James Fisher and Sons plc Annual Report and Accounts 2018

Annual Report & Accounts 2018

James Fisher and Sons plc
Marine Services Worldwide

Fisher

www.james-fisher.com

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 2,900 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 through our four divisions: Marine Support, Specialist Technical, Offshore Oil and Tankships.

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

Highlights

Revenue

£561.5m

2018	£561.5m
2017	£499.3m

+13%

Underlying operating profit*

£62.1m

2018	£62.1m
2017	£54.1m

+15%

Underlying operating margin*

11.0%

2018	11.0%
2017	10.8%

+20bps

Underlying profit before tax*

£56.1m

2018	£56.1m
2017	£48.6m

+15%

Underlying diluted earnings per share*

89.5p

2018	89.5p
2017	78.7p

+14%

Statutory profit before tax

£55.4m

2018	£55.4m
2017	£47.3m

+17%

Statutory diluted earnings per share

88.9p

2018	88.9p
2017	76.9p

+16%

Total dividend per share

31.6p

2018	31.6p
2017	28.7p

+10%

- **All four divisions increased revenue and underlying operating profit;**
- **Strong organic† growth in revenue of 12% and underlying operating profit of 19%;**
- **Two submarine rescue systems delivered to the Indian navy;**
- **First long-term maintenance contract in Renewables;**
- **Strong cash conversion of 157% (2017: 57%), net debt: ebitda 1.3 times (2017: 1.7 times);**
- **Total dividend up 10% to 31.6p per share.**

* excludes separately disclosed items
† organic growth is adjusted for constant currency and business acquisitions.
2017 restated for IFRS 15 'Revenue from contracts with customers'

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 2.

Chairman's statement

Malcolm Paul, Chairman

I have pleasure in presenting my first full year statement to shareholders since I was appointed Chairman at the 2018 Annual General Meeting (AGM), a year which saw James Fisher and Sons plc (James Fisher) produce another strong set of financial results with growth across all four divisions which was predominately organic.

The Board remains focused on delivering the Group's established strategy which aims to deliver long-term growth in shareholder value through a mixture of organic growth supplemented by niche acquisitions across a broad international landscape.

In December, the Board received notice from Nick Henry of his intention to retire from his position as Chief Executive Officer by the end of 2019. The notice period ensures sufficient time to complete a thorough search process, which has already commenced, and to facilitate a smooth transition of responsibilities. Nick will be leaving the Group in a strong position with a clearly defined strategy that has delivered double digit growth in underlying earnings and dividends, an experienced senior management team and significant growth opportunities in the future.

Recognising that every company is now expected to make a contribution to society and engage positively with all our stakeholders I have introduced an initiative to develop a Group sustainability strategy extending from responsible sourcing to supply chain resilience, lean manufacturing, customer engagement, reputational enhancement, corporate risk through to end-of-life and recycling. We acknowledge the scientific body of evidence that human activity is playing a large part in changes to our climate and we accept responsibility to address this as part of our normal business activities. Whilst recognising that there is a huge amount to do, I am proud to present our first dedicated Sustainability report on page 26.

Results

Group revenue increased 13% in 2018 to £561.5m (2017: £499.3m) and underlying operating profit was 15% higher at £62.1m (2017: £54.1m). Underlying profit before tax rose by 15% to £56.1m (2017: £48.6m) and underlying diluted earnings per share increased by 14% to 89.5p (2017: 78.7p). Statutory profit before tax and statutory diluted earnings per share was 17% and 16% higher respectively.

The Group's operating cash flow reflected a significant working capital inflow following the delivery of two deep-submergence rescue vessels to the Indian navy completing the manufacturing phase of a 25-year contract to supply and maintain a world class submarine rescue capability enhancing safety for submariners.

Dividends

The combination of strong results and operating cash flow, supported by a robust balance sheet has led the Board to propose an increase of 10% in the final dividend to 21.3p per share (2017: 19.3p). Subject to shareholder approval at the AGM, this dividend will be paid on 10 May 2019 to shareholders on the register on 5 April 2019. The total dividend per share for the year will be 31.6p per share (2017: 28.7p) which represents a 10% increase on 2017.

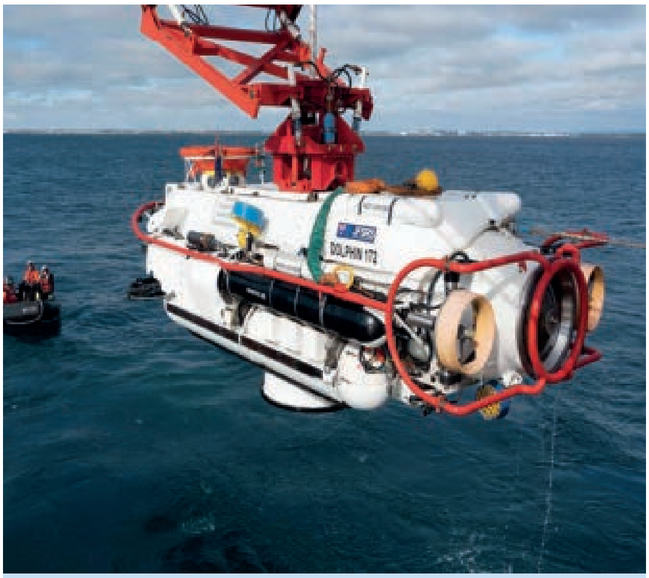
Business overview

Trading was strong across the Group with Marine Support leading the way through growth in services provided to the renewables industry in the UK. Our ship-to-ship transfer operations in Brazil had another good year with further growth. Our strategic goal has been to establish the Group in the emerging maintenance market for offshore windfarms and during 2018 we were awarded our first long-term contract for maintenance services to the London Array windfarm in the Thames Estuary.

In Specialist Technical, the delivery of the two rescue submarines to the Indian navy, on schedule, was a highlight supplemented by significant contract wins for swimmer delivery vehicles and the award of a £30m contract for the design, construction and delivery in 2021 of a deep search and rescue vehicle for the South Korean navy.

Our Offshore Oil division saw a limited improvement in activity levels but there is growing momentum in the industry and we are well set to take advantage of a further upturn in the oil and gas market when this occurs. Tankships continued to trade strongly and completed the purchase of two tankers for £10.6m in line with our policy to refresh the fleet over the coming years.

In January 2019, in line with our niche acquisition policy, James Fisher announced the purchase of Martek, a UK based business which provides a range of innovative safety and calibration systems and products to the marine sector and provides a proven channel to market for the Group's related products and services. In addition, we acquired a majority interest in Murjan, based in the Kingdom of Saudi Arabia, with the balance retained by the vendor. Murjan provides near-shore marine construction and maintenance services and we will work together to secure a leadership position in that market.



In November JFD successfully completed the Black Carillon 2018 submarine rescue exercise with the Royal Australian Navy (RAN), the 9th such exercise successfully completed during the 12 years of the partnership between RAN and JFD. Working closely with the RAN medics and doctors, JFD successfully tested every aspect of the RAN's submarine rescue system, including the newly innovated hyperbaric equipment suite (HES), which entered into service in July 2018 and allows up to 88 submariners to be treated simultaneously.

The exercise, which involved RAN Rescue Gear Ship M.V. Stoker, Collins-class submarine HMAS SHEEAN and RAN Escape Gear Ship M.V. Besant, simulated a real disabled submarine scenario, encompassing the launch and recovery of the submersible in a continuously run rescue exercise, which tested the entire rescue operation including mobilisation and preparations, the deep dive mating exercise, aeromedical evacuation, transfer under pressure (TUP) and decompression, as well as the demobilisation of the entire system.

The RAN awarded JFD full operational verification on the whole system, including the new HES and advanced TUP capability.

The Board

Charles Rice retired on 3 May 2018 and I was appointed Chairman. As a Director of James Fisher, including six years as Chairman, Charles always gave wise counsel and I would like to express my thanks for his valuable contribution to the development of the Group.

Justin Atkinson was appointed to the Board on 1 February 2018 and succeeded me as Chairman of the Audit Committee. Justin was Chief Executive and a Director of Keller Group plc from 2004 to 2015, having formerly served as both Chief Operating Officer and Finance Director, and has significant operational and financial experience both in the UK and internationally.

> "James Fisher produced another strong set of financial results in 2018 with growth across all four divisions which was predominantly organic."

On 28 February 2019, David Moorhouse will retire from the Board. David has been a Non-Executive Director of James Fisher since August 2013. He succeeded me as Senior Independent Non-Executive Director last year. His knowledge of the marine sector has been of great benefit to the Group. On behalf of the Board, I would like to thank David for his contribution over the last five and a half years and wish him well for the future.

On 1 March 2019, Dr Inken Braunschmidt will be appointed as a Non-Executive Director. Inken has spent a large part of her career with the utilities company RWE and is currently the Chief Innovation and Digital Officer of Halma plc. On behalf of the Board, I welcome Inken to the Group.

Our employees

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

Outlook

James Fisher performed well in 2018 and, with a strong pipeline of opportunities at the start of 2019, the Board has a high degree of confidence for the year ahead. The Group operates across a number of sectors with a broad geographical spread which adds resilience in times of economic uncertainty and our strategy of adding complementary skills and disciplines to the Group through niche acquisitions has served us well. The unwinding of the working capital commitment for the Indian submarine rescue vehicles went to plan and with our record of strong cash generation we closed the year with a robust balance sheet. I am confident that we will deliver further progress for our shareholders in the years ahead.

Malcolm Paul
Chairman

Chief Executive's review

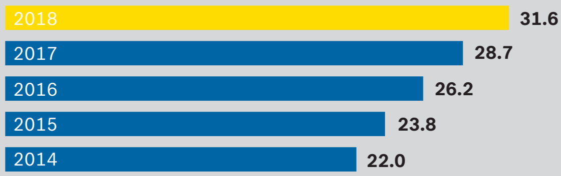
Nick Henry, Chief Executive Officer

Deliver progressive long-term growth in underlying earnings per share

Underlying earnings per share (p)

- **Underlying diluted earnings per share has grown over the last ten years by a compound rate of 10%.**

Deliver progressive dividend growth



Total annual dividend per share (p)

- **The Group's dividend policy is progressive by reference to underlying growth and dividend cover.**
- **Dividends have grown by a compound rate of 9% over the last ten years and every year in each of the last 24 years.**

Principal corporate objectives

Our goal is to deliver sustainable long-term growth in underlying earnings per share and progressive dividend growth. In the last ten years, underlying earnings per share and dividends have grown by compound annual rates of 10% and 9% respectively. In 2018 underlying earnings per share grew by 14% (2017: 7%) and the total annual dividend per share grew by 10% (2017: 10%).

Progress against the Group's strategy (page 9) is measured by reference to financial and non-financial key performance indicators set out on page 21. Revenue was 13% higher in the year ended 31 December 2018 at £561.5m with increases across all four divisions. After adjusting revenue for the effect of changes in currency and businesses acquired, organic revenue growth was 12%, which was due to good growth in renewables, ship-to-ship services and some recovery in the oil and gas sector. Underlying operating margins increased 20 basis points to 11.0% (2017: 10.8%).

The Group's cash conversion, which measures the proportion of underlying operating profit that is turned into operating cash, was 157% (2017: 57%) reflecting the reversal of the working capital invested in the last two years to assemble and deliver two submarine rescue vessels to the Indian navy. The Group's post-tax return on capital employed, which is our key indicator of shareholder value, increased to 12.2% (2017: 12.0%).

Carrying out our marine service operations to a high degree of safety and integrity is the Group's top priority and the first agenda item on every business board meeting. The safety performance of our operations at sea has continued to be at an industry leading level. The Group's lost time incident frequency (LTIF), which measures the number of lost time incidents per million working hours, reduced to 0.04 (2017: 0.1).

Strategic progress

During the year the Group has extended its presence in, and the range of services provided to, the offshore wind industry. In June we completed the contract, worth in excess of £30m, to provide an integrated package of marine support services to the Galloper windfarm, and work has commenced on marine support services for other offshore windfarms being constructed in the UK.

Our long-term strategic aim has been to position the Group to provide an integrated package of maintenance and inspection services to the offshore wind industry. In October, three contracts were signed with London Array, which was until recently the largest in the world with 175 turbines and 630 mega-watt output. The contracts are for topside maintenance, subsea services, including inspection of the substation and all wind turbine generators, and high voltage and cable maintenance and inspection services. This involves EDS, the specialist high voltage engineering services company which was acquired in December 2017 and has a market-leading capability in high voltage offshore installation, cable monitoring and repairs.

In June we were awarded a 10-year integrated marine services contract to supply offshore terminal support services for the UK operations of an international energy company. Supporting the safe and efficient offloading operations at an offshore terminal on the east coast of England, the activities include assisting in the safe arrival, connection, and departure of around 110 third party tankers each year, and specialist diving services and buoy maintenance.

The Group is the global leader in the design and operation of submarine rescue systems. Services are currently run for the UK/NATO, Singapore and Australian navies. In 2018, our business, JFD, delivered two of our third generation, free-swimming submarine rescue vessels to the Indian navy under a contract worth £193m and in 2020 we will commence a 25-year service agreement to manage the rescue service and maintain the vessels.

JFD is also an industry leader in the design and delivery of high quality diving equipment to the military and commercial diving markets. In 2018 our Cobra bailout rebreather for the commercial market was launched. This increases safety standards and is becoming the standard for the industry, and recently won the subsea industry award for Innovation in Safety. Our Stealth Clearance Diver Life Support Equipment (CDLSE) rebreather, currently deployed by 11 navies with over 600 sets in use, was upgraded to enable the control system to rapidly respond to changes in the life support system and to significantly increase dive duration time from six to eight hours. These rebreathers are used primarily for mine countermeasures explosive ordnance disposal and represent a new benchmark in underwater life support technology, increasing levels of diver safety, equipment reliability, maintainability, operational capability and mission versatility.

Our nuclear decommissioning business, JF Nuclear, has been investing in a brand new range of radiation protection instruments that are designed to be robust, reliable and easy to use and provide accurate and actionable data. These new products which monitor site contamination and give clearances where appropriate, are supported with comprehensive through-life support.

The London Array windfarm is located in the Outer Thames Estuary midway between the Kent and Essex coastlines, more than 12 miles from each shore. Following a successful tender process for operations and maintenance contracts, James Fisher Marine Services (JFMS) has secured three contracts on the 175 turbine, 630 MW windfarm.

