Taxation on profit has been estimated based on rates of taxation applied to the profits forecast for the full year. The increase in the effective tax rate is due to the mix of profits increasing in higher rate tax countries in the Middle East, South America and Africa. The adoption of IFRIC 23 has resulted in the recognition of tax liabilities of £2.0m which have been recognised on 1 January 2019 in the condensed consolidated statement of changes in equity.

8 Earnings per share

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

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

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

Weighted average number of shares

	30 June 2019 Number of shares	30 June 2018 Number of shares	31 December 2018 Number of shares
For basic earnings per ordinary share *	**50,248,652**	50,188,922	50,210,684
Exercise of share options and LTIPs	**298,511**	283,795	299,374
For diluted earnings per ordinary share	**50,547,163**	50,472,717	50,510,058

* Excludes 510 (June 2018: 38,980; December 2018: 28,630) shares owned by the James Fisher & Sons Plc Employee Share Ownership Trust.

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

	2019 Six months ended 30 June £m	2018 Six months ended 30 June £m	2018 Year ended 31 December £m
Profit attributable to owners of the Company	**17.0**	17.4	44.9
Separately disclosed items	**-**	0.2	0.7
Tax on separately disclosed items	**(0.2)**	(0.2)	(0.4)
Underlying profit attributable to owners of the Company	**16.8**	17.4	45.2
Earnings per share	**pence**	pence	pence
Basic earnings per share	**33.8**	34.7	89.5
Diluted earnings per share	**33.6**	34.5	88.9
Adjusted basic earnings per share	**33.4**	34.7	90.0
Adjusted diluted earnings per share	**33.2**	34.5	89.5

9 Interim dividend

The proposed interim dividend of 11.3p (2018: 10.3p) per ordinary share is payable on 1 November 2019 to those shareholders on the register of the Company at the close of business on 4 October 2019. The dividend recognised in the condensed consolidated statement of changes in equity is the final dividend for 2018 of 21.3p per share which was paid on 10 May 2019.

10 Retirement benefit obligations

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

	2019 Six months ended 30 June £m	2018 Six months ended 30 June £m	2018 Year ended 31 December £m
Net obligation as at 1 January	**(16.1)**	(19.8)	(19.8)
Expense recognised in the income statement	**(0.2)**	(0.3)	(0.6)
Contributions paid to scheme	**5.6**	1.9	5.4
Remeasurement gains and losses	**-**	(1.5)	(1.1)
At period end	**(10.7)**	(19.7)	(16.1)

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

	2019 Six months ended 30 June £m	2018 Six months ended 30 June £m	2018 Year ended 31 December £m
Shore Staff	**(4.0)**	(4.9)	(4.6)
Merchant Navy Officers Pension Fund	**(4.2)**	(6.0)	(5.1)
Merchant Navy Ratings Pension Fund	**(2.5)**	(8.8)	(6.4)
	(10.7)	(19.7)	(16.1)

The principal assumptions in respect of these liabilities are disclosed in the December 2018 Annual Report. The Group has not obtained an interim valuation for the period ended 30 June 2019. In the first half of 2019, the Group paid a one-off contribution of £3.8m to the Merchant Navy Ratings Pension Fund. Contributions to pension schemes in 2019 are expected to be £8.6m (2018: £5.4m).

11 Reconciliation of net borrowings

	1 January 2019 £m	Cash flow £m	Other non-cash £m	Exchange movement £m	30 June 2019 £m
Cash and cash equivalents	**18.6**	**(1.3)**	**-**	**0.1**	**17.4**
Debt due after 1 year	**(122.0)**	**(43.4)**	**(0.2)**	**(0.1)**	**(165.7)**
Debt due within 1 year	**(10.0)**	**0.5**	**(1.4)**	**-**	**(10.9)**
	(132.0)	**(42.9)**	**(1.6)**	**(0.1)**	**(176.6)**
Lease liabilities	**(0.2)**	**5.6**	**(36.7)**	**-**	**(31.3)**
Net borrowings plus operating leases	**(113.6)**	**(38.6)**	**(38.3)**	**-**	**(190.5)**
Right-of-use liability	**-**	**(5.5)**	**36.6**	**-**	**31.1**
Net borrowings	**(113.6)**	**(44.1)**	**(1.7)**	**-**	**(159.4)**

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

	1 January 2018 £m	Cash flow £m	Other non-cash £m	Exchange movement £m	31 December 2018 £m
Cash and cash equivalents	20.3	(1.4)	-	(0.3)	18.6
Debt due after 1 year	(152.2)	31.2	(0.4)	(0.6)	(122.0)
Debt due within 1 year	(0.2)	(9.8)	-	-	(10.0)
	(152.4)	21.4	(0.4)	(0.6)	(132.0)
Finance lease liabilities	(0.4)	0.2	(0.1)	0.1	(0.2)
Net borrowings	(132.5)	20.2	(0.5)	(0.8)	(113.6)

12 Commitments and contingencies

Capital commitments

At 30 June 2019, the Group had capital commitments of £26.5m (30 June 2018: £5.7m, 31 December 2018: £0.5m).

