James Fisher and Sons plc

Half Year Financial Report

2016

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

We employ 2,700 people across 19 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 within our four divisions: Marine Support, Offshore Oil, Specialist Technical and Tankships.

→ Contents

Highlights

	H1 2016	H1 2015
Group revenue	**£209.3m**	£213.1m
Underlying operating profit*	**£19.9m**	£20.0m
Underlying profit before tax*	**£17.5m**	£17.8m
Underlying diluted earnings per share*	**29.4p**	29.5p
Interim dividend per share	**8.55p**	7.80p
Statutory profit before tax	**£17.4m**	£17.9m
Statutory diluted earnings per share	**29.4p**	30.0p

* underlying profit excludes separately disclosed items.

- Specialist Technical, Marine Support and Tankships performed well, increasing underlying operating profit by 18%;
- Offshore Oil in line with second half of 2015;
- Recent contract wins, Galloper Windfarm, Indian submarine rescue and Winfrith decommissioning progressing well;
- Acquisitions of Lexmar and Hughes since period end;
- Continued strong cash conversion of 102% (2015: 96%);
- Interim dividend increased by 10% to 8.55p per share.

Half year results for the six months ended 30 June 2016

> "This solid start to 2016 gives us confidence that the Group will produce good growth for the year as a whole."

Results

I am pleased to report that in the first half of 2016, James Fisher traded in line with management expectations as outlined in my AGM statement on 28 April with revenue and profit similar to the comparable period last year. This solid start to 2016 gives us confidence that the Group will produce good growth for the year as a whole.

Revenue was slightly lower than last year at £209.3m (2015: £213.1m) reflecting reduced activity levels in Offshore Oil, the cessation of the Angola contract in the second quarter and revenues from our new contract wins only starting to come through. Underlying profit before tax was £17.5m compared with £17.8m last time and underlying diluted earnings per share were 29.4p (2015: 29.5p).

Three of our divisions, Marine Support (+26%), Specialist Technical (+9%) and Tankships (+15%) showed strong profit growth with our new contracts in renewables, defence and nuclear beginning to contribute from the second quarter and Marine Support benefiting from strong demand in the ship to ship (STS) transfer market.

Offshore Oil, by contrast, continued to face tough trading conditions with a result similar to that seen in the second half of 2015 but sharply lower compared to last year's first half which had not seen the full impact of the industry downturn. Demand in our Offshore Oil markets appears to have stabilised but at the low levels experienced since the middle of last year.

Strategic Developments

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

During the last month, we have announced two bolt-on acquisitions. Lexmar, based in Singapore, has joined our JFD business within Specialist Technical, helping to build our regional presence and hyperbaric engineering capability in the growing Asia Pacific market. Hughes Engineering Services Limited has built a strong presence in the UK offshore renewables market in recent years. Hughes will further strengthen our ability to integrate multiple services into single source contracts for this developing sector.

James Fisher is well placed to face the uncertainties created by the 23 June 2016 Brexit referendum result. The Group trades relatively little with the European Union being focused, outside the UK, on the growth markets of Asia Pacific, South America, Middle East and Africa. A substantial part of the Group's revenues are dollar based bringing at least a short-term benefit from any fall in the value of Sterling.

Outlook

With the STS market firm and the recently announced Galloper project commencing, our Marine Support division is performing well. In Specialist Technical, our defence and nuclear businesses are gaining momentum as the Indian submarine rescue and Winfrith decommissioning contracts are mobilised. Tankships continue their excellent track record. In Offshore Oil, it is too early to look for recovery but our businesses in the division do appear to have stabilised, albeit at a low level. Looking forward, we therefore expect to see a resumption of growth for the Group in the second half leading to a good improvement in the result for the full year.

Dividend

The Board believes that James Fisher remains well placed to provide further growth and value for its shareholders. The Board has agreed a 10% increase in the interim dividend to 8.55p per share (2015: 7.80p) payable on 4 November 2016 to shareholders on the register on 7 October 2016.

C J Rice
Chairman
30 August 2016

Business Model

The Group's business model is based on high quality niche businesses offering a range of marine services predominantly to large multinational customers and governments globally. Our businesses are linked together by a set of common marine service skills. We operate a decentralised management structure which encourages timely decision making but with the benefit of the support and resources of a larger group.

Results

Revenue was 2% lower at £209.3m (2015: £213.1m) for the six months ended 30 June 2016. Offshore Oil was similar to the second half of 2015 but lower than its first half comparator. The cessation of a significant contract in the first quarter of 2016, masked strong underlying sales growth in Marine Support. The benefit to revenue of more favourable exchange rates compared to prior year was £4.6m (2015: £3.8m).

Underlying operating profit was £19.9m (2015: £20.0m) as a lower result in Offshore Oil was offset by strong financial performance in the other three divisions. With net finance charges £0.2m higher, underlying profit before tax was £17.5m (2015: £17.8m). The currency benefit to underlying operating profit was £1.2m (2015: £0.9m).

Cash conversion remained strong at 102% (2015: 96%) and net borrowings were slightly higher than prior year at £105.5m (2015: £103.6m). Balance sheet gearing reduced to 46% (2015: 50%).

Marine Support

	H1 2016	H1 2015
Revenue (£m)	**92.4**	87.2
Underlying operating profit (£m)	**9.3**	7.4
Underlying operating margin	**10.1%**	8.5%
Return on capital employed	**13.6%**	13.4%

Revenue in Marine Support was 6% higher as strong growth in ship to ship transfers and currency benefits more than offset reduced revenue in the second quarter following the cessation of our contract in Angola for mooring and diving services in March 2016. Discussions with our customer in Angola are ongoing and costs incurred in connection with the cessation of the contract are expected to be recovered.

Underlying operating profit was 26% ahead of the first half of 2015 following an 18% increase in ship to ship transfers in the period with strong performance in Asia Pacific and Africa. Contributions from businesses acquired in 2015 and weaker Sterling compared to the US Dollar benefited the first half result and offset a decline in project related income which is more weighted to the second half of this year.

In February 2016, the Group was awarded a marine services and support contract worth in excess of £25m in relation to the construction of the Galloper windfarm. The Group is providing a wide range of marine services including unexploded ordnance identification and disposal, vessel refuelling, crew transfer and diving together with our Offshore Wind Management System. This provides real-time data covering a wide range of offshore wind farm activities from vessel motion monitoring and crew tracking to turbine structural monitoring and tracking of strategic spares. The modular system enables efficient management and improved personnel safety during vessel transfers, reduces costs and captures historic data for analysis and to support future operational predictions.

In August 2016, the Group acquired Hughes Sub Surface Engineering Limited ("Hughes") for an initial consideration of £9.0m. Hughes was founded in Liverpool in 2005 to provide commercial diving and civil engineering services to underwater projects. The business operates in the marine renewables, power generation, oil and gas, and inshore civil engineering sectors and further strengthens our renewables service offering.

Offshore Oil

	H1 2016	H1 2015
Revenue (£m)	**27.0**	36.1
Underlying operating profit (£m)	**2.1**	5.3
Underlying operating margin	**7.8%**	14.7%
Return on capital employed	**3.3%**	8.7%

Whilst a disappointing result compared to the first half of 2015, revenue and underlying operating profit were in line with the second half of last year. The division continued to experience a lack of activity with ongoing deferment of maintenance work. Scan Tech AS, our Norwegian business, has experienced the toughest market conditions with revenue 55% lower than in the first half of 2015. The rest of the division was only 11% lower by comparison.

Gross margins, which held up in 2015, were similar to prior comparator confirming the niche position of the businesses. Overheads were £2.0m lower than the comparative period following cost reductions made in 2015. Our businesses remain well placed to benefit from any recovery in maintenance and repair expenditure although indications of any significant recovery in the sector have yet to emerge.

Specialist Technical

	H1 2016	H1 2015
Revenue (£m)	**62.9**	63.7
Underlying operating profit (£m)	**6.1**	5.6
Underlying operating margin	**9.7%**	8.8%
Return on capital employed	**15.6%**	16.6%

Specialist Technical increased underlying operating profit by 9% on a similar level of revenue. Project revenue was lower as the significant contract to build two rescue submarines for the Indian Navy only commenced in the second quarter whereas the prior comparative included two large saturation diving contracts. Commercial diving equipment sales were strong and nuclear decommissioning revenue increased by 11%. The contract to decommission the core reactor at Winfrith, which is worth £60m over a four year period, commenced in May 2016.

On 1 August 2016, the Group acquired Lexmar Engineering Pte Limited and Lexmar Sat Systems Pte Limited (together "Lexmar"). This specialist provider of diving equipment will enhance JFD's saturation diving offering to the Asia Pacific region. Lexmar is currently completing three 18 man twin bell saturation diving systems. They are currently in the process of undertaking installation and commissioning in China and will complete and commission the third system in Singapore in the first half of 2017.

Tankships

	H1 2016	H1 2015
Revenue (£m)	**27.0**	26.1
Underlying operating profit (£m)	**3.8**	3.3
Underlying operating margin	**14.1%**	12.6%
Return on capital employed	**28.3%**	27.0%

Our Tankships division continued to trade well and increased underlying operating profit by £0.5m in the period. Vessel utilisation was maintained at prior year levels and the division benefited from improved spot cargo rates. A charter for two of its vessels has been extended for a further eighteen months to November 2017.

Finance

Interest and taxation

Net interest was £0.2m higher at £2.4m (2015: £2.2m) partly due to increased borrowings and due to a £0.1m increase in notional charges on legacy defined benefit pension schemes.

The effective tax rate on underlying profit before tax in the period was similar to prior period at 15.4% (2015: 15.3%). This rate is based on estimated profits for the full year and reflects the impact of lower UK rates, the benefit from profits within its tanker operations not being subject to corporation tax and from conservative provisioning in previous years.

Separately disclosed items and earnings per share

In order better to present the underlying performance of the Group, items are consistently disclosed separately which include costs incurred in making a business acquisition, the amortisation of intangible assets arising from a business acquisition and adjustments to provisions for contingent consideration. The net charge in the six months ended 30 June 2016 was £0.1m (2015: credit of £0.1m).

Underlying diluted earnings per share were similar to last year at 29.4 pence per share (2015: 29.5p). Diluted earnings per share after separately disclosed items are taken into account were also 29.4 pence per share (2015: 30.0p).

Cash flow and borrowings

Summary cash flow

	H1 2016 £m	H1 2015 £m
Underlying operating profit	**19.9**	20.0
Depreciation & amortisation	**12.1**	12.2
Ebitda*	**32.0**	32.2
Working capital	**(10.1)**	(12.0)
Pension/other	**(1.7)**	(1.0)
Operating cash flow	**20.2**	19.2
Interest & tax	**(5.1)**	(7.4)
Capital expenditure	**(8.6)**	(12.4)
Acquisitions	**(7.7)**	(30.2)
Dividends	**(8.0)**	(7.5)
Other	**(2.4)**	(3.0)
Net outflow	**(11.6)**	(41.3)
Net borrowings at start of period	**(93.9)**	(62.3)
Net borrowings at end of period	**(105.5)**	(103.6)

* Underlying earnings before interest, tax, depreciation and amortisation

Cash conversion, the ratio of operating cash flow to underlying operating profit was 102% (2015: 96%). Working capital cash outflow was £10.1m as the timing of project related cashflows and seasonal working capital of £8.9m more than offset the unwind of debtor positions at 31 December 2015.

Capital expenditure was 31% lower at £8.6m (2015: £12.4m) and £7.7m (2015: £30.2m) was spent on business acquisitions which includes £5.8m paid for the third party interest in Fendercare Nigeria which was effectively acquired in November 2015.

The net outflow in the period was £11.6m (2015: £41.3m) and as a result net borrowings were £1.9m higher than at 30 June 2015. The ratio of net borrowings (which includes an increased level of project related bonding) to Ebitda was 1.8 times (2015: 1.5 times). Net gearing, the ratio of net debt to equity, reduced to 46% (2015: 50%).

Pensions

The majority of the Group's pension arrangements are defined contribution arrangements where the company's liability is limited to the contributions it agrees on behalf of each employee. As a consequence of its history in the shipping industry, the Group is required to contribute to industry-wide Merchant Navy Pension Funds and has its own legacy defined benefit scheme. Total defined benefit pension deficits at 30 June 2016 were £26.4m (2015: £20.5m) which was marginally lower than as at 31 December 2015 when the Group recognised the Merchant Navy Ratings scheme liability. The pension scheme valuations were updated to 30 June 2016 following the Brexit vote reflecting any changes to long-term interest rates. As a result the deficit increased by £0.7m.

Balance sheet

	2016 30 June £m	2015 30 June £m
Intangible assets	**163.8**	152.4
Other assets	**135.7**	139.2
Working capital	**75.3**	63.4
Other liabilities	**(38.7)**	(42.2)
Capital employed	**336.1**	312.8
Borrowings	**105.5**	103.6
Equity	**230.6**	209.2
	336.1	312.8

Intangible assets have increased by £11.4m since June 2015 reflecting the acquisitions made in the last year and the impact of weaker Sterling. Working capital was £11.9m higher mainly due to increased project working capital and the ratio of working capital to sales was 16% at 30 June 2016 (2015: 14%).

Following the Brexit vote on 23 June 2016, Sterling weakened by 10% against the US Dollar, which is the main currency pairing that impacts the Group. There was little net impact on net assets as the Group seeks to match its US Dollar cash and working capital assets with US Dollar denominated borrowings.

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 2015 Annual Report and Accounts on pages 10-11. In addition, the Directors have considered the impact of the UK's vote to leave the European Union and as referred to in the Chairman's Statement, do not consider this will materially impact the Group's viability.

The principal risks set out in the 2015 Annual Report and Accounts were:

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

The Directors consider that the principal risks and uncertainties set out in the 2015 Annual Report and Accounts have not changed and remain relevant for the second half of the financial year.

Directors' responsibilities

We confirm to the best of our knowledge:

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

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

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

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

N P Henry
Chief Executive Officer
30 August 2016

S C Kilpatrick
Group Finance Director

Condensed consolidated income statement

for the six months ended 30 June 2016

	Notes	2016 Six months ended 30 June £000	2015 Six months ended 30 June £000	2015 Year ended 31 December £000
Group revenue	4	**209,317**	213,061	437,930
Cost of sales		**(144,999)**	(148,713)	(307,208)
Gross profit		**64,318**	64,348	130,722
Administrative expenses		**(45,083)**	(44,320)	(85,219)
Share of post tax results of joint ventures		**647**	(66)	87
Acquisition related income and (expense)	5	**(83)**	93	5,926
Operating profit	4	**19,799**	20,055	51,516
Analysis of operating profit:				
Underlying operating profit		**19,882**	19,962	45,590
Separately disclosed items		**(83)**	93	5,926
Loss on sale of business		**–**	–	(959)
Net finance expense		**(2,421)**	(2,194)	(4,343)
Profit before taxation		**17,378**	17,861	46,214
Analysis of profit before tax:				
Underlying profit before taxation		**17,461**	17,768	41,247
Separately disclosed items		**(83)**	93	4,967
Income tax	8	**(2,567)**	(2,609)	(5,507)
Profit for the period		**14,811**	15,252	40,707
Attributable to:				
Owners of the Company		**14,835**	15,098	39,885
Non-controlling interests		**(24)**	154	822
		14,811	15,252	40,707
Earnings per share		**pence**	pence	pence
Basic	9	**29.6**	30.2	79.7
Diluted	9	**29.4**	30.0	79.2

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2016

	2016 Six months ended 30 June £000	2015 Six months ended 30 June £000	2015 Year ended 31 December £000
Profit for the period	**14,811**	15,252	40,707
Items that will not be reclassified to income statement			
Remeasurement loss on defined benefit plan liabilities	**–**	–	(8,596)
Actuarial (loss)/gain in defined benefit pension schemes	**(697)**	–	813
Income tax on items that will not be reclassified	**(553)**	(415)	1,635
	(1,250)	(415)	(6,148)
Items that may be reclassified subsequently to income statement			
Exchange differences on foreign currency net investment	**7,158**	(4,356)	(4,587)
Effective portion of changes in fair value of cash flow hedges	**(2,783)**	2,039	836
Effective portion of changes in fair value of cash flow hedges in joint ventures	**(213)**	243	354
Net change in fair value of cash flow hedges transferred to income statement	**(6)**	168	77
Income tax on items that may be reclassified	**488**	–	(220)
	4,644	(1,906)	(3,540)
Other comprehensive income for the period, net of income tax	**3,394**	(2,321)	(9,688)
Total comprehensive income for the period	**18,205**	12,931	31,019
Attributable to:			
Owners of the Company	**18,062**	12,783	30,067
Non-controlling interests	**143**	148	952
	18,205	12,931	31,019

Condensed consolidated statement of financial position

at 30 June 2016

	Notes	2016 30 June £000	2015 30 June £000	2015 31 December £000
Assets				
Non-current assets				
Goodwill		**147,832**	135,949	140,414
Other intangible assets		**15,979**	16,455	16,041
Property, plant and equipment		**128,191**	128,525	127,594
Investment in joint ventures		**6,031**	9,141	6,250
Available for sale financial assets		**1,478**	1,478	1,478
Deferred tax assets		**3,588**	2,203	3,189
		303,099	293,751	294,966
Current assets				
Inventories		**49,786**	47,381	47,436
Trade and other receivables		**150,029**	127,759	141,734
Derivative financial instruments		**–**	1,558	2
Cash and short-term deposits	7	**29,720**	28,071	22,962
		229,535	204,769	212,134
Total assets		**532,634**	498,520	507,100
Equity and liabilities				
Capital and reserves				
Called up share capital		**12,543**	12,541	12,541
Share premium		**25,573**	25,525	25,525
Treasury shares		**(610)**	(442)	(1,613)
Other reserves		**(6,877)**	(9,584)	(11,354)
Retained earnings		**197,422**	179,551	192,908
Shareholders' equity		**228,051**	207,591	218,007
Non-controlling interests		**2,531**	1,584	2,388
Total equity		**230,582**	209,175	220,395
Non-current liabilities				
Other payables		**9,141**	14,981	8,728
Retirement benefit obligations	6	**26,416**	20,511	26,956
Cumulative preference shares		**100**	100	100
Loans and borrowings		**124,345**	113,600	116,645
Deferred tax liabilities		**153**	545	153
		160,155	149,737	152,582
Current liabilities				
Trade and other payables		**120,112**	112,418	125,381
Current tax		**6,515**	7,846	7,190
Derivative financial instruments		**4,470**	1,333	1,446
Loans and borrowings		**10,800**	18,011	106
		141,897	139,608	134,123
Total liabilities		**302,052**	289,345	286,705
Total equity and liabilities		**532,634**	498,520	507,100

Condensed consolidated cash flow statement

for the six months ended 30 June 2016

	Note	2016 Six months ended 30 June £000	2015 Six months ended 30 June £000	2015 Year ended 31 December £000
Profit before taxation		17,378	17,861	46,214
Adjustments to reconcile profit before tax to net cash flows				
Depreciation and amortisation		12,647	12,745	24,442
Acquisition costs charge		60	721	1,355
Profit on sale of property, plant and equipment		(61)	(160)	(418)
Loss on sale of business		–	–	959
Adjustment to provision for contingent consideration		(522)	(1,330)	(8,491)
Net finance expense		2,421	2,194	4,343
Share of profits of joint ventures		(647)	66	(87)
Share based compensation		577	426	214
Increase in trade and other receivables		(4,177)	(674)	(19,911)
Decrease/(increase) in inventories		41	(6,164)	(6,073)
(Decrease)/increase in trade and other payables		(5,962)	(5,179)	3,095
Defined benefit pension cash contributions less service cost		(1,691)	(1,756)	(3,494)
Cash generated from operations		20,064	18,750	42,148
Cash outflow from acquisition costs		–	(748)	(1,325)
Income tax payments		(3,376)	(5,702)	(8,828)
Net cash from operating activities		16,688	12,300	31,995
Investing activities				
Dividends from joint venture undertakings		172	65	1,089
Proceeds from the sale of property, plant and equipment		724	1,499	2,208
Finance income		87	91	236
Acquisition of subsidiaries, net of cash acquired		(7,689)	(27,653)	(25,933)
Acquisition of property, plant and equipment		(7,964)	(12,707)	(19,597)
Development expenditure		(1,376)	(1,042)	(2,704)
Net cash used in investing activities		(16,046)	(39,747)	(44,701)
Financing activities				
Proceeds from the issue of share capital		49	303	303
Finance costs		(1,815)	(1,734)	(3,603)
Purchase of own shares by Employee Share Ownership Trust		(635)	(1,376)	(2,590)
Capital element of finance lease repayments		(81)	(56)	(102)
Proceeds from other non-current borrowings		16,460	48,209	35,807
Dividends paid		(8,026)	(7,463)	(11,364)
Net cash from financing activities		5,952	37,883	18,451
Net increase in cash and cash equivalents		6,594	10,436	5,745
Cash and cash equivalents at beginning of period		22,962	17,719	17,719
Exchange movement		164	(84)	(502)
Cash and cash equivalents at end of period	7	29,720	28,071	22,962

Condensed consolidated statement of movements in equity

for the six months ended 30 June 2016

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

	Capital		Attributable to equity holders of parent					
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Total shareholders' equity £000	Non-controlling interests £000	Total equity £000
At 1 January 2015	12,525	25,238	174,663	(7,684)	(1,988)	202,754	1,436	204,190
Total comprehensive income for the period	–	–	14,683	(1,900)	–	12,783	148	12,931
Contributions by and distributions to owners								
Ordinary dividends paid	–	–	(7,463)	–	–	(7,463)	–	(7,463)
Share based compensation expense	–	–	426	–	–	426	–	426
Tax effect of share based compensation expense	–	–	164	–	–	164	–	164
Purchase of shares	–	–	–	–	(1,535)	(1,535)	–	(1,535)
Sale of shares	–	–	–	–	159	159	–	159
Arising on the issue of shares	16	287	–	–	–	303	–	303
	16	287	(6,873)	–	(1,376)	(7,946)	–	(7,946)
Transfer on disposal of shares	–	–	(2,922)	–	2,922	–	–	–
At 30 June 2015	12,541	25,525	179,551	(9,584)	(442)	207,591	1,584	209,175

Notes to the condensed consolidated half year statements

1 Basis of preparation

James Fisher and Sons plc ("the Company") is a limited liability company incorporated and domiciled in the United Kingdom, whose shares are listed on the London Stock Exchange. The condensed consolidated half year financial statements of the Company for the six months ended 30 June 2016 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") ("adopted IFRS"). 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 2015 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 2015.

The comparative figures for the financial year ended 31 December 2015 are not the Group's statutory accounts for that financial year. Those accounts which were prepared under adopted IFRS, have been reported on by the Group's auditor and delivered to the Registrar of Companies. The report of the auditor was: (i) unqualified; (ii) did not include a reference to any matters to which the auditor 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 2015 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.com.

The half year report is presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except where otherwise indicated and was approved for issue by the Board of Directors on 30 August 2016.

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. Movements on the Group's overall net debt position are shown in note 7. The Group had £29.4m of undrawn committed facilities at 30 June 2016. On 27 July 2016 one of the Group's revolving credit facilities was increased from £20m to £30m.

At 30 June 2016, the Group had one revolving credit facility that is due for renewal in the next twelve months. The Group had £10.7m outstanding balances drawn down on this facility at 30 June 2016. Renewal negotiations will be commenced with the bank in due course and the Group has not sought any written commitment that the facilities will be renewed. However, the Group has held discussions with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest the renewals will not be forthcoming on acceptable terms.

Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2015.

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 and for the year ended 31 December 2015.

3 Alternative performance measures

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

3.1. Underlying operating profit and underlying profit before taxation

Underlying operating profit is defined as operating profit before amortisation or impairment of acquired intangible assets, acquisition expenses, adjustments to deferred consideration (together, 'acquisition related income and expense'), the costs of a material restructuring, asset impairment or rationalisation of operations and the profit or loss relating to the sale of businesses or property. The Directors believe that the underlying operating profit is an important measure of the operational performance of the Group. Underlying profit before taxation is defined as underlying operating profit less net finance expense.

	2016 Six months ended 30 June £000	2015 Six months ended 30 June £000	2015 Year ended 31 December £000
Operating profit	**19,799**	20,055	51,516
Separately disclosed items before taxation	**83**	(93)	(5,926)
Underlying operating profit	**19,882**	19,962	45,590
Net finance expense	**(2,421)**	(2,194)	(4,343)
Underlying profit before taxation	**17,461**	17,768	41,247

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 minority 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 9.

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 rate by the underlying operating profit, divided by average capital employed.

4 Segmental information

Management has determined the operating segments based on the reports reviewed by the Board that are utilised to make strategic decisions. The Board considers the business primarily from the products and services perspective and has four reportable segments;

Marine Support – includes the hire and sale of large scale pneumatic fenders and ship to ship transfer services, and the design and supply of systems for monitoring strains and stress in structures.

Offshore Oil – manufacture and rental of equipment for the offshore oil and gas industry and the design and manufacture of specialist downhole tools and equipment for extracting oil.

Specialist Technical – provision of subsea services including submarine rescue and saturation diving including maintenance, asset management and consultancy services and non–destructive testing, decommissioning and remote operations and monitoring service predominantly to the nuclear industry.

Tankships – engaged in the sea transportation of clean petroleum products in North West Europe.

The Board assesses the performance of the segments based on operating profit before central common costs and acquisition related income and expenses but after the Group's share of the post tax results of associates and joint ventures. 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.

Six months ended 30 June 2016

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

Six months ended 30 June 2015

	Marine Support £000	Offshore Oil £000	Specialist Technical £000	Tankships £000	Corporate £000	Total £000
Revenue						
Segmental revenue	88,327	36,869	64,243	26,088	–	215,527
Inter segment sales	(1,154)	(731)	(554)	(27)	–	(2,466)
Group revenue	87,173	36,138	63,689	26,061	–	213,061
Underlying operating profit	7,400	5,347	5,595	3,256	(1,636)	19,962
Acquisition expenses	(270)	–	(451)	–	–	(721)
Adjustment to provision for contingent consideration	–	–	1,330	–	–	1,330
Amortisation of acquired intangibles	(158)	(41)	(317)	–	–	(516)
Operating profit	6,972	5,306	6,157	3,256	(1,636)	20,055
Net finance expense						(2,194)
Profit before tax						17,861
Income tax						(2,609)
Profit for the period						15,252
Assets & liabilities						
Segment assets	176,585	136,177	100,714	33,732	42,171	489,379
Investment in joint ventures	6,685	–	2,456	–	–	9,141
Total assets	183,270	136,177	103,170	33,732	42,171	498,520
Segment liabilities	(49,115)	(13,082)	(32,638)	(9,672)	(184,838)	(289,345)
	134,155	123,095	70,532	24,060	(142,667)	209,175
Other segment information						
Capital expenditure	5,838	4,922	528	1,053	366	12,707
Depreciation and amortisation	3,447	5,661	1,761	1,656	220	12,745

Year ended 31 December 2015

	Marine Support £000	Offshore Oil £000	Specialist Technical £000	Tankships £000	Corporate £000	Total £000
Revenue						
Segmental revenue	194,389	63,742	130,293	52,627	–	441,051
Inter segment sales	(1,411)	(786)	(850)	(74)	–	(3,121)
Group revenue	192,978	62,956	129,443	52,553	–	437,930
Underlying operating profit	19,352	7,399	13,907	7,164	(2,232)	45,590
Acquisition expenses	(904)	–	(451)	–	–	(1,355)
Adjustment to provision for contingent consideration	4,998	–	3,494	–	–	8,492
Amortisation of acquired intangibles	(397)	(45)	(769)	–	–	(1,211)
Operating profit	23,049	7,354	16,181	7,164	(2,232)	51,516
Loss on sale of business	(393)	(566)				(959)
Net finance expense						(4,343)
Profit before tax						46,214
Income tax						(5,507)
Profit for the year						40,707
Assets & liabilities						
Segment assets	202,612	126,405	100,480	32,898	38,455	500,850
Investment in joint ventures	4,023	–	2,227	–	–	6,250
Total assets	206,635	126,405	102,707	32,898	38,455	507,100
Segment liabilities	(66,346)	(8,300)	(41,881)	(6,441)	(163,737)	(286,705)
	140,289	118,105	60,826	26,457	(125,282)	220,395
Other segment information						
Capital expenditure	7,221	7,898	2,324	1,629	525	19,597
Depreciation and amortisation	6,708	10,812	3,174	3,294	454	24,442

5 Separately disclosed items

	2016 Six months ended 30 June £000	2015 Six months ended 30 June £000	2015 Year ended 31 December £000
Included in operating profit:			
Acquisition costs	(60)	(721)	(1,355)
Amortisation of acquired intangibles	(545)	(516)	(1,210)
Adjustment to provision for contingent consideration	522	1,330	8,491
Acquisition related (expense) and income	(83)	93	5,926
Loss on disposal of business	–	–	(959)
Separately disclosed items before taxation	(83)	93	4,967
Tax on separately disclosed items	117	111	396
	34	204	5,363

In order for a better understanding of underlying performance acquisition costs have been disclosed separately, together with the amortisation of intangible assets which arise on the acquisition of businesses. The adjustment to the provision for contingent consideration of £0.5m relates to the acquisition of Divex Limited (now JFD Limited) on 6 March 2013. Contingent consideration was based on the future contract wins and a share of related profits.

6 Retirement benefit obligations

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

	2016 Six months ended 30 June £000	2015 Six months ended 30 June £000	2015 Year ended 31 December £000
As at 1 January	(26,956)	(21,806)	(21,806)
Expense recognised in the income statement	(507)	(449)	(882)
Contributions paid to scheme	1,744	1,744	3,515
Remeasurement gains and losses	(697)	–	(7,783)
At period end	(26,416)	(20,511)	(26,956)

The Group's net liabilities in respect of its pension schemes at 30 June 2016 were as follows:

	2016 Six months ended 30 June £000	2015 Six months ended 30 June £000	2015 Year ended 31 December £000
Shore Staff	(8,498)	(9,970)	(8,630)
Merchant Navy Officers Pension Fund	(9,163)	(10,541)	(9,730)
Merchant Navy Ratings Pension Fund	(8,755)	–	(8,596)
	(26,416)	(20,511)	(26,956)

The principal assumptions in respect of these liabilities are disclosed in the December 2015 Annual Report. These assumptions have been updated to 30 June 2016.

7 Reconciliation of net debt

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

	2015 1 January £000	Cash flow £000	Other non cash £000	Exchange movement £000	2015 30 June £000
Cash and cash equivalents	17,719	10,436	–	(84)	28,071
Debt due after 1 year	(79,965)	(30,388)	(932)	(2,326)	(113,611)
Debt due within 1 year	–	(17,821)	–	–	(17,821)
Finance leases	(88)	56	(247)	–	(279)
Net debt	(62,334)	(37,717)	(1,179)	(2,410)	(103,640)

	2015 1 January £000	Cash flow £000	Other non cash £000	Exchange movement £000	2015 31 December £000
Cash and cash equivalents	17,719	5,745	–	(502)	22,962
Debt due after 1 year	(79,965)	(35,807)	1,276	(2,154)	(116,650)
Finance leases	(88)	102	(247)	32	(201)
Net debt	(62,334)	(29,960)	1,029	(2,624)	(93,889)

8 Taxation

The effective rate on profit before income tax from continuing operations is 14.8% (30 June 2015: 15.8%, 31 December 2015: 11.9%). This is based on the estimated effective tax rate for the year to 31 December 2016. Of the total tax charge, £1.5m relates to overseas businesses (30 June 2015: £1.0m). The effective income tax rate on underlying profit before income tax, based on an estimated rate for the year ending 31 December 2016, in the period is 15.4% (30 June 2015: 15.3%, 31 December 2015: 14.3%).

9 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 James Fisher and Sons plc 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

	2016 30 June Number of shares	2015 30 June Number of shares	2015 31 December Number of shares
For basic earnings per ordinary share*	**50,066,388**	50,022,223	50,040,647
Exercise of share options and LTIPs	**332,104**	385,989	344,743
For diluted earnings per ordinary share	**50,398,492**	50,408,212	50,385,390

* Excludes 46,619 (June 2015: 34,037; December 2015: 148,275) shares owned by the James Fisher and Sons plc Employee Share Ownership Trust.

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

9 Earnings per share continued

	2016 Six months ended 30 June £000	2015 Six months ended 30 June £000	2015 Year ended 31 December £000
Profit attributable to owners of the Company	**14,835**	15,098	39,885
Separately disclosed items	**83**	(93)	(4,967)
Attributable tax	**(117)**	(111)	(396)
Underlying profit attributable to owners of the Company	**14,801**	14,894	34,522
Basic earnings per share on profit from operations	**29.6**	30.2	79.7
Diluted earnings per share on profit from operations	**29.4**	30.0	79.2
Underlying basic earnings per share on profit from operations	**29.6**	29.8	69.0
Underlying diluted earnings per share on profit from operations	**29.4**	29.5	68.5

10 Interim dividend

The proposed interim dividend of 8.55p (2015: 7.80p) per 25p ordinary share is payable on 4 November 2016 to those shareholders on the register of the Company at the close of business on 7 October 2016. The dividend recognised in the Statement of Movements in Equity is the final dividend for 2015 of 16.00p paid on 6 May 2016. The proposed interim dividend has not been recognised in this report.

11 Commitments and contingencies

Commitments and contingencies are as set out in the 2015 Annual Report other than for the following changes. At 30 June 2016 the Group had capital commitments of £1.6m (2015: £1.0m) and the Group had issued performance and payment guarantees to third parties for a total value of £16.9m (30 June 2015: £5.9m, 31 December 2015: £5.9m).

12 Related parties

There have been no significant changes in the nature of related party transactions in the period ended 30 June 2016 from that disclosed in the 2015 Annual Report.

13 Post balance sheet events

On 1 August 2016, the Group acquired the entire share capital of Lexmar Engineering Pte Limited and Lexmar Sat Systems Pte Limited (together “Lexmar”), for an initial cash consideration of SGD17.5m (£9.8m), with further contingent consideration of up to a maximum of SGD9.3m (£5.2m) subject to the successful completion of certain projects. The consideration is based on net cash held by Lexmar at acquisition of SGD8.8m (£4.9m). Founded in Singapore in 1996, Lexmar is a specialist provider of service and support of diving equipment and saturated diving systems. The business is completing three 18 man twin bell diving systems and is complementary to JFD, within our Specialist Technical division.

On 10 August 2016, the Group acquired the entire share capital of Hughes Marine Engineering Limited, the holding company of Hughes Sub Surface Engineering Limited (“Hughes”), for an initial cash consideration of £9.0m, with further contingent consideration of up to a maximum of £1.0m subject to certain profit targets being met by 28 February 2017. Hughes was founded in Liverpool in 2005 to provide commercial diving and civil engineering services to underwater projects. The business operates in the marine renewables, power generation, oil and gas, and inshore civil engineering sectors.

Independent review report to James Fisher and Sons plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half year financial report for the six months ended 30 June 2016 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated cash flow statement, the condensed consolidated statement of movements in equity and the related explanatory notes. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

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

Our responsibility

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

David Bills
for and on behalf of KPMG LLP

Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

30 August 2016

Notes

Notes

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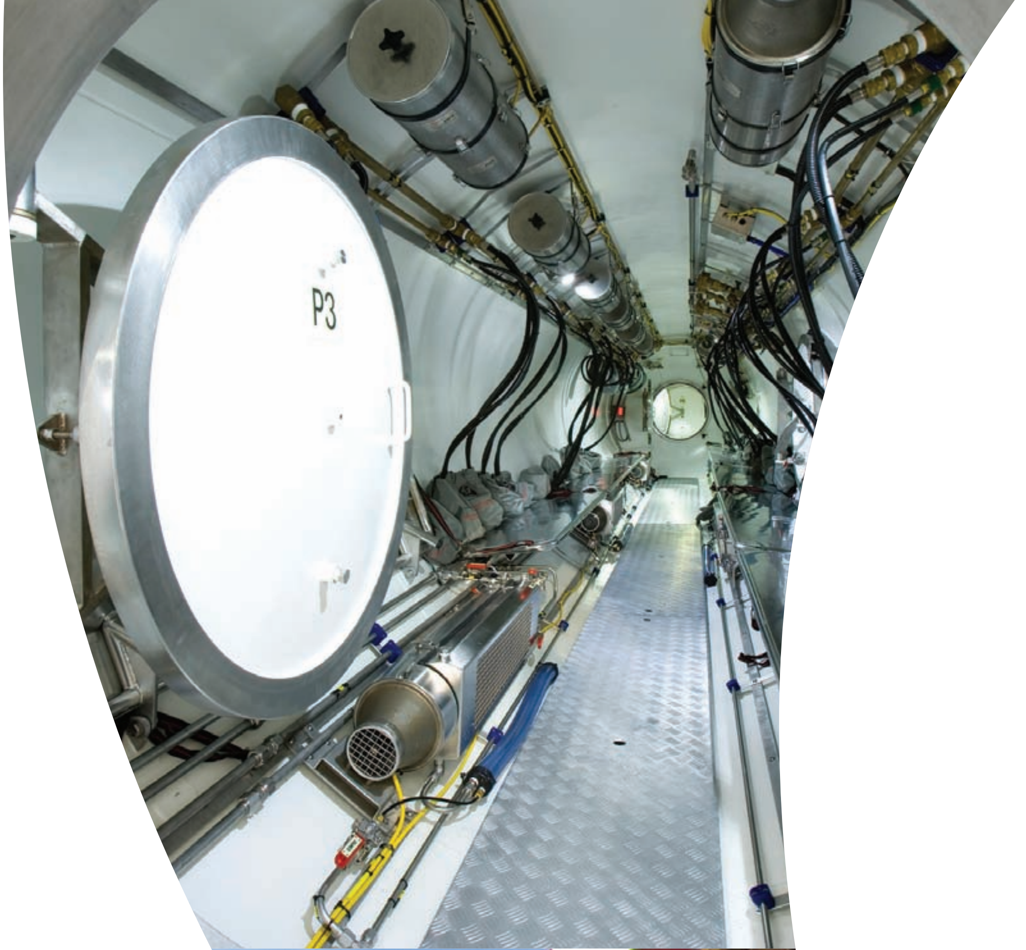

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