JFMS has been awarded five year contracts to provide topside balance of plant services, subsea services (including inspection of the substation and all wind turbine generators) and high voltage (HV) management services.

EDS, acquired by James Fisher in December 2017, will manage London Array's HV network, including the associated offshore transmission owner assets, on a round-the-clock basis through its Belfast-based control centre.

In November, and under at times challenging weather conditions, JFD partnered with the Royal Australian Navy to conduct the annual Black Carillon exercise which tests Australia's submarine rescue system in a series of scenarios designed to replicate a real-life submarine rescue emergency. Importantly, the exercises demonstrated the world-class capability of the fully-integrated system that JFD provides to the Australian Government which includes a submarine rescue vehicle, a transfer-under-pressure chamber and a hyperbaric equipment suite to ensure that submariners receive the best possible medical treatment once they are back on the water's surface.

We invested further in our submarine rescue services in Australia with the acquisition of Cowan which is based near Newcastle in New South Wales. This designs and manufactures lifesaving recompression and hyperbaric chambers.

The strategy for our Tankships division continues to be to provide capacity to match the demands from our customers for distribution contracts around the UK, Irish and north European coasts. This is a mature and cash generative business. In 2018 some of this strong cash generation was used to refresh the age profile of the fleet. Two vessels were acquired in 2018 for £10.6m. The Dee Fisher, named after the Aberdeenshire river and the Corrib Fisher, named after the River Corrib which flows into Galway Bay, are both classified as IMO 2 chemical tankers designed to carry clean petroleum products and certain chemicals.

In Offshore Oil, our artificial lift business, which provides mechanical and electrical services for oil production, had a strong year with revenue well ahead of 2017. The degree of market recovery in the other businesses was mixed. Our Norwegian business, ScanTech AS, benefited from an improvement in the rig maintenance market but well testing remained flat.

Since the year end, the Group acquired Martek Holdings Limited (Martek) for an initial consideration of £9m. Martek, which is headquartered in the UK with an office in Singapore, provides a range of innovative safety and calibration systems and products to the marine sector and aligns with the similar businesses in the Group. After establishing our Subtech business in country, the Group acquired a 60% interest in Murjan, a Saudi Arabian based company, which provides near-shore marine services, for an initial consideration of £4.1m.

The Group's senior leadership team held their annual meeting in September to discuss strategic plans for their businesses and for the Group over the medium-term. Our senior team was strengthened in Marine Support during the year from a combination of internal promotion and external recruitment. Succession planning is one of the key challenges identified by the Board and delegated to the Executive Directors to manage. The Group continues to have a good track record of retaining key management post acquisition and plans are in place for business leaders who may retire in the next two to three years.

Divisional performance

Marine Support	**2018**	2017
Revenue (£m)	**279.7**	236.3
Underlying operating profit (£m)	**29.0**	25.3
Underlying operating margin	**10.4%**	10.7%
Return on capital employed	**17.3%**	16.5%

Marine Support revenue was 18% higher driven by strong organic growth from across all the sectors in which the division operates. In addition, EDS was acquired in December 2017 which provides high voltage services to the offshore wind industry in the installation, monitoring and repairs of cables.

Revenue from offshore renewables increased by over 30%. The first half of the year saw the completion of the two-year Galloper Windfarm project 27 miles off the coast of Suffolk, UK. In the second half of the year work commenced on the East Anglia One wind farm construction which will continue into 2020.

Our renewables business has established itself as the leading integrated marine services provider to the offshore wind sector and the award of three five-year contracts for London Array were our first significant maintenance awards.

Ship-to-ship transfer operations around the world continued to perform well with further growth in the number of operations in Brazil and the commencement of operations in Chile. The order book for diving and pipeline maintenance contracts in the Middle East and Africa grew significantly but was offset by government contracts in South Africa being delayed or cancelled.

Mass flow excavation services completed 36 projects around the globe in 2018, of which around one third were in the offshore wind sector. Improved market conditions in the oil and gas sector, which has been slow since the oil and gas down-turn at the end of 2014 were evidenced by five projects completed in the Gulf of Mexico in the second half of 2018.

Specialist Technical	**2018**	2017
Revenue (£m)	**159.6**	149.6
Underlying operating profit (£m)	**20.9**	18.8
Underlying operating margin	**13.0%**	12.6%
Return on capital employed	**18.5%**	18.5%

Revenue in Specialist Technical was 7% higher in 2018 and underlying operating profit 11% higher with underlying operating margins 40 basis points higher at 13%. The on schedule assembly and delivery of two submarine rescue vessels during the year supported another strong year for the division. We were pleased to announce a further submarine rescue vessel order in October worth £30m for the South Korean navy due for delivery in 2021.

The SEAL Carrier Swimmer Delivery Vehicles are unique defence products manufactured by JFD in Sweden.

An eight person SEAL Carrier Swimmer Delivery Vehicle has applications including the delivery of a six person combat team, as a harbour patrol vessel, a raid response anti-piracy craft and a host platform for autonomous underwater vehicles.

SEAL Carrier Swimmer Delivery Vehicles operate in three modes: surface, semi-submerged and submerged. They can transit at speeds of up to 30 knots on the surface before switching to submerged mode for covert final approach.

During 2018 JFD won and commenced a contract to supply six SEAL Carriers worth approximately £20m.

The division won its first significant order for six swimmer delivery vessels in March 2018. It commenced a mid-life upgrade of the submarine rescue equipment for the Singapore navy supporting our long-term contract to operate its submarine rescue service.

Our nuclear decommissioning business continued to develop its range of radiation protection instruments. It showed a steadily improving order book as an increasing number of decommissioning projects were released for tender compared to 2017.

Offshore Oil	**2018**	2017
Revenue (£m)	**61.5**	56.4
Underlying operating profit (£m)	**5.1**	3.6
Underlying operating margin	**8.3%**	6.4%
Return on capital employed	**4.3%**	3.0%

Offshore Oil increased revenue 9% and underlying operating profit grew 42% mainly due to market share gains in RMSpumptools, our artificial lift completion technology business, where demand for its products, increased its revenue by nearly half. The rest of the division saw improved profitability in Norway, partly due to cost reductions in prior years and increased higher margin rental activity. Well testing services were similar to 2017 and the division invested £6.4m for new business, mainly focused on opportunities in the Middle East.

Tankships	**2018**	2017
Revenue (£m)	**60.7**	57.0
Underlying operating profit (£m)	**9.9**	8.8
Underlying operating margin	**16.3%**	15.4%
Return on capital employed	**37.8%**	34.2%

Tankships produced another strong year with revenue up 7% and underlying operating profit up 13%. Vessel utilisation continued to be strong throughout 2018 and the division had one additional vessel from July compared to the prior year. Improved vessel operating efficiencies and additional capacity in the second half helped to increase underlying operating profit to £9.9m (2017: £8.8m).

Two second hand vessels were acquired for a total of £10.6m as part of the fleet renewal strategy leaving three further vessels to be refreshed over the next few years. The division's operating cash flow in the year was £14.9m (2017: £12.5m) which more than funded its capital expenditure of £13.2m (2017: £2.4m).

Business model

Business model

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

Values

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

Our services and products

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

Our culture

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

Strategy

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

Strategy

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

Our focus on operational excellence requires that our businesses:

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

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

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

Shareholders: to grow the return to shareholders:

- Deliver long-term growth in underlying earnings per share, dividends and return on capital employed
- Grow organically by leveraging existing specialist marine skill base to a global market
- Expand our footprint and capabilities through bolt-on acquisitions

Communities: to be a good member of the community:

- Consider sustainability in our decision-making process
- Support the communities around us
- Minimise any adverse impact from our operations

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

- Ensure the safety of all employees
- Develop individual and organisational excellence
- Support new ideas and innovation

Customers: to develop and deliver solutions to our customers:

- Develop our products, service and geographical offering in line with customer needs
- Respond rapidly to changing customer requirements
- Provide good value and a high level of service to customers

For more information on stakeholder engagement, see the Sustainability report on page 26.

Sector review

Revenue (£m)	
2018	279.7
2017	236.3
2016	203.6
2015	193.0
2014	164.2

Underlying operating profit (£m)	
2018	29.0
2017	25.3
2016	21.0
2015	19.4
2014	14.2

Return on capital employed (%)	
2018	17.3
2017	16.5
2016	13.9
2015	14.8
2014	21.2

Marine Support

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

Our principal businesses

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

Market drivers

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

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

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

JF Testing Services is the leading provider of strain gauges to the marine industry, which are used in a range of applications such as mooring systems on ships and in ports as well as being used to monitor the structural integrity of infrastructure in the construction and transport sectors. The sectors serviced encompass new shipbuilding, ship refurbishment and life extension, port developments, and projects for the oil and gas market.

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

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

JF Subsea Excavation specialises in providing mass-flow excavation tools and services to cover or uncover subsea pipelines or cables. Demand for its services is driven by global cable and pipeline projects primarily in the oil and gas, renewables and communication sectors.

Subtech provides a range of marine services to the Middle Eastern and Africa region. Demand for its services is driven by port construction, diving and marine projects.

Specialist Technical

Our Specialist Technical businesses supply diving equipment and services, submarine rescue vessels and through-life rescue services and engineering solutions to the international defence market and UK nuclear decommissioning market. The submarine rescue market is a small niche with a national navy either having its own capability or relying on other countries. Other subsea services provided to the defence sector include diving equipment and special operation swimmer delivery vessels. The Group also supplies saturation diving systems which are installed onto dive support vessels and support deep subsea diving activities. James Fisher Nuclear (JFN) provides engineered solutions which operate in hazardous environments in the nuclear industry.

Our principal businesses

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

Market drivers

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

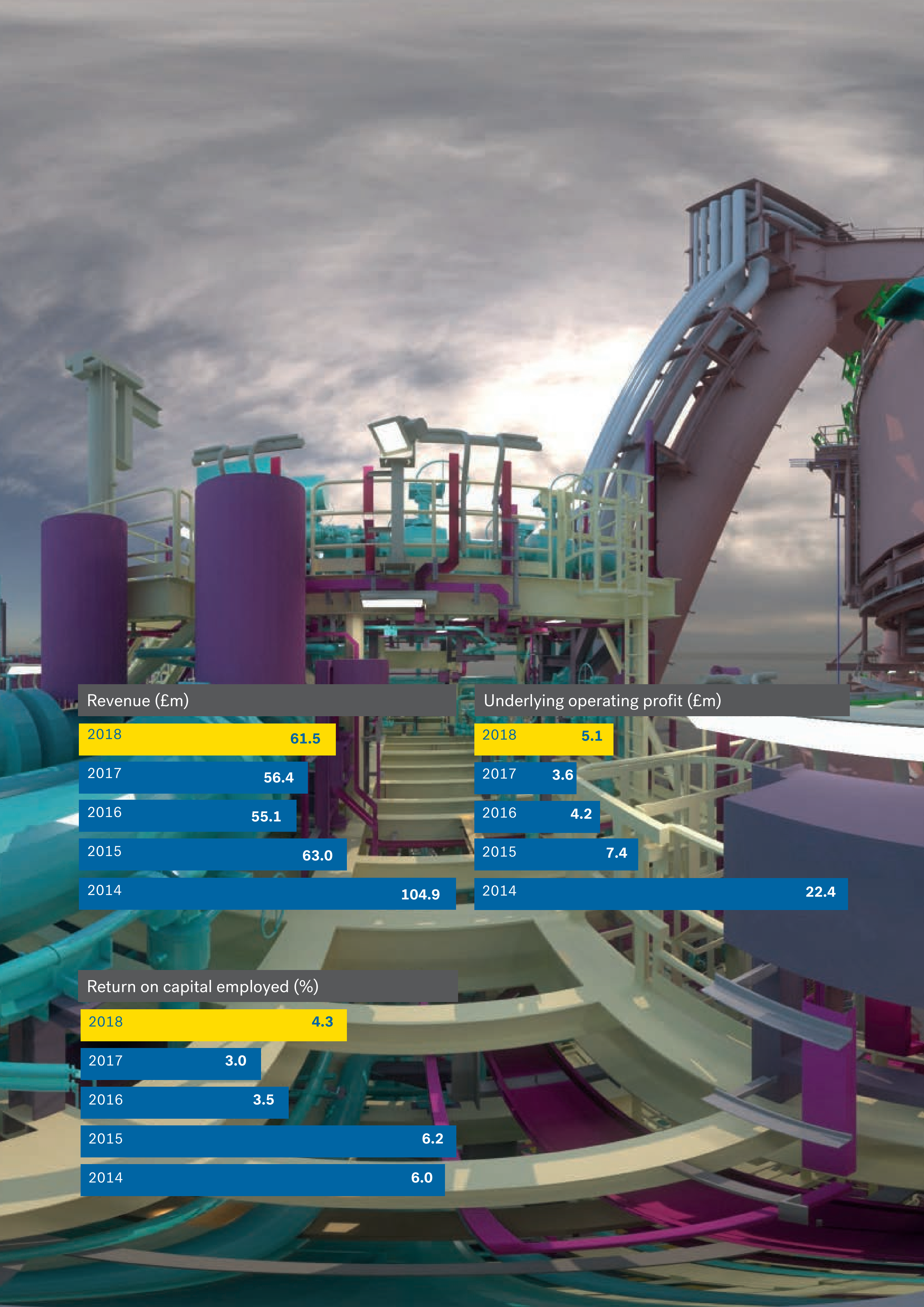
JFD is also a leading provider of submarine rescue services. It encompasses the ability to design, deliver and operate submarine rescue vehicles. It has long-term service contracts with navies providing a very niche area of capability. The driver is the tendering of defence projects for provision of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

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

Revenue (£m)	
2018	159.6
2017	149.6
2016	151.8
2015	129.4
2014	121.5

Underlying operating profit (£m)	
2018	20.9
2017	18.8
2016	19.9
2015	13.9
2014	13.3

Return on capital employed (%)	
2018	18.5
2017	18.5
2016	27.8
2015	20.9
2014	22.1



Revenue (£m)
2018 61.5
2017 56.4
2016 55.1
2015 63.0
2014 104.9
Underlying operating profit (£m)
2018 5.1
2017 3.6
2016 4.2
2015 7.4
2014 22.4
Return on capital employed (%)
2018 4.3
2017 3.0
2016 3.5
2015 6.2
2014 6.0

Offshore Oil

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

Our principal businesses

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

Market drivers

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

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

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

Fisher Offshore provides winches, hoists, cutting tools, marine cranes and subsea hydraulic equipment to the oil and gas and marine sectors. Its market driver is maintenance, inspection and repair demand and subsea projects.

Tankships

Our Tankships division operates a fleet of product and chemical tankers which trade along the UK and northern European coastline carrying petrol, diesel, gasoil, kerosene and easy chemicals/biofuels. The division performs nearly 2,000 port calls each year carrying fuel from refineries and terminals to major coastal storage facilities. The division also operates a port in Plymouth, UK.

Our principal businesses

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

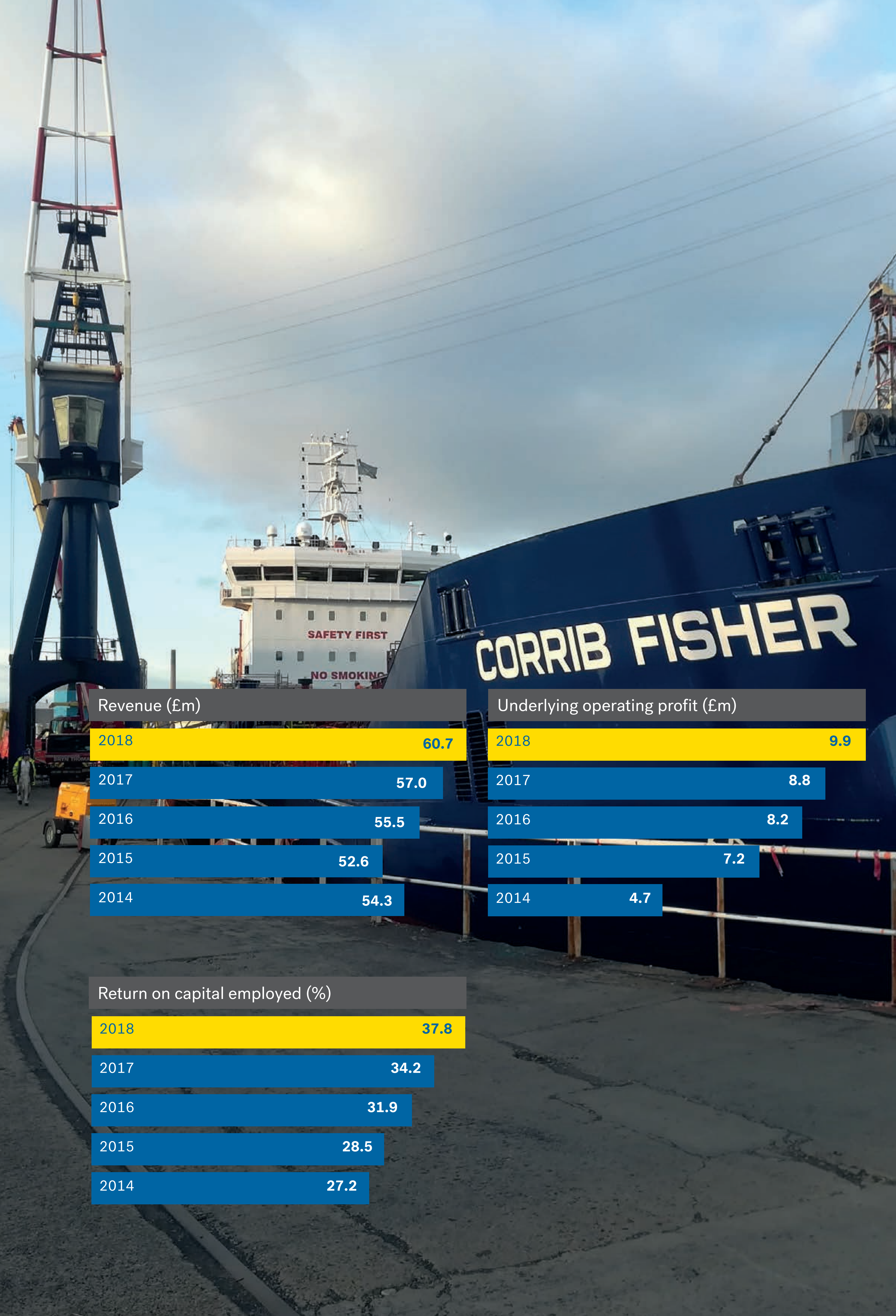
Market drivers

James Fisher Everard (JFE) distributes clean petroleum products and easy chemicals under contracts with oil majors from refineries and terminals to storage facilities around the European coast, and to islands. It operates a fleet of double-hulled product/chemical tankers with capacity ranging from 3,000mt to 13,000mt. The business driver is the level of consumption of clean products (petrol, diesel, gasoil and kerosene) and easy chemical/biofuels in the UK, Ireland and northern Europe.

JFE has undertaken 37,435 voyages since the year 2000, carrying in excess of 81.2 million tonnes of products. This has been achieved whilst maintaining an excellent safety record.

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

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



Revenue (£m)

	Revenue (£m)
2018	60.7
2017	57.0
2016	55.5
2015	52.6
2014	54.3

Underlying operating profit (£m)

	Underlying operating profit (£m)
2018	9.9
2017	8.8
2016	8.2
2015	7.2
2014	4.7

Return on capital employed (%)

	Return on capital employed (%)
2018	37.8
2017	34.2
2016	31.9
2015	28.5
2014	27.2

Financial review

Stuart Kilpatrick, Group Finance Director

Performance in 2018

The Group delivered a year of strong organic growth in revenue and profit. Organic growth adjusts for the impact of businesses acquired in current or prior year and for constant currency, which removes the impact of changes in exchange rates between the comparative periods.

Revenue	2018	2017 restated	change	organic
Marine Support	279.7	236.3	18.4%	17.5%
Specialist Technical	159.6	149.6	6.7%	6.6%
Offshore Oil	61.5	56.4	9.0%	11.0%
Tankships	60.7	57.0	6.5%	6.9%
Group	561.5	499.3	12.5%	12.3%

Each division increased revenue during 2018 with underlying organic growth rates ranging from 7%, to 18% in Marine Support which led the way. Overall Group revenue increased 13% and after adjusting for acquisitions and constant currency, underlying organic growth was 12%.

Each division also increased its underlying operating profit during the year which resulted in a 15% increase for the Group to £62.1m (2017: £54.1m). Constant currency organic growth was 19%. Underlying operating margins increased from 10.8% to 11.0%. Trading was again second half weighted with 60% (2017: 62%) of underlying operating profit arising in the latter half of the year. Statutory operating profit was 16% above the 2017 result.

Underlying operating profit	2018	2017 restated	change	organic
Marine Support	29.0	25.3	14.6%	20.0%
Specialist Technical	20.9	18.8	11.2%	12.3%
Offshore Oil	5.1	3.6	41.7%	57.6%
Tankships	9.9	8.8	12.5%	14.2%
Corporate costs	(2.8)	(2.4)		
Group	62.1	54.1	14.8%	18.8%

Marine Support increased underlying operating profit by 15% with good performance in renewables and ship-to-ship services. Specialist Technical saw strong performance from its commercial and defence products and good progress on projects. The Offshore Oil result was due to a high demand for its artificial lift services and improved results in Norway. Tankships delivered a 13% increase in underlying operating profit due to good vessel utilisation and operating cost efficiencies.

The Group's main currency exposure is in respect of US Dollar cash inflows. In 2018, the average GBP:USD rate was £1:$1.33 (2017: £1:$1.30) and, net of forward contracts which are used to reduce earnings volatility, the effect of on average a 2% strengthening in Sterling, was to reduce operating profit by £1.2m.

Finance charges

Net finance charges were £0.5m higher at £6.0m (2017: £5.5m) as higher borrowings from funding project working capital increased interest by £0.7m which was partly offset by a reduction of £0.2m in notional interest on legacy defined benefit pension schemes. Interest cover, the ratio of underlying operating profit to the net finance charges (excluding pension related charges) was 11.1 times (2017: 11.3 times).

Taxation

Underlying profit before taxation increased 15% to £56.1m (2017: £48.6m) and statutory profit before taxation was £55.4m (2017: £47.3m). The underlying tax charge for the year of £10.5m (2017: £8.3m) represents an underlying effective tax rate (ETR) of 18.7% (2017: 17.2%). The ETR is impacted by the geographical mix of profits, tonnage tax relief on the profits of its tanker operations and expenses disallowed for tax. The Group operates in 19 countries so its ETR is a blend of national tax rates applied to locally generated profits.

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

Earnings per share and separately disclosed items

Underlying diluted earnings per share increased by 14% to 89.5 pence per share (2017: 78.7 pence). Statutory diluted earnings per share was 88.9 pence per share (2017: 76.9 pence).

The Directors consider that the alternative performance measures described in note 2 assist an understanding of the underlying trading performance of the businesses. These measures exclude separately disclosed items which comprise gains or losses on the sale of businesses, asset impairments and acquisition related charges or income. The net separately disclosed expense after tax was £0.3m (2017: £0.9m).

Cash flow and borrowings

Summary cash flow	2018 £m	2017 restated £m
Underlying operating profit	**62.1**	54.1
Depreciation & amortisation	**28.4**	25.4
Ebitda *	**90.5**	79.5
Working capital	**9.4**	(42.2)
Pension/other	**(2.3)**	(6.2)
Operating cash flow	**97.6**	31.1
Interest & tax	**(13.3)**	(12.9)
Capital expenditure	**(35.7)**	(24.7)
Acquisitions	**(12.5)**	(5.2)
Dividends	**(15.2)**	(13.9)
Other	**(2.0)**	(1.2)
Net inflow/(outflow)	**18.9**	(26.8)
Net borrowings at start of period	**(132.5)**	(105.7)
Net borrowings at end of period	**(113.6)**	(132.5)

* Underlying earnings before interest, tax, depreciation and amortisation

Underlying Ebitda* was 14% higher at £90.5m (2017: £79.5m). Operating cash flow increased to £97.6m (2017: £31.1m) in 2018 due to a working capital inflow of £9.4m mainly due to working capital reductions following the completion of projects, particularly following the delivery of two submarine rescue vessels for the Indian navy. Cash conversion, which is the ratio of operating cash flow to underlying operating profit, was 157% (2017: 57%). Over the last three years, during the build and delivery phase for the Indian navy, the Group has generated £180.0m of operating cash flow compared to £167.0m of underlying operating profit, which is a cash conversion of 108%, which is similar to the Group's average over the last ten years.

The Group invested £12.5m (2017: £5.2m) in businesses acquired, paying £8.9m for EDS which completed in 2017, £1.5m for Cowan and £2.1m in relation to new joint ventures.

Capital expenditure of £35.7m (2017: £24.7m) includes £10.6m for two second hand vessels as part of the Tankships fleet renewal program and represents 88% of depreciation excluding this spend (2017: 97%). To support the integrated marine services contract won in June, two small vessels were acquired for £2.4m, and the Group spent £2.5m for a remotely operated vehicle for submarine rescue services in Singapore. Capital expenditure includes £6.1m of development expenditure which relates to a new range of radiation protection instruments developed by JFN and new product development in our Specialist Technical business, JFD.

After paying dividends of £15.2m in the year, net borrowings decreased by £18.9m in the year, and by £31.1m since 30 June 2018, to £113.6m (2017: £132.5m). At 31 December 2018, the ratio of net borrowings to underlying earnings before interest, tax, depreciation and amortisation (Ebitda) was 1.3 times (2017: 1.7 times) and the Group had £92.4m (2017: £71.8m) of undrawn committed banking facilities. The ratio of net borrowings (including bonds and guarantees), to Ebitda was 1.9 times (2017: 2.2 times). Net gearing, the ratio of net debt to equity, was 37% (2017: 48%).

In October 2018, JFD announced the launch of its latest models of its highly successful Clearance Diver's Life Support Equipment (CDLSE) rebreather.

These are used primarily for mine countermeasures explosive ordnance disposal and represent state-of-the-art underwater life support technology, increasing levels of diver safety, equipment reliability, maintainability, operational capability and mission versatility.

Our Stealth CDLSE Mk2 builds upon the existing model, currently deployed by 11 navies with over 600 sets in use and with a proven track record in a range of operational and environmental conditions. The enhancements enable the control system to rapidly respond to changes in the life support system and to increase significantly dive duration time from six to eight hours.

The Stealth CDLSE Mk2 can operate at depths of up to 100m, fully meets all relevant NATO requirements, and is the only comparable rebreather on the market able to provide this extended endurance capability.

Pensions

The Group operates a range of defined contribution schemes for current employees and contributed £4.3m (2017: £3.7m) into those schemes in the year. The Group has an obligation of £16.1m (2017: £19.8m) for its own closed defined benefit scheme and for two industry-wide defined benefit schemes. This decreased primarily due to contributions of £5.4m (2017: £4.6m), which was partly offset by an actuarial loss of £1.1m (2017: £3.2m gain) following the triennial valuation of the Merchant Navy Ratings Pension Fund.

Changes to Accounting Standards

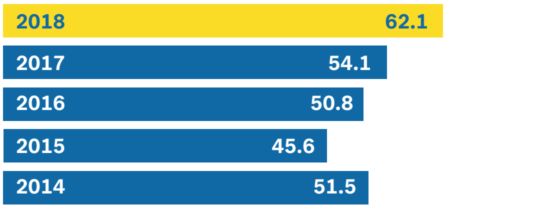
IFRS 15 'Revenue from contracts with customers' was effective from 1 January 2018 and resulted in a restatement of the results for the year ended 31 December 2017. Full details are set out in note 33 and the reduction to the reported revenue and underlying profit before taxation was £6.1m and £1.7m respectively. The Group will implement IFRS16 'Leases' from 1 January 2019 which will bring operating leases onto the balance sheet. The Group expects to adopt the modified retrospective approach and not restate prior year financial statements. A full analysis of the impact of IFRS16 will be completed and reported in the 2019 Half Year report.

Brexit

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.

NATURE OF RISK	ASSESSMENT OF RISK
Operations based in EU countries	Very low. 0.4% of Group turnover from businesses outside of the UK and based in the EU.
Exports to customers based in the EU and the risk of tariffs on exports and the risk of delays in delivery due to logistical issues at ports or airports	Low risk. 6% of revenue is delivered to EU countries.
Imports from suppliers and the potential cost of tariffs and logistical issues at ports and airports	Low–medium risk. Purchases from EU countries are not significant. Purchases of spares and consumables in the Tankships division of c. £1m per annum may be impacted. Dry docking in that division may be carried out at EU shipyards and costs could increase by tariffs or if switched to other locations.
Administrative risks of compliance, certification, visas for EU nationals	Low risk. We anticipate a pragmatic solution even in the event of a no-deal Brexit, although time and costs may increase.
Currency risk	Medium risk. The Group's main exposure is to the USD and following the Brexit vote, Sterling sharply weakened against the USD. This has been beneficial to the Group's sales and profits and there is a risk of this reversing after 29 March 2019. The Group reduces earnings volatility by taking out forward contracts for 40%-60% of its exposure and this partly mitigates the risk.
Availability of finance	Low risk. The ability of banks to provide finance and for the banking market to continue to operate in the same manner after 29 March 2019 is expected to be unchanged.
Contractual risk	Medium-high risk. James Fisher has a contract with the European Maritime Safety Agency (EMSA) to deliver emergency pollution response services should an accident occur in the UK, Irish or North-West European coast. EMSA, post-Brexit, may choose to use EU vessels or companies to provide this service.

Key performance indicators

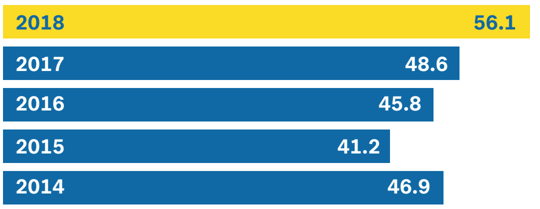


Underlying operating profit (£m)

Underlying operating profit is after adjusting for separately disclosed items and is the underlying profit from operations before interest. The Group has increased underlying profit by a compound rate of 8% over the last 10 years.

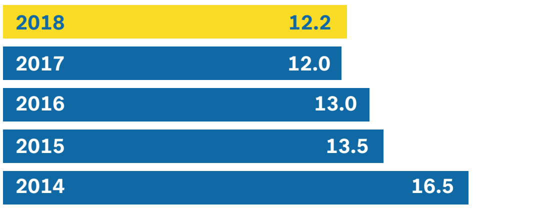
Operating margin (%)

Operating margin is the ratio of underlying operating profit to revenue. The Group's operating margin in 2018 was 11% (2017: 10.8%).



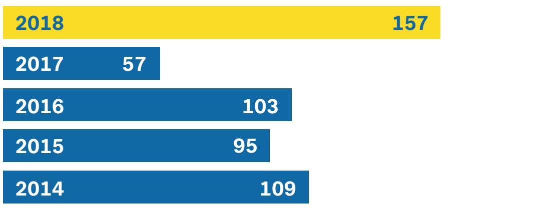
Underlying profit before tax (£m)

Underlying profit before taxation is after interest and before separately disclosed items and related taxes. Underlying profit before taxation increased by 15% in 2018 (2017: 6%).



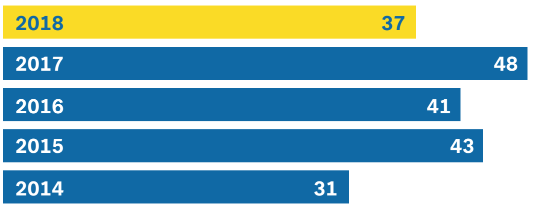
Return on operating capital employed (%)

Return on operating capital employed is defined as underlying operating profit divided by average operating capital employed. Operating capital employed comprises tangible fixed assets, intangible fixed assets, operating debtors net of creditors, less provisions. The Group's post-tax return on operating capital employed was 12.2% in 2018 (2017: 12%).



Cash conversion (%)

Cash conversion is defined as the ratio of operating cash flow to underlying operating profit. Operating cash flow is defined as underlying operating profit, adding back depreciation and amortisation and adjusting for net movements in working capital, pension payments and for the cash profits of associates. The Group's cash conversion was 157% in 2018 (2017: 57%) and has averaged 107% over the last ten years.



Gearing (%)

Gearing is defined as the ratio of net borrowings to net assets. The gearing of the Group at 31 December 2018 was 37% (2017: 48%).

2017 figures are restated for IFRS 15 'Revenue from contracts with customers' (note 33)

Principal risks and uncertainties

The Group's risk management framework

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

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

The Group's trading companies are supported by Group functions. Each functional head reports to a nominated Executive Director. The Board retains an oversight role, receives regular reports on key issues and has a schedule of matters specifically reserved to it for decision, designed to ensure that it maintains full and effective control over appropriate strategic, investment, financial, organisational and compliance issues. This schedule is subject to review by the Board on an annual basis.

The Group's Internal Audit function is supported by a co-sourcing arrangement with a major international firm, and undertakes regular reviews of the individual businesses' operations and their systems of internal controls. It makes recommendations to improve controls and follows up to ensure that management implements the recommendations made. The annual Internal Audit plan is determined on a risk assessment basis and is reviewed and approved by the Audit Committee. Internal Audit's findings are reported to the individual management team, the Executive management team, and the chairman of the Audit Committee. The head of Internal Audit attends all Audit Committee meetings and twice annually presents a summary of the Internal Audit findings, recommendations, and implementation progress. Internal Audit also implements the annual risk evaluation process and the internal control and risk management review questionnaire process with the individual businesses, before their presentation to the Board.

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

Risk management systems

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

- A risk evaluation process commences in the operating companies with an annual exercise to identify the significant operational and financial risks facing the business. Each trading business is required to maintain an up-to-date risk register, which identifies key risks, assigns each a "risk score" based on the likelihood of the identified risk arising and the potential impact on the business of an adverse outcome, both before and after mitigation measures are taken. The risks and their respective risk scores before and after mitigation are reviewed at business level.

- To support this process, each trading company managing director completes an internal control and risk management review questionnaire on an annual basis, which is a robust self-assessment of operational controls and compliance with Group policies, applicable laws and regulations relating to their business. This ensures that managing directors identify risks and relevant mitigating strategies, and have in place adequate control systems to identify and report any weaknesses that require management attention.
- The risk registers and annual reviews which are presented to the GRC and Board are used by the Board in helping to determine the Group's principal risks and uncertainties, as well as the areas of Internal Audit focus for the forthcoming period.

Business reporting and performance reviews

The Group operates an annual budgeting process and produces quarterly forecasts which are reviewed and approved by the Board. Monthly results are compared with budget and prior year, and individual business reviews are conducted quarterly, which include a review of financial results. The businesses also compile a three-year strategic plan.

The Executive Directors hold quarterly board meetings with each business unit to discuss strategy, financial results and forecasts, business needs and the management of risks facing the business.

Regulatory compliance policies

As part of its internal control procedures, the Group maintains a whistleblowing policy which encourages employees to report in good faith any genuine suspicions of fraud, bribery or malpractice in order to identify any problems within the Group at an early stage. The policy is designed to ensure that any employee who raises a genuine concern is protected. Any concerns can be raised in the first instance with the Group Finance Director or the Group General Counsel and Company Secretary in confidence. The Audit Committee has overall responsibility for monitoring resulting investigations and approving outcomes.

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

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

Viability statement

The Directors have assessed the Group's viability over a three-year period ending 31 December 2021, which is a longer period than the 12 month outlook required in adopting the going concern basis of accounting. The Directors have determined that this is the most relevant time period because it is consistent with the Group's planning process whereby the Board reviews the Group's strategy and its detailed three-year plan. This is reviewed and considered in light of the Group's current position and prospects together with factors that might affect the three-year plan. The Board carefully assesses the performance and prospects of each business regarding entering new markets and geographies, current and expected growth rates, prospective new projects and the timing of such projects and the robustness of individual business performance.

The Group's three-year plan overlays a number of assumptions and sensitivities which are reviewed by the Board; this includes a review of whether additional bank facilities will be required and available in the plan period, as well as a robust assessment of the likely downside sensitivities aligned to the principal risks facing the Group as set out on pages 24 and 25, and the potential impact of those sensitivities on its business model, future performance, solvency and liquidity over the period, and taking into account the potential mitigating actions, and the effectiveness of the Group's risk management and control systems, as well as current risk appetite. Sensitivities considered included the potential consequence of global economic uncertainty and adverse foreign exchange movements, on-going bolt-on acquisitions, as well as the diverse nature of the markets and geographies in which the Group's businesses operate, and their ability to react quickly to change.

Based on their assessment of the Group's prospects and viability, the Directors confirm they have a reasonable expectation that the Group will be able to continue to operate and to meet its liabilities, as they fall due, for the period to 31 December 2021.

The most significant risks which the Board considers may affect our business (based on the risk evaluation process described on pages 22 to 23) are listed below. The Board considers the Group's principal risks have not materially changed since last year.

Principal risks and uncertainties

RISK DESCRIPTION	POTENTIAL IMPACT	MANAGEMENT/MITIGATION	CHANGE IN RISK
PROJECT DELIVERY			
Group businesses may fail to meet customer expectations on project delivery.	• Significant adverse financial and reputational consequences. • Increased claims and litigation.	• Projects and contracts are subject to on-going review at levels and frequencies appropriate to performance and potential risks. • Our businesses employ industry experts to help ensure effective project delivery and performance. • Established processes and procedures, reporting systems, management oversight, customer engagement and staff training and development.	The volume of contracts continues to increase with the growth of the Group, but the risk remains similar, and Group-wide project management training has increased in 2018.
CONTRACTUAL RISK			
The Group may be exposed to increased contractual risks as it continues to grow, wins larger contracts and operates in more geographies.	• Financial impact caused by late payment, or cost overruns. • Increased claims and litigation. • Exposure to non-UK legal jurisdictional uncertainty.	• The Group utilises internal and external professional expertise to minimise risk in contract negotiation with customers and partners. • All material tenders, contracts and joint ventures are referred to their trading company board. • All contracts are subject to appropriate limits of authority and defined approval processes to ensure that contracts are reviewed and approved at appropriate levels prior to commitment. • The most material contracts are escalated to the Board for approval. • The project delivery and performance function (referred to above) provides assurance on delivery.	The risk remains unchanged and mitigating activities have been taking effect, including refreshing business limits of authority, issuance of new tender guidance, and project management training including post-signature contract management.
RECRUITMENT AND RETENTION OF KEY STAFF			
The Group may fail to attract, retain and develop personnel of the requisite calibre and to plan for succession in key leadership positions.	• The Group may not be able to maintain its existing strong and experienced management teams in its operational businesses. • The Group's delivery of its strategic objectives depends on recruiting and retaining the right people in all areas of our business.	• Maintenance and development of formal programmes for graduate recruitment, identifying and developing talent and future leaders, management development, appraisals, formal and informal training plans. • Appropriate remuneration incentives, including the extension of share schemes to key individuals. • Succession and talent development is regularly discussed at Board and trading company level. There are several management development programmes in place for individuals who have been identified as potential senior managers. These programmes are defined to help develop and grow the capabilities and behaviours required of senior managers so that we have potential successors for key business roles.	The risk here has increased. Staff turnover is marginally higher and, as a proportion of our senior management approach retirement age, so succession planning becomes more critical.
HEALTH, SAFETY AND ENVIRONMENT			
Group trading companies may experience an adverse operational incident or failure to maintain appropriate levels of service delivery.	• The health and safety of our workforce and others could be impacted by our operations. • An incident may impact on business and reputation of the Group and the affected businesses which rely on ensuring that a good reputation is maintained in the market and with their customers. • Claims and regulatory action may be taken against the Company or the affected business.	• The Group places a particular emphasis on operational excellence including the health, safety and security of its operations and the quality of services provided. • These key areas are continually monitored and reported to the Board. Health and safety and environment are the first items discussed at each trading company board meeting and each meeting of the Board. • The Group maintains policies and processes to manage safely and compliantly our operations, to protect our workforce, to react appropriately to operational incidents and to deal quickly and effectively with any safety or service failings.	No change. There have been no major incidents through 2018.

RISK DESCRIPTION	POTENTIAL IMPACT	MANAGEMENT/MITIGATION	CHANGE IN RISK
FINANCIAL RISK			
The Group is exposed to interest rate, foreign exchange and credit risk.	• An increase in interest rates or change in exchange rates or credit restriction would have a financial impact on the Group.	• The Group maintains relationships with a small group of banks and enters into bilateral revolving credit facilities which spread its maturity profile and provide flexible funding. • The Board discusses macro-economic issues and their potential impact on each of these risks. • The Group's centralised finance function oversees all key strategic finance matters including day-to-day management of the Group's liquidity, interest rate and foreign exchange rate risks. • Forward currency contracts and interest rate swaps are entered into to mitigate the risks of adverse currency or interest rate movements.	Uncertainty surrounding the UK's negotiations over its exit from the EU have increased the risk in this area, but the Group's profile and mitigation activities remain effective. A more detailed review of the Board's view of the risks in relation to Brexit are set out on page 20.
ENERGY MARKETS			
The Group is exposed to potentially material changes in circumstances affecting individual market sectors, energy prices or changes in government regulation or policy, due to its significant operations across the energy sector and its broad range of oil and gas, nuclear and renewables customers.	• Demand for the Group's products and services may be adversely affected.	• The Group has a breadth of exposure across the energy sector and to a broad range of end markets and differing geographies. The Group maintains close relationships with key customers and suppliers. • Specifically with regard to the oil and gas sector, the Group has limited exposure to the exploration phase and seeks longer-term contracts for inspection, repair and maintenance work.	The strategic risks are reducing in proportion to the wider diversity of businesses within the Group.
OPERATING IN EMERGING MARKETS			
The Group's increasing activities in overseas emerging markets and key growth economies with fluctuating legislative restrictions, embargoes, sanctions and exchange controls, often undertaken in association with local joint venture partners, may expose the Group to increased risk of governance and compliance issues.	• Any significant failure to comply with laws or regulations could lead to penalties and other financial liabilities, as well as reputational issues. • Where there is a jurisdictional requirement for local investment, the Group's ability to continue business in that jurisdiction could be adversely impacted.	• Risk and internal control of overseas joint ventures is a key area of management's focus. • As businesses develop we monitor and review the structure of, and reporting lines for, our overseas operations and the relations with third parties to ensure an appropriate form of command and control is maintained, dependent on the particular operating environment and the nature and size of the business. • The Group allocates additional resource to areas of higher risk and has enhanced its internal audit reviews for overseas businesses which are supported by external audit companies, where appropriate. • Processes are in place that are designed to ensure that all businesses operate in accordance with legislative restrictions, embargoes, sanctions and exchange controls and the Group's policies and applicable laws.	There has been some increase in the risk in this area during the year, as the Group's organic growth continued in emerging markets, including in South America, the Middle East, Asia and Africa.
CYBER SECURITY			
Third parties could cause harm to the Group and its trading businesses via digital channels.	• Cyber-attacks could result in financial and reputational damage by way of significant interruption to business systems. • Phishing could result in financial and reputational damage by way of theft or fraud.	• The Group's IT systems are defended through the use of software protection and processes which are regularly reviewed and tested. These defences include gateways, firewalls and threat detectors. • IT security information and updates are reviewed on a regular basis. • Accounting and banking controls are regularly appraised to ensure they are appropriate, up-to-date and comply with recommended practice.	There have been no material security breaches or fraud in 2018, although the risk has marginally increased as potential cyber-attacks become more frequent and sophisticated. In 2018 Group IT systems were subjected to penetration tests and vulnerability scans, the results of which were satisfactory. We also undertook a cyber risk assessment of the Group's systems, and of the systems of the Group's key IP partner. The risk assessment was based on GCHQ National Cyber Security Centre's "10 steps to cyber security" framework. This resulted in some additional protections being implemented.

Sustainability report

Sustainability report

Malcolm Paul, Chairman

I have pleasure in presenting the first dedicated James Fisher sustainability report reflecting the measures we are undertaking to address this critical issue both internally within the Group and with all our external stakeholders.

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

During 2018, I launched the Group's sustainability initiative designed to anchor the Group's sustainability aims around some common principles, to provide a reporting forum for the sustainability activities already undertaken by the Group and to set ourselves challenging targets for the future. With the support of our global workforce, I chair the recently created Sustainability Committee which draws together a team of sustainability champions from across all our business units, each of whom will take responsibility for their local business and the initiatives currently underway, as well as identifying opportunities to develop our sustainability credentials in the years ahead.

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

Examples of how we engage with all our stakeholders and the initiatives we are undertaking are summarised in this report and will form the basis for a more detailed review to be published on the Company's website later this year.

I am delighted with the response this initiative has already received and the buy in from across the Group. As a team we are determined to develop a value driven sustainable strategy underpinned by creative solutions for the benefit of all our stakeholders.

Malcolm Paul

Stakeholder engagement

Environment

How we engage

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

Local communities

How we engage

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

Employees

How we engage

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

Customers and suppliers

How we engage

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

Shareholders

How we engage

The Company maintains and values regular communication with shareholders. You can read more about shareholder engagement on page 35. This year's AGM will be held on 2 May 2019.

Structure and governance of the Sustainability Committee

Membership

- Malcolm Paul, Chairman
- Jim Marsh, Group General Counsel and Company Secretary
- Danielle Le Breton, Group Human Resources Director
- Katy Maynard, Secretary to the Group Health and Safety Committee

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

Key objectives

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

Key responsibilities

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

United Nations Sustainable Development Goals

Employees

We only achieve what we do because of our people. This Group is a remarkable place to work because of the talent and dedication of exceptional individuals, collaborating on engaging work. We will continue to nurture our talent through the development of all our employees, while striving to grow the workplace of tomorrow. We aim to attract and retain the best talent, to ensure our reward and recognition are competitive, equitable and flexible, to engage and upskill our employees, to promote excellent performance and to value equality and advance diversity.

2018 achievements:

- Employee "wellbeing champions" have been nominated within some of our businesses, providing key contacts for employees on wellbeing problems and initiatives, and a sustainable way to drive the local wellbeing agenda of their businesses.
- We have signed and supported the "Women in Maritime" pledge, making clear our support for creating positive gender diversity change within the organisation, and more widely, across the UK maritime sector.
- We launched our first Group-wide employee survey, aimed (amongst other matters) at the Group's approach to sustainability. The response was very encouraging with 53% of employees responding. 48% of respondents told us that they believe social and environmental issues are integral to the strategy of their business.
- A "People Development Forum" has been established, consisting of senior managers from across the Group with the aim of sharing best practice and determining priorities in relation to employee-related matters.
- We launched a "parental transitions support" programme which offers new parents access to online tools and/or coaching to support them in the shift to combining their work and parenthood, with the aim of achieving smooth transitions for the individual and for the business as they leave for parental leave, and as they return.
- The Group has established its "Employee Value Proposition" to help define the culture and purpose of our Group. This was developed by reference to feedback through employee engagement activities, including surveys and interviews with a range of employees across the Group. The results will be used to help us attract talent, make us an employer of choice and differentiate the Group from our competitors.
- We introduced Group talent development centres with the aim of providing Group-level coordinated support to our high potential employees in order to help them achieve their potential at the earliest opportunity. The programme, which continues to track those individuals through their career with the Group, includes providing them with a bespoke development plan and subsequent development opportunities throughout the Group.

2019 goals:

- To increase the retention of talent.
- To continue to empower our employees and make them feel engaged by providing clear development opportunities.
- To refresh and strengthen the Group's approach to diversity and inclusion.
- To appoint a Non-Executive Director to be responsible for the Board's engagement with our employees.

Two James Fisher Shipping Services officer trainees on the division's career advancement programme received external outstanding achievement awards, recognising the individuals' commitment to maritime officer training, which combines academic studies with practical sea time within the fleet.

Health and safety

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

We continue to strive towards our ultimate aim of having no accidents or injuries.

2018 achievements:

- Recognising the impact of mental health on our people, and on our businesses through productivity and absence, we have introduced mental health first aiders into a number of businesses to help improve early-stage support for those with mental health issues. Many of our businesses have taken part in the "Time to Talk" day organised by the "Time to Change" social movement, which aims to change how we all think and act about mental health problems.
- Our first Group-wide employee survey identified that 95% of our employees recognise their personal responsibility to practice good health and safety whilst at work.
- During the year, our Tankships business James Fisher Everard (JFE) made 836 voyages and carried over 3.3 billion litres of petroleum product without a single recordable injury or day away from work, and no product in the water.
- JFE continued its on-going investment programme aimed at constant safety improvement around the fleet, including recent investment in improved gas detection systems, tank rescue equipment and enhanced lifting equipment.
- Our principal operating companies maintain internationally recognised occupational health and safety management systems accredited to OHSAS 18001 and management systems which are accredited to the international quality standard ISO 19001.
- The Group has adopted the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR)[1], and in 2018 the number of reportable incidents across the Group in 2018 was 2 (2017: 5).
- The Group's overall RIDDOR reportable frequency rate[2] in 2018 was 0.04 (2017: 0.1).
- The Group recorded 4 lost time accidents (LTAs)[3] in 2018 (2017: 5).

2019 goals:

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

[1]A reportable incident under RIDDOR is a work-related injury which results in a person's incapacitation for more than seven days.
[2]The RIDDOR reportable frequency rate is the number of RIDDOR reportable incidents per million hours of work.
[3]An LTA is an incident which causes a worker to be incapacitated for three or more consecutive days, not including the day of incident.

Environment

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

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

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

2018 achievements:

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

Emissions total (in thousands of metric tons)	2018	2017
CO2 equivalent from electricity consumption in facilities	**1.9**	2.3
CO2 from combustion of fuel at facilities and road vehicles	**3.0**	2.4
CO2 from combustion of fuel in vessels	**94.4**	84.0
Total emissions (CO2)	**99.3**	88.7

- Emissions from the combustion of bunkers which fuel the tankers in the Tankships division amounted to 95% of the Group's total emissions (2017: 95%). The benefit of sea transportation is that one 4,000 metric ton vessel can carry 150 times the volume of fuel carried by a single road tanker, which significantly reduces congestion and emissions to air. The vessel fuel consumption has increased as there is one additional tanker compared to last year.
- The Group's carbon intensity ratio calculated against the Group's revenue remained flat at 0.02% (2017: 0.02%). Our Tankships division operates a Ship Energy Efficiency Management Plan to regulate shipping energy efficiency and to control its marine GHG emissions.
- Nearly all of our principal operating companies operate environmental management systems (EMS) certified to ISO 14001 standard. This internationally recognised EMS enables a systematic approach to handling environmental issues.
- Fendercare has instituted a waste management campaign using SMART targets to improve recycling activities within the business, including:
  - fenders & hoses (key constituents of its business activities), including entering into a research programme with the University of East Anglia to establish innovative procedures for recycling business-generated waste.
  - office waste, including replacing disposable cups with re-usable mugs, and providing personalised steel (refillable) water bottles in a bid to reduce the amount of plastic that is currently being taken out to windfarms.

2019 goals:

- To enable enhanced monitoring and reporting of our use of fuel, electricity and water on a Group basis.
- To encourage our businesses to develop their supply chains to enhance responsible sourcing initiatives.

A team of volunteers from James Fisher worked together with others from ScottishPower Renewables, a key customer, to clear rubbish from a Suffolk beach as part of the Marine Conservation Society's "Beachwatch" beach cleaning and litter surveying programme. The initiative formed part of a joint commitment with our customer to support regional community initiatives around the development of the East Anglia One offshore windfarm.

Customers and suppliers

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

2018 achievements:

- Strong organic growth in areas consistent with Group strategy.
- Establishment of cross-divisional working groups based on defined geographical and/or customer categories, with representatives from numerous businesses around the Group, as well as key account managers for some of the Group's larger clients which take services from multiple James Fisher businesses. The first phase of these initiatives have been welcomed by our customers.
- Dedicated procurement manager appointments to develop working relationships with those businesses' supply chains, ensure quality and consistency of approach with the Group's ethics and requirements.

2019 goals:

- To continue improvements allowing us to deliver coordinated solutions and a consistent communication channel to our customers.
- To support on-going supplier engagement initiatives to provide cost-savings and tendering enhancements, to embed Group standards and policies within new relationships with suppliers and to drive support for our sustainability initiatives through our supply chain.

Innovation and technology

The entrepreneurial culture of the Group and the decentralised business model allow for product and service innovation to move fast in response to changes in the market and the competitive environment. Group businesses look to engage with customers in a way that allows them to identify and help solve customer needs. Engagement with employees and suppliers allows the business to solve those customer needs through innovation.

2018 achievements:

- Appointment of a Group Digital Director, a new position for James Fisher, to lead a new initiative to bring coordination to the way the Group businesses approach the collation of data and the software presentation of data for the benefit of customers.
- JFD partnered with the US Navy on the research, development, production and marketing of a highly innovative diver navigation device. Available for both military and non-military application, this allows navigation technology to be projected on to diving mask and offers hands-free guidance in poor visibility for divers.
- JFMS partnered with the University of Exeter and the University of Strathclyde to develop new software solutions enabling energy companies to manage the crew transfer process in a way that maximises safety and minimises costs.
- JF NDT has developed digital X-Ray capability to test components in a way that increases efficiency and quality of its service, meets customer requirements (including Boeing and Airbus) and reduces the environmental impact of the services by reducing waste and eliminating reliance on rare materials.
- JFMS has been picked to work with marine energy developer, Minesto on the installation of the first of an innovative new type of tidal turbine for its new site in north Wales.

2019 goals:

- To continue to increase investment and support for innovation around the Group aimed at supporting customers and product efficiency.

Communities

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

2018 achievements:

- Alongside its on-going long-term ship-to-ship project in Togo, Fendercare has partnered with the charity "Future Stars" on its education-through-sports programme that offers weekly sports coaching sessions to underprivileged children. Fendercare's involvement has helped to develop the charity's existing project, including funding coaching and physical education sessions.
- As part of the national STEM initiative "Greenpower Education", James Fisher Offshore worked closely with a school in Aberdeenshire to help inspire young people considering a future in the marine and offshore industry by supporting them in the building and racing of an electronic car.
- Our businesses in the region provided headline sponsorship for the 2018 East Anglian Air Ambulance "Only the Brave" charity mud race, in which many employees from a number of Group businesses took part.
- Fendercare Marine Ghana have installed two manual boreholes in the Mpohor district of Ghana to ensure a long-term supply of potable water for the local farming communities and accessible drinking water for the local community.

2019 goals:

- To increase awareness of the contribution made by our employees and our companies to the community and good causes.
- To develop a formal policy on CSR to outline our commitment to being a socially responsible business, both internally and externally.

Corporate responsibility governance

We have given information in the Sustainability report on pages 27 to 33 about how we engage with our stakeholders. Below is more information about how we engage with our stakeholders from a corporate governance perspective.

Employees

How we engage:

Helping employees meet their potential:

The Chief Executive Officer is responsible for employee matters, assisted by the Group Head of Human Resources.

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

The Board considered and re-approved the Group's existing health safety and environment policy in January 2019 as a declaration of our intent and commitment.

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

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

	2018		2017	
Gender diversity	**Male**	**Female**	Male	Female
Main Board Directors*	**7**	**1**	6	1
Senior Managers	**64**	**11**	61	11
Employees	**2,218**	**565**	2,081	564

*Dr Inken Braunschmidt was appointed on 1 March 2019, when the Board's gender diversity ratio will change to 75% male, 25% female.

Customers and suppliers:

How we engage:

Customer focus:

See page 32 summarising our focus on delivering products and services aimed at delivering solutions to customer needs.

Respect for human rights:

The Group is committed to supporting and respecting human rights in the workplace and in the communities in which it operates across its international business. We have implemented work practices and policies throughout the Group which are designed to ensure that respect for human rights is integrated into the systems and culture of our businesses. We do not tolerate the use of child or forced labour within our business and take all steps possible to ensure that our suppliers and customers also uphold internationally recognised human rights. The Modern Slavery statement, which is available on the Group's website, outlines steps taken by the Group to ensure that there is transparency in the Group and throughout our supply chains. The Group encourages any concerns relating to modern slavery to be raised using the procedure set out in the whistleblowing policy.

Business ethics, anti-bribery and corruption matters:

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

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

The Group does not permit bribery, nor illegal or corrupt business practices. On-going compliance is monitored by local compliance officers who are required to report to their local boards and to the Group Compliance Officer on at least a biannual basis. The compliance officers are responsible for ensuring that risk assessments, training and awareness are carried out where appropriate and are kept up-to-date. They are also required to monitor, record and report agency arrangements with third parties to ensure that all our business dealings are appropriate and within our ethical framework.

Shareholders:

How we engage:

Regular messaging:

The Company maintains and values regular communication with shareholders. The Annual Report and Accounts and the Group website highlight the Group's main achievements. Formal preliminary announcements and interim management statements are provided throughout the year. Investor days are held when a presentation is provided to investors and analysts. In addition, the Company invites regular direct communication with its shareholders as part of the Company's investor relations programme.

Annual General Meeting (AGM):

In May 2018, we welcomed shareholders to our AGM, which represents an annual opportunity for the Board to meet and communicate with both private and institutional shareholders, and engage with their questions and involvement. At the AGM, the Chairman provides a presentation on the performance of the business, and holds a Q&A session, inviting challenging questions and feedback from shareholders. Following the AGM all attendees are invited to a seated lunch, and members of the Board are encouraged to sit with shareholders over lunch to discuss the business and answer questions.

Community:

How we engage:

Local business activities:

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

Sir John Fisher Foundation:

The Sir John Fisher Foundation (the Foundation) is a charitable trust founded in 1980 by Sir John Fisher (former Chairman of the Company, and grandson of the founder) and Lady Maria Fisher with the objective of distributing income, including from the significant shareholding in the Company retained by the Foundation's trustees, to charitable causes throughout the UK, but with special regard to those based in and working for the benefit of people living in Barrow-in-Furness and the Furness Peninsula, where the Company is registered and maintains its headquarters.

Environment:

How we engage:

See the Sustainability report on page 31 for more information about how the Group works to minimise its environmental impact. The Group has a governance structure in place to consider carbon emissions, energy usage to minimise the impacts of its operations on the environment.

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

James Fisher acknowledges the global threat posed by climate change and recognises the need to reduce GHG emissions. We accept our responsibility to comply with emerging climate change legislation and regulation, and to reduce our GHG emissions as far as is reasonably practicable through appropriate initiatives. Part of the Sustainability Committee's remit includes keeping this issue under review and we will report in more detail on this in our 2019 Annual Report.

Board of Directors

Chairman

Malcolm Paul

Chairman of the Board[1] and Nominations Committee +

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

Key strengths and experience:

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

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

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

Executive Directors

Nick Henry

Chief Executive Officer

Appointment: Nick joined the Group in February 2003 and was appointed Chief Executive Officer in December 2004.

Key strengths and experience:

- Clear strategic mindset.
- Strong leadership skills.

Nick worked for 20 years for P&O Containers and P&O Ports, of which 10 years were in senior management positions based in Singapore, Hong Kong, Australia, Netherlands and the Indian Sub-Continent. Nick's experience encompasses a wide range of commercial and operational roles, including fleet management and information technology.

External appointments: Member of the Supervisory Board of the UK Chamber of Shipping; Non-Executive Director of Britannia's Gold Limited.

Stuart Kilpatrick

Group Finance Director

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

Key strengths and experience:

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

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

External appointments: None.

Fergus Graham

Director, Marine Support Division

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

Key strengths and experience:

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

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

External appointments: None.

[1] Malcolm Paul became Chairman after the conclusion of the AGM in May 2018, when Charles Rice stood down as Chairman. A copy of Charles' biography is available in the Annual Report and Accounts 2017

Non-Executive Directors

Aedamar Comiskey

Non-Executive Director and Chairman of the Remuneration Committee *#+

Appointment: Aedamar was appointed to the Board in November 2014 and was appointed chairman of the Remuneration Committee in May 2018.

Key strengths and experience:

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

Aedamar is the Global Head of Corporate and a member of the Executive Committee at Linklaters LLP, where she has been a partner since 2001. Aedamar was previously the Senior Board Member on the firm's Partnership Board, its governance body. Aedamar specialises in international and domestic mergers and acquisitions, joint ventures and fundraisings, and is the lead relationship partner for many of the firm's FTSE 350 clients.

External appointments: None.

Justin Atkinson

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

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

Key strengths and experience:

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

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

External appointments: Senior Independent Non-Executive Director of Kier Group plc; Senior Independent Director, Chair of the Audit Committee (and Chairman-elect) of Forterra plc; Non-Executive Director and Chair of the Audit Committee of Sirius Real Estate Ltd and a member of the Audit Committee of the National Trust.

David Moorhouse CBE

Senior Non-Executive Director *#+

Appointment: David was appointed to the Board in August 2013 and was appointed Senior Non-Executive Director in June 2018. He will stand down from the Board on 28 February 2019.

Key strengths and experience:

- Substantial commercial, financial and operational experience.
- In-depth knowledge of the oil and gas and marine industries.

David was formerly Executive Chairman of Lloyds Register and earlier in his career, CEO of John Brown plc, a Director of Trafalgar House plc and Executive Vice President of Kvaerner where he had particular responsibility for their engineering and process businesses.

External appointments: Non-Executive Director of OAO Sovcomflot; Life member of the UK's Foundation for Science and Technology; Chairman of Braemar Shipping Services Plc.

Michael Salter

Non-Executive Director *#+

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

Key strengths and experience:

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

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

External appointments: None.

* Audit Committee # Remuneration Committee + Nominations Committee

Corporate governance report

Chairman's introduction to Corporate governance

Good governance is at the heart of what we do both as a Board and as a Group. As Chairman I am responsible for establishing and embedding the culture of the Board. By setting the tone from the top your Board aims to ensure that values and behaviours are consistent across the Group, both in the way we behave with each other and in the way we interact with our customers, suppliers, shareholders, employees and communities around us. This year we have set out in more detail in the Sustainability report (on page 27) how we have engaged with our key stakeholders. Our strategy as a Group is founded on meeting those high standards. Creating the right ethical culture at James Fisher is vital to the Group's success.

UK Corporate Governance code

Of course the governance landscape is constantly changing. Failures by both business and their advisors have led to a closer look at how companies govern themselves. During 2018 various new regulations were published that the Board has taken into account and has acted on, where appropriate. The UK Corporate Governance Code 2016 (the Code) is the version of the Code which applied to the Company for 2018. During the year ended 31 December 2018 the Company has complied with all the relevant provisions of the 2016 Code.

The UK Corporate Governance Code 2018 has applied to the Company since 1 January 2019. We will report fully on our application of the 2018 Code in our 2019 Annual Report and Accounts. For information on our recent and planned enhancement to employee engagement mechanisms, please see pages 29 and 34.

Culture and values

The Group's Code of Ethics captures the long-held standards that each member of the James Fisher workforce is expected to adhere to in their day-to-day work. We are committed to ensuring the highest ethical standards in our activities and in how these impact on our relationships with our stakeholders. This is the foundation for the Group's values of honesty, integrity and fairness. These values complement and augment the Group's corporate purpose and strategy. Our customers attach great importance to working with a Group which is able to demonstrate those values wherever they do business.

Diversity

This year has seen on-going focus for businesses on diversity. The publication of the update to the Hampton-Alexander review and the McGregor-Smith review, and the requirement for companies to publish an annual gender pay gap report are clear indicators of the importance of this topic. The Board and I remain very supportive of the initiatives in this area, and are committed to improving diversity throughout the Group. I firmly believe that this should not just be in relation to gender and ethnicity, but also in the wider sense, including diversity of thought, tenure, age, experience, skills, geographical expertise, and educational background. This should not be a "one and done" approach but is something the Board will continue to keep under review. In 2018, and up to the date of this report, the Board has:

- Reviewed and updated the Group's diversity policy (see page 43 for more details).
- Created and published the Board's own diversity policy, setting out its commitment, including in its own composition.
- Approved the publication of the Group's gender pay gap information.

On the date of this report, the Board announced that an additional female Non-Executive Director (Dr Inken Braunschmidt) would join the Board with effect from 1 March 2019, resulting in 25% female representation on the Board.

Board composition

One of my responsibilities is to keep the composition of the Board and its range of skills under review, and there have been some important changes throughout the year. You will have already noted the changes earlier in the year (described in more detail on page 50).

External evaluation of Board effectiveness

In September 2018, I commissioned an externally facilitated review of the Board to provide external input into how the Board and its Committees function, and to provide recommendations for ways to improve their overall effectiveness. Details of the process, outcomes and actions are described on page 42.

AGM

I would encourage all shareholders to attend the AGM, to be held at 11.00am on Thursday 2 May 2019 at the Abbey House Hotel, Abbey Road, Barrow-in-Furness, Cumbria, LA13 0PA, as it provides an excellent opportunity to meet the Executive and Non-Executive Directors.

Malcolm Paul
Chairman
25 February 2019

Our governance structure

The Board

Chaired by Malcolm Paul

Meets regularly, with six scheduled meetings during the year.

The Board is responsible for providing effective leadership to the Group. The Board is responsible for steering the Group's purpose, culture and values, for setting the Group's strategic priorities and overseeing their delivery in a way that enables sustainable long-term growth, while maintaining a balanced approach to risk within a framework of effective controls. It has a schedule of key matters which are reserved for its own decision-making, which is reviewed annually and approved by the Board.

Chairman

Leads the Board, sets the agenda and promotes a culture of open debate between Executive and Non-Executive Directors.

- Regularly meets with the Chief Executive, the other Executive Directors and other senior management to stay informed.
- Ensures effective communication with our shareholders.

Senior Independent Director

- Provides a sounding board to the Chair and appraises his performance.
- Meets with Directors to review the Chairman's performance. This review is then shared with the Chairman.
- Acts as intermediary for other Directors, if needed.
- Available to respond to shareholder concerns when contact through the normal channels is inappropriate.

Non-Executive Directors

- Contribute to developing our strategy.
- Scrutinise and constructively challenge the performance of management in the execution of our strategy.

Chief Executive

- Responsible for management of the Group as a whole.
- Delivers strategic objectives within the Board's stated risk appetite.

Nominations Committee

Chaired by Malcolm Paul

Meets a minimum of three times a year.

Reviews the structure, size and composition of the Board (including skills, knowledge, diversity and experience) and recommends changes, succession planning for Directors and senior executives.

Identifies and nominates candidates for approval to the Board, to fill vacancies when they arise.

The Nominations Committee report on pages 50 to 51 describes in detail the Committee's role and activities.

Audit Committee

Chaired by Justin Atkinson

Meets a minimum of three times a year.

Assists the Board in its oversight and monitoring of financial reporting, reviews the Group's internal financial controls and systems for risk management and internal controls, monitors the Company's whistleblowing policies and assesses independence and objectivity of external auditor.

The Audit Committee report on pages 45 to 49 describes in detail the Committee's role and activities.

Remuneration Committee

Chaired by Aedamar Comiskey

Meets a minimum of three times a year.

Agrees the remuneration policy for Executive Directors and other senior executives; reviews the appropriateness and relevance of the Group's remuneration policy; and ensures that the provisions of the Code relating to remuneration are fulfilled.

The Directors' remuneration report on pages 52 to 66 describes in detail the Committee's role and activities.

Executive Committee

Consisting of the Executive Directors

Meets according to business requirements.

Empowered, under written terms of reference, to take actions relating to the affairs of the Company in the normal course of business and of a routine nature, subject to such limits as the Board in its discretion determines.

Disclosure Committee

Consisting of the Chairman, the Executive Directors and the Company Secretary

Meets when necessary.

Oversees the Company's compliance with its disclosure obligations.

Group Health and Safety Committee

Chaired by Nick Henry

Meets on a quarterly basis.

Discusses all health and safety issues including incidents, mitigating actions and training requirements and reports recordable safety incidents to the Board.

Group Sustainability Committee

Chaired by Malcolm Paul

Meets on a regular basis.

Identifies, monitors and coordinates the Group's sustainability commitments, working with sustainability "champions" from each trading business.

Group Risk Committee

Chaired by Nick Henry

Meets on a quarterly basis.

Identifies and monitors operational risks throughout the Group, supports the internal control and risk management strategy and policy.

Operating Divisions

Day-to-day business delivery.

Executive Directors meet on at least a quarterly basis with managing directors of principal businesses.

Corporate Functions

Day-to-day business delivery.

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

Induction and training

In 2018 there were a number of new appointments and changes in role. Following his appointment to the Board, Justin Atkinson was given a detailed induction to the Group's business which included briefings on the Group's strategy and business model and the Board's activities over the last year. Induction materials included recent Board and Committee papers and minutes of meetings, the articles of association, matters reserved for the Board and Committee terms of reference. Justin visited sites of some of the Group's larger businesses as part of his induction, including JFD, JF Nuclear, Fendercare and JF Marine Services (JFMS), and held meetings with senior management from key areas of the business. This gave him insight into their businesses and challenges. The Group General Counsel and Company Secretary briefed Justin on core Group policies and on Board and Committee procedures. To prepare for his role as Chair of the Audit Committee Justin also met with the external and internal auditors and the Group Finance Director. As an existing employee, Fergus Graham already had a strong insight into the business but was briefed on Board and Committee procedures. In my new capacity as Chairman, I have written to some of our larger shareholders. On-going training and development for Directors is available as appropriate and is reviewed and agreed with the Chairman annually. The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

The Non-Executive Directors regularly visit major business centres of the Group in order to enhance their knowledge including in relation to the services and products offered, which in turn acts to strengthen their contribution to Board debate. In 2018, visits included JFMS and Fendercare at their UK headquarters, and the Non-Executive Directors also received presentations from management on key strategic plans, including relating to individual businesses and markets, as well as from the Group Human Resources Director.

Topic	Key activities and discussions in 2018	Risk management framework	Key priorities for 2019
Strategy	• Reviewed and approved the corporate strategy. • Reviewed and approved a number of acquisitions. • Reviewed and approved major capital investments. • Reviewed financial and non-financial key performance indicators (KPIs). • Considered and approved the Group's dividend policy.	• Financial risk • Project delivery	• Approve the corporate strategy and keep under review. • Consider acquisitions as identified and determine appropriate course of action. • Consider further capital investments. • Keep financial and non-financial KPIs under review. • Keep the Group's dividend policy under review.
Risk and risk management	• Carried out a robust assessment of principal key risks, monitored and reviewed the internal controls process, and assessed the Group risk profile (see the Principal Risks section starting on page 22 for more detail). • Reviewed the potential impact of the EU referendum to the business. • Monitored compliance with key Group policies.	• Project delivery • Operating in emerging markets • Contractual risk	• Review key risks and ensure that the Group continues to develop and embed best practice for risk management. • Continue to monitor compliance with the key Group policies.

Topic	Key activities and discussions in 2018	Risk management framework	Key priorities for 2019
Governance	• Continued to focus on the composition, balance and effectiveness of the Board, in particular with the appointment of Malcolm Paul as Chairman, David Moorhouse as Senior Independent Director, Justin Atkinson and Fergus Graham. • Reviewed the key operational roles and identified gaps in experience needed to deliver the strategy. • Reinforced compliance with Code of Ethics, a document which sets out the Group's culture and values, all in accordance with the principles of good corporate governance. • Drafted and consulted on the remuneration policy which was presented to shareholders for approval at the AGM in 2018. • Engaged with our individual shareholders at the AGM. • Engaged with institutional shareholders, investors and other stakeholders throughout the year. • Separate Non-Executive Director sessions held with the Chairman to discuss leadership and other Board matters. • Reviewed and approved the 2017 Annual Report and Accounts. The Board agreed that, taken as a whole, the 2017 Annual Report was fair, balanced and understandable. • Considered the impact of the UK Corporate Governance Code 2018 and, in particular, reviewed workforce engagement methods.	• Recruitment and retention of key staff	• Ensure that the Company continues to develop and embed best practice in responsible business behaviour. • Maintain and enhance the Group's culture and values and key policies and procedures. • Continue to strengthen internal controls and reporting. • Further understanding and planning actions in response to new regulations over the period. • Review the initial recommendations from the designated Non-Executive Director for employees.
Organisational capacity	• Monitored health and safety performance across the Group and reviewed the lessons learned to keep our employees and others affected by our operations safe. Regular Board updates received on actions improving health and safety. • Reviewed the governance framework and continued training and awareness drives for key policies. • Supported by the Nominations Committee, monitored senior executive talent management and development plans with succession planning for all key positions in mind.	• Health safety and environment • Contractual risk • Recruitment and retention of key staff	• Recruit a new Chief Executive. • Continue to monitor senior executive talent management and development plans to provide succession for all key positions. • Continue to enhance the diversity across the Group. • Continue to hold meetings with people in the senior talent pipeline to further improve information flow.
Board development	• Continued to focus on the composition, balance and effectiveness of the Board. Reviewed Board composition and discussed and acted on the recommendations of the Nominations Committee. • Undertook an external evaluation of the Board, its Committees and individual Directors. Following the evaluation an action plan was developed.	• Recruitment and retention of key staff	• Enhance the Board's strategic understanding of key markets as the Group continues to grow. • Use Board visits to promote understanding of markets and the business development opportunities they offer. • Annual evaluation of Board performance — to be led internally.

Board and Committee meetings attendance	Board	Audit Committee	Remuneration Committee	Nominations Committee
Total number of meetings during 2018	6	3	2	4
Executive Directors				
Nick Henry	6	N/A	N/A	N/A
Stuart Kilpatrick	6	N/A	N/A	N/A
Fergus Graham	6	N/A	N/A	N/A
Non-Executive Directors				
Malcolm Paul	6	3	N/A	4
Aedamar Comiskey	6	3	2	4
David Moorhouse	6	3	2	4
Michael Salter[1]	4	2	1	2
Justin Atkinson[2]	5	3	1	3
Former directors:				
Charles Rice[3]	3	1	–	2

1. Michael Salter was unable to attend the meetings in January and February 2018 due to travel restrictions following an operation.
2. Justin Atkinson was appointed on 1 February 2018.
3. Charles Rice ceased to be a Director on 3 May 2018.

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

Internal Board evaluation

At the end of each year, the Board undertakes an annual evaluation of its own performance and that of the Remuneration, Nominations and Audit Committees and of each individual Director against the framework of Board effectiveness produced by the FRC.

The 2018 performance evaluations were designed to assist the Board in identifying strengths and weaknesses and areas for further improving performance and required each Director to complete in confidence a detailed questionnaire relating to key aspects of Board performance, and performance of the Board's principal Committees. The review included an analysis of the Board's and Committees' performance in key areas including corporate governance, structure and procedures, strategy, and effectiveness, risk management and control and communications with shareholders and other stakeholders. The results of the evaluation were collated by the Group General Counsel and Company Secretary and reported to the Board via the Chairman with recommendations for further consideration and action as appropriate.

The 2018 review concluded that the Board functions well as a unit and provides a good balance of support and challenge to management.

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

External Board evaluation

In 2018, the Board determined that, in addition to the internal evaluation, it would also undertake an externally facilitated evaluation, it being three years since the last externally facilitated evaluation. The Nominations Committee sought proposals from a number of firms and elected to engage Independent Audit Limited (IA) (a specialist consultancy which has no other business or connection to the Group or individual Directors) to conduct the evaluation. Having been provided with a comprehensive briefing by the Chairman and Group General Counsel and Company Secretary, IA conducted an evaluation process from September 2018 to January 2019, involving:

- access to all Board and Committee papers and minutes presented in 2018, to enhance IA's understanding of how the Board and its Committees operate.
- attendance and observation at the Board and Audit Committee meetings in October 2018.
- individual interviews with each Director and the Group General Counsel and Company Secretary, for which an interview script was developed to ensure consistency, with bespoke questions to allow for additional information reflecting function, role, tenure and experience.

IA found that the Board and Committees operated well as a cohesive and committed team, and with dedication demonstrated by all Directors. Their report identified certain challenges facing the Board looking ahead, including managing a period of transition in the composition of the Board, focusing on the long-term strategy and ensuring an effective pipeline for executive succession. An action plan has been put in place to address these challenges.

Diversity and inclusivity

As a Board, we are highly supportive of the initiatives we have in place to promote diversity and inclusivity beyond our board room and throughout our business. We will achieve this aspiration by recruiting, retaining and developing diverse and talented people and creating an inclusive environment where everyone can be the best they can be. Our gender diversity information can be found on page 34.

We recognise that diverse teams perform better and acknowledge that having a diverse Board is important. We believe that diversity on the Board goes beyond gender and includes a variation in skills, experience and background. The Committee believes we have a good balance of diversity amongst our Non-Executive Directors, with several having extensive experience of engineering, technology and other highly relevant skills derived from serving in a range of major executive and non-executive positions throughout their careers. We will continue to appoint on merit whilst working hard to broaden the diversity of our talent pool, taking on board the recommendations of the Hampton-Alexander review and the McGregor-Smith review to improve gender and ethnicity balance respectively in the leadership of FTSE companies. Where possible, we use search firms who have signed up to the Voluntary Code of Conduct for Executive Search Firms which includes recommendations on gender diversity on appointments to boards and best practice for search processes.

During 2018 the Board established a Board diversity policy which can be found on our website. This sets out the Board's commitment to diversity in its own composition and the wider workforce, and sets targets for Board composition looking ahead.

Following the appointment of Dr Inken Braunschmidt (and the retirement of David Moorhouse) female representation on the Board will equate to 25% of the Board. The percentage of women amongst our senior management is 15%. In the light of this, the Committee discussed approaches to address this in both the shorter and longer-term.

Support

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

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

Financial and business reporting

The Board considers that the Annual Report and Accounts taken as a whole present a fair, balanced and understandable assessment of the Group and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. More information about how this assessment was made is set out in the Audit Committee report on page 46.

The going concern assessment set out in the Directors' report on page 67; the viability statement is set out in the principal risks section of the Strategic report on pages 8 and 9; and the Strategic report on pages 1 to 35 sets out an explanation of the Company's business model and the strategy for delivering the Company's objectives.

Risk management and internal controls

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives and for ensuring that the Company maintains sound risk management and internal control procedures. More information in relation to those principal risks, the Group's approach to mitigating them, and the risk management and internal control procedures within the Group are set out in the Strategic report on pages 22 to 25.

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

As part of its internal control procedures, the Group maintains policies and processes for whistleblowing, anti-bribery and corruption and to uphold its zero-tolerance approach to any form of modern slavery. More information in relation to those policies are included in the principal risks and uncertainties section of the Strategic report on pages 22 to 25.

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

Relations with shareholders and other stakeholders

The Company recognises the value of regular contact and communications with all of its stakeholders, including its shareholders, customers, suppliers, employees and the communities who have been identified as being affected by the Group's activities. Details in relation to the Company's stakeholder engagement, including specific engagement with its shareholders, is set out in more detail in the section on stakeholder engagement on page 27.

Audit Committee report

Introduction

I am pleased to introduce the report of the Audit Committee for the year ended 31 December 2018. This is my first report as chair of the Committee and I would like to thank Malcolm Paul, who chaired the Committee before, for his hard work.

The Committee and the work it performs is of fundamental importance to the Board in discharging its responsibility for oversight and monitoring of financial reporting, risk management and internal control. I have been chairman of the Committee since May 2018 and it is my responsibility to ensure that the Committee fulfils its responsibilities in a rigorous and effective manner. The Committee's agenda is designed, in conjunction with the Board's, to ensure that all significant areas of risk are covered and to enable it to provide timely input to Board deliberations.

In line with the Code, this report seeks to focus on specific aspects considered by the Committee during the year and aims to provide assurance to you, our shareholders, that the control environment of the Group is being properly supervised and monitored.

I am satisfied that the Committee is properly constituted with written terms of reference, which include all matters referred to in the Code and is provided with good quality information to allow proper consideration to be given to topics under review. I am also satisfied that meetings are scheduled to allow sufficient time for discussion and to ensure that all matters are considered fully. The Committee's terms of reference, which are available on our website, were updated in January 2019 in accordance with the FRC Guidance on Audit Committees.

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

This year the Committee has continued to focus on reviewing the Group's systems of risk management and internal controls, as well as ensuring the integrity of the Group's public financial reporting. Whilst we do not believe that the UK's future departure from the EU will have a material impact on the Group we keep this matter under constant review, and you can find more information on this on page 20. In addition, we have reviewed and endorsed the Group's approach to tax transparency in all the regions of the world in which the Group operates, and have updated our Group tax policy statement accordingly.

During the year, changes in the Group's revenue recognition, particularly in respect of accounting for long-term contracts have been implemented in accordance with IFRS 15. With IFRS 16 having taken effect from 1 January 2019, preparations were made during the year under review. More information on IFRS 15 and 16 is set out on pages 46 and 47 in the Audit Committee report. The Group has also implemented IFRS 9 Financial Instruments in 2018 and this has had no material impact on comparatives.

Membership	Since
Justin Atkinson, Chairman of the Audit Committee since May 2018 (previously chaired by Malcolm Paul)	2018
Aedamar Comiskey	2014
David Moorhouse	2013
Michael Salter	2013

Key objectives

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

Key responsibilities:

- The accounting principles, policies and practices adopted in the Group's accounts.
- External financial reporting and associated announcements.
- Managing the appointment, independence, effectiveness and remuneration of the Group's external auditor, including the policy on the award of non-audit services.
- Initiating and supervising a competitive tender process for the external audit when next required.
- The resourcing, plans and effectiveness of Internal Audit.
- The adequacy and effectiveness of the internal control environment.
- The Group's risk management processes and performance.
- The establishment and oversight of fraud prevention arrangements and reports under the Group's whistleblowing policy.
- The Group's compliance with the 2016 and 2018 UK Corporate Governance Code (the Code).
- The provision of advice to the Board on whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable and provides all the necessary information for shareholders to assess the Company's performance, business model and strategy.

Meets three times a year.

Audit Committee composition

The Board is satisfied that Justin Atkinson (and formerly Malcolm Paul who chaired the Committee until May 2018) has significant and relevant financial experience. Both are chartered accountants who formerly served as finance directors of FTSE 250 companies. Justin Atkinson is a member of the audit committees of three other UK listed companies, and is audit chairman of two of those committees. The members of the Committee collectively have broad financial, commercial, professional and technical experience and as a whole are considered to have competence relevant to the sectors in which the Group operates. Committee attendance is shown on page 42.

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

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

Financial reporting

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

- whether suitable accounting policies have been adopted and properly applied;
- the clarity of disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- whether management has made appropriate estimates and judgements in material areas or where there has been discussion with or issues raised by the auditor; and
- whether the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

To facilitate its financial reporting responsibility, the Committee received reports from the Company's auditor, KPMG, at each of the scheduled Committee meetings. The first meeting in February 2018 considered the accounting, financial control and audit issues reported by the auditors that flowed from their audit work and reviewed the financial statements and specific disclosures, including the viability and going concern statements, for recommendation to the Board. In addition to standard agenda items, the February meeting also received evaluations of the external and internal audit process and reviewed the procedures and outputs for the identification, assessment and reporting of risk. The August meeting received a review by the auditor of the Half Year results and considered the accounting, financial control and audit issues arising to enable the Committee to review the Interim Statement and recommend it to the Board. The November meeting reviewed the planning memorandum for the annual audit, including proposed scope and key risks, together with an indication of the proposed audit fee, which was subject to subsequent agreement. In addition, the meeting considered a detailed report from internal audit on their work for the year and approved the internal audit programme for 2019.

Fair, balanced and understandable

In making its assessment the Board has taken into account its own knowledge of the Group, the markets in which the Group operates, its strategy and performance in the year, a review of content of the Annual Report and Accounts and other periodic financial statements and announcements, together with the recommendation of the Audit Committee. Key considerations include ensuring that there was consistency between the accounts and the narrative provided in the front half of the Annual Report and Accounts, and that there was an appropriate balance between the reporting weaknesses, difficulties and challenges (in particular with reference to the Group's principal risks and uncertainties, as set out on page 22), as well as successes, in an open and honest manner.

Significant issues and accounting judgements

The Committee has a primary responsibility to review the integrity of the Annual Report and Accounts and the Interim Statement of the Company, which includes the review and discussion of papers prepared by management and takes account of the views of the auditor. The key areas reviewed in the 2018 financial year are as follows:

IFRS 15 Revenue Recognition – Revenue from Contracts with Customers

The introduction of IFRS 15 Revenue Recognition – Revenue from Contracts with Customers (IFRS 15) with effect from 1 January 2018 has changed the basis of revenue recognition on long-term contracts from a stage of completion to delivery against identified performance obligations. Prior to its application, the Group accounted for long-term contracts by estimating the percentage stage of completion based on costs incurred to date compared to the estimated total contract costs. Revenue is now recognised when control over the goods or services passes to the customer and for long-term contracts on completion of performance obligations. In adopting IFRS 15, the results for 2017 have been restated and full details are set out in note 33. For the majority of the Group's revenue such as the delivery of services, products and equipment rental, the implementation of IFRS 15 has had no material impact as revenue continues to be recognised at the point in time when the performance obligation is met. Long-term contracts, which often span a year end and primarily relate to Specialist Technical and Marine Support, are recognised on completion of performance obligations identified from the contract.

The Committee reviewed the recognition of revenue and profit on significant long-term contracts to ensure revenue was recognised in the correct accounting period and that judgements made by management were reasonable and in accordance with the requirements of IFRS 15. Where appropriate, matters arising were discussed with senior management and KPMG in their capacity as auditors, and the Committee concluded that the financial statements recognised revenue and profits in accordance with the Group's accounting policy.

IFRS 16 Leases

IFRS 16, which became effective on 1 January 2019, brings operating leases onto the balance sheet as a 'right of use' asset which is amortised, and a corresponding liability established for the total lease obligation. In accounting periods prior to 1 January 2019, operating lease costs were charged to the income statement on a straight-line basis over the period of the lease. In future years, this charge will be replaced by amortisation of right of use assets and an imputed interest cost based on the operating lease obligation. As at 31 December 2018 the Group had £38.2m (2017: £36.8m) of future obligations under operating leases.

Goodwill valuation

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

Acquisition accounting

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

Operations in overseas jurisdictions with uncertain legislation

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

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

Going concern

The Committee reviewed the appropriateness of the going concern assumption on page 67 in preparing the financial statements. This included a review of papers prepared by senior management in relation to the Group's internal budgets, forecasts of future performance, available financing facilities and facility headroom. Taking account of possible changes that may impact trading performance and other factors that might affect availability, we expect the Group to maintain the necessary headroom under its borrowing facilities for the forthcoming year. We are satisfied that the going concern basis of preparation continues to be appropriate in preparing the financial statements.

Viability statement

The Committee reviewed the Company's viability statement set out on page 23 and in particular took care to understand the analysis which was prepared by management, and supports the Board's view that the Company will be able to continue in operation and meet its liabilities as they fall due over the period assessed. The analysis included a review of the Group's three-year plan which overlays a number of assumptions and sensitivities, including the need for and availability of additional bank facilities, an assessment of the likely downside sensitivities aligned to the Group's principal risks, and the potential impact of those sensitivities on its business model, future performance, solvency and liquidity over the period, and taking into account the potential mitigating actions, and the effectiveness of the Group's risk management and control systems, as well as current risk appetite. Sensitivities considered included the potential consequence of global economic uncertainty and adverse foreign exchange movements, on-going bolt-on acquisitions, as well as the diverse nature of the markets and geographies in which the Group's businesses operate, and their ability to react quickly to change.

Risk management and internal controls

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

Anti-bribery and corruption

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

- the Group's zero tolerance approach to payment of bribes.
- the reasonableness and proportionality of offering or receipt of gifts or hospitality.
- the appointment and management of third parties who are engaged to assist with our sales and marketing activities, including approval via procedures which include appropriate

internal and external due diligence and authorisation. The Group tracks its agent relationships and reports them back to the Board on a regular basis.

- the Group's condemnation of facilitation payments.

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

Whistleblowing

The Group maintains a whistleblowing policy which encourages and allows our people to report any activities which may constitute a crime (including bribery/corruption), a failure to meet legal/regulatory obligations, a fraud, an endangerment to anyone's health and safety, damage to the environment, or a breach of the Code of Ethics. Reports can be made anonymously. Investigations are carried out by the Group Finance Director and Group General Counsel and Company Secretary, with reference to the Chairman. Reports on whistleblowing complaints are referred to the Committee for review to ensure that appropriate and timely actions have been identified and completed. During the year two matters were raised under the whistleblowing process, both of which were investigated and recommendations agreed with the Audit Committee were adopted.

The responsibilities and processes for risk management are described in more detail on page 22.

External audit performance

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

For the 2018 audit, the Committee considered that the performance of the auditor, including their interaction with the Company, senior management and the Committee, was good. The Committee was also satisfied that KPMG provided an effective audit and remain independent and objective.

During the year, the Committee considered the FRC's Audit Quality Review (AQR) team's review of the Group's audit by KPMG for the year ended 31 December 2017. The Review took into account areas considered to be higher risk by KPMG and the Audit Committee, the FRC's own knowledge and experience of audits of similar entities, and the significance of an area in the context of the financial statements. The review included, but was not limited to, the following:

- At Group level: (A) how the audit work was scoped; the instructions issued to individuals performing audit work on financial information relating to Group subsidiaries (component auditors); the extent of KPMG's involvement in component auditors' work; KPMG's evaluation of component auditors' work; and how issues reported by component auditors were followed up and resolved; (B) how KPMG dealt with certain aspects of ethics, independence, quality control and completion relevant to the audit; (C) the quality of communications with the Audit Committee; and (D) the following specific areas: (i) recoverability of Group intangible assets; and (ii) Group operations in overseas jurisdictions with uncertain legislation.
- At subsidiary level: revenue recognition within certain Group businesses.

The conclusion of the FRC's AQR team's review was discussed with KPMG. None of its findings were considered to be of sufficient significance to be included in its final report.

In compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 and other regulations, the Company undertook a competitive tender for audit services in 2016 following which KPMG were appointed.

Audit Committee evaluation

Every year the Group conducts an internal evaluation of the Board and its Committees and this year an external evaluation was also undertaken. The Audit Committee was considered to work well with thorough debate, and good coverage of the key issues, and to be well chaired and managed, with good coverage of its remit and good interface between meetings with the Executive and finance function. Details of the evaluations and the results are set out in more detail on page 42.

Internal audit

The Committee is responsible for reviewing the work carried out by the internal audit department which considers, reviews and reports on key commercial, financial and control risks across the Group. The internal audit function undertake their work in accordance with an annual programme approved by the Committee. During 2018 we continued to engage the services of PricewaterhouseCoopers to support our internal audit resources, particular at overseas offices. The scope of each internal audit review is agreed by the Committee in consultation with the internal auditor to ensure that key areas for each business are addressed.

In 2018, 19 internal audits were undertaken, of which 11 were in the UK and 8 overseas (2017: 25). The internal audit reports were presented to the Committee for review and shared with senior managers for action, as well as being provided to the auditor for information. The Internal Auditor is responsible to the Committee for ensuring that all required actions are followed up and completed in a timely manner.

The effectiveness of the Group's internal audit function is continually reviewed and a formal review is undertaken annually by the Board and the Committee. Following the final 2018 review, the Committee recommended and the Board concluded that the Group's internal audit process was appropriate and effective.

Non-audit services

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

KPMG were not instructed to carry out any prohibited non-audit services during 2018.

Conclusion

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

Justin Atkinson
Chairman of the Audit Committee
25 February 2019

Nominations Committee report

The principal duties of the Nominations Committee, which I now chair, are to make recommendations to the Board on the structure, size, composition and balance of the Board and on the appointment, re-appointment and retirement of any Director.

In January 2018, Charles Rice announced his intention to retire as a Director of James Fisher at the AGM. At that time it was the recommendation of the Nominations Committee that I should succeed him as Chairman of the Group. In line with our policy I took no part in this succession process. At the same time, it was also announced that Justin Atkinson would be joining the Board as an independent Non-Executive Director.

In March 2018, Fergus Graham, who joined James Fisher in January 2017, was promoted to the role of Executive Director of the Group with special responsibility for James Fisher's Marine Support Division.

Following the 2018 AGM in May 2018 I became Chairman. David Moorhouse was appointed as Senior Independent Director, Aedamar Comiskey was appointed as Chairman of the Remuneration Committee and Justin Atkinson was appointed Chairman of the Audit Committee in my place.

In December 2018, Nick Henry announced his intention to retire as Chief Executive Officer of the Group by the end of 2019. The Nominations Committee is leading a search for Nick's successor with the help of an external adviser and an announcement in this regard will be made in due course.

In February 2019, the Group announced the impending retirement of David Moorhouse and the intended appointment on 1 March 2019 of Dr Inken Braunschmidt as a new independent Non-Executive Director.

The Nominations Committee unanimously recommends the election or re-election of each of the Directors at the 2019 AGM. David Moorhouse is not seeking re-election. In making this recommendation we have evaluated each Director in terms of their performance, commitment to the role and their capacity to discharge their responsibilities in an effective manner given their other time commitments and responsibilities.

Our objective is to ensure that the Board is balanced with the Directors having a broad range of knowledge, skills and background to ensure they work together effectively as a team for the benefit of the Company as a whole.

We always appoint people we consider the best for the role, however we recognise that diversity adds a broader perspective to Board discussions. The appointment of Inken will increase the number of women on the Board to two.

Board composition and diversity

There were eight Directors on the Board as at 31 December 2018, comprising the Non-Executive Chairman (who was considered independent on appointment), the Chief Executive Officer, the Group Finance Director, an Executive Director responsible for the Marine Support Division, and four independent Non-Executive Directors. The names and biographical details of the members of the Board are set out on pages 36 and 37.

The Board functions effectively and efficiently and is considered to be of an appropriate size in view of the scale of the Group and the diversity of its businesses. The Board carried out an internal and external Board evaluation during the year and you can read more about this on pages 42 and 43. The Board considers that each Director demonstrates the knowledge, ability and experience required to perform the functions of a director of the listed company and is of the calibre necessary to support and develop the Company's long-term strategy and success. The Board further considers that no individual or small group of individuals dominates the Board's decision-making.

Membership	Since
Malcolm Paul (following Charles Rice's departure in May 2018) Chair of the Nominations Committee	2011
Justin Atkinson	2018
Aedamar Comiskey	2015
David Moorhouse	2013
Michael Salter	2013

Key objectives

Reviewing the composition of the Board and succession planning.

Key responsibilities

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

The terms of reference are available on the Group's website and were updated in January 2019.

Meets three times a year.

The importance of diversity, including gender, in the Board's composition is recognised and during 2018 the Board agreed and published (on the Group website) its own Board diversity policy setting out its aims to ensure an appropriate diversity of skills, experience and knowledge, as well as gender and ethnic diversity, reflecting the Hampton-Alexander and the McGregor-Smith review recommendations. Please see page 43 for more detail about how the Board has approached diversity in its own composition. The Committee acknowledges that diversity is not solely in relation to gender: ethnicity, age, educational and professional backgrounds are also important and diversity in senior management and across the entire workforce is supported and encouraged.

Alongside the Board diversity policy, the Group has its own established diversity policy with the purpose of ensuring that the Group benefits from a diverse workforce and has a working environment where all employees are encouraged to realise their full potential and where there is an open atmosphere of trust, honesty and respect. The diversity policy is available on the Group website as part of the Group policies document.

During 2018, two Group companies (not the Company) were required by regulation to publish their gender pay gap. At the same time, the Company voluntarily published a Group-wide gender pay gap report, which is available on the Group website and gives information on the Group's gender pay gap, along with descriptions of the initiatives being undertaken to narrow the gap.

More information about our employees, the Group's employment policies, the Group's gender pay gap report, and the Group's commitment to equal opportunities and diversity can be found in the Sustainability report on page 29 and the Corporate responsibility governance report on page 34.

Malcolm Paul
Chairman of the Nominations Committee
25 February 2019

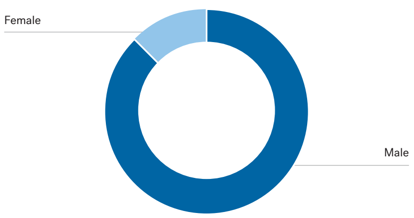
Appointments to the Board and succession planning

The Committee leads the process for Board appointments and makes recommendations to the Board. Appointments are made on merit, against objective criteria, with due regard to the benefits of diversity on the Board, including gender. The Committee adopts a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, working with Korn Ferry, an independent executive search consultant which has no connection to the Company other than in assisting and facilitating in the search for senior management. A specification for the roles was agreed by the Committee, setting out the skills, experience and attributes required. The appointment process is set out below, using Justin Atkinson's appointment as an example.

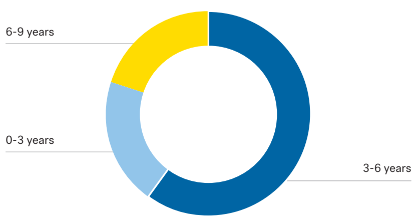
- **Identify** Using the agreed brief, the Chairman appraised a diverse list of potential candidates which was prepared against the key competencies and experience required for the role, from which a shortlist was produced.
- **Interview** The shortlisted candidates were interviewed by the Chairman and CEO. The preferred candidate met with members of the Committee following which the Committee met to discuss feedback.
- **Select** The Committee recommended the appointment of Justin Atkinson as a Non-Executive Director of the Company to the Board. It was also agreed that he be appointed as Chairman of the Audit Committee.
- **Appoint** Justin Atkinson's appointment took effect in February 2018.

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

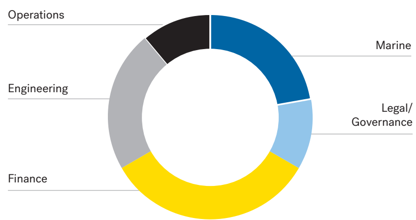
Board diversity



Board tenure



Board skills matrix



Directors' remuneration report

Annual statement

Introduction by Aedamar Comiskey, Chair of the Remuneration Committee

On behalf of the Board, and the Remuneration Committee, I am pleased to present the Directors' Remuneration report for the year ended 31 December 2018. This is my first report as Chair of the Committee and I would like to thank Malcolm Paul, who has chaired the Committee for just over four years, for his hard work during this period.

This report is comprised of two parts, namely:

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

Accordingly, at our 2019 AGM, one remuneration-related resolution will be presented, being the normal annual advisory vote on our Directors' Remuneration report (i.e. this annual statement and the annual report on remuneration).

Membership	Since
Aedamar Comiskey, Chairman of the Remuneration Committee since May 2018	2014
Justin Atkinson	2018
David Moorhouse	2013
Michael Salter	2013

Key objectives

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

Key responsibilities:

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

Meets three times a year.

[1] 2017 restated for IFRS 15 'Revenue from contracts with customers'

Work of the Committee during 2018

The Committee's main activities during the year (full details of which are set out in the relevant sections of this report) included:

- Reviewing and agreeing the changes to the remuneration policy in advance of the 2018 AGM;
- Consulting on the policy changes with major investors and representative bodies;
- Agreeing the performance against the targets for the 2017 annual bonus awards;
- Setting the targets for the 2018 annual bonus;
- Agreeing the performance against the targets for the 2015 LTIP awards and determining vesting levels; and
- Agreeing the award levels and performance targets for the 2018 LTIP awards. No changes were made in respect to the metrics and targets compared to the 2017 LTIP awards; and
- Agreeing the Chairman's fee and Executive Directors' base salary increases from 1 January 2019.

The Committee is satisfied that the remuneration policy operated as intended in terms of Group performance and quantum (see below). No discretion has been applied in relation to remuneration outcomes.

Pay and performance in 2018

James Fisher delivered a strong performance in 2018. The key performance measures for the 2018 financial year were as follows:