Contingent liabilities

(a) 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.
(b) A Group VAT registration is operated by the Company and 25 Group undertakings in respect of which the Company is jointly and severally liable for all amounts due to HM Revenue & Customs under the arrangement.
(c) 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 seven vessels. The charters expire between 2019 and 2023.
(d) Subsidiaries of the Group have issued performance and payment guarantees to third parties with a total value of £70.6m (2018: £45.4m).
(e) The Group is liable for further contributions in the future to the MNOPF 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 deficit.
(f) 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.
(g) In the normal course of business, the Company and certain subsidiaries have given parental and subsidiary guarantees in support of loan and banking arrangements.
(h) 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 consideration 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.

(i) 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.

13 Post balance sheet events

In July 2019, the Group completed the purchases of the Swordfish, a dive support vessel targeted at the West African market and the Raleigh Fisher, a 35kT tanker which will support the refuelling requirements for the Ministry of Defence. Having paid deposits in the first half of £1.9m and £0.9m respectively, a further £17.4m was paid for the Swordfish and £8.1m for the Raleigh Fisher.

On 7 August 2019, we announced that 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.

14 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

(a) Adjustments recognised on adoption of IFRS 16

In adopting IFRS 16 retrospectively from 1 January 2019, 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.

On adoption of IFRS 16, 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 5.6%. 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.

	£m
Operating lease commitment at 31 December 2018 as disclosed in Group's consolidated financial statements	38.2
Discounted using the incremental borrowing rate at 1 January 2019	34.5
Finance lease liabilities recognised as at 31 December 2018	0.2
Recognition exemption for:	
- Short-term leases	(1.0)
- 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 six months ended 30 June 2019 are:

	Property, plant and equipment			
	Property	Vessels	Other	Total
	£m	£m	£m	£m
Balance at 1 January 2019	21.1	13.1	0.5	34.7
Balance at 30 June 2019	19.8	10.3	0.6	30.7
Depreciation	2.1	2.8	0.1	5.0

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	30 June 2019 £m
Right-of-use asset	34.7	30.7
Lease liability		
- current	9.6	8.7
- non-current	25.1	22.4
	34.7	31.1

In relation to those leases under IFRS 16, the Group has recognised £5.0m of depreciation on right-of-use assets and £0.9m of interest charges instead of an operating leases expense of £5.5m.

(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 £2.0m as an adjustment to retained earnings with no impact on profit.

15 Business combinations

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 in Rotherham 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 8 January 2019, the Group acquired 60% of the share capital of Murjan Al-Sharq for Marine Contracting LLC (Murjan) for an initial consideration of £4.1m in cash, with potential further consideration of up to £4.5m subject to profit targets for the year ending 31 December 2019. Murjan, which was established in 2010 by Abdullah Akbar Natheer and is headquartered in Al Khobar, Kingdom of Saudi Arabia, provides near shore marine construction and maintenance services. The 40% minority interest in Murjan has been retained by Mr Natheer and the Company is part of the Marine Support division.

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	**0.4**	**-**	**0.4**
Inventories	**1.5**	**(0.2)**	**1.3**
Trade and other receivables	**1.8**	**(0.2)**	**1.6**
Cash and short term deposits	**2.3**	**-**	**2.3**
Trade and other payables	**(3.2)**	**(0.5)**	**(3.7)**
Interest bearing loans and borrowings	**(0.4)**	**-**	**(0.4)**
Deferred tax	**-**	**(0.3)**	**(0.3)**
Fair value of net assets acquired	**2.4**	**1.0**	**3.4**
Goodwill			**7.7**
			11.1
Consideration:			
Cash consideration			**10.2**
Contingent consideration			**0.9**
			11.1

	Book value £m	Fair value adjustments £m	Total £m
Murjan			
Intangible assets	**-**	**0.8**	**0.8**
Property, plant and equipment	**2.7**	**-**	**2.7**
Trade and other receivables	**2.0**	**(0.3)**	**1.7**
Cash and short term deposits	**0.1**	**-**	**0.1**
Trade and other payables	**(6.2)**	**-**	**(6.2)**
Interest bearing loans and borrowings	**(1.0)**	**-**	**(1.0)**
Deferred tax	**-**	**(0.1)**	**(0.1)**
Fair value of net assets acquired	**(2.4)**	**0.4**	**(2.0)**
Minority interest	**1.0**	**(0.2)**	**0.8**
Goodwill			**4.4**
Cash consideration			**3.2**

The book value of these business combinations have been adjusted for fair values relating to intangible assets relating to customer relationships, the writedown of irrecoverable debtors, provisioning in respect of warranty claims, slow moving or obsolete inventory and taxation. Further adjustments to the assets and liabilities acquired may arise on finalisation of the completion accounts and review of fair values.

Independent review report to James Fisher and Sons plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 which comprises the condensed consolidated income statement, the condensed consolidated statement of other comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2019 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Uncertainties related to the effects of Brexit are relevant to understanding our review of the condensed financial statements. Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. An interim review cannot 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.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

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

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

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Mike Barradell
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peters Square
Manchester
M2 3AE

27 August 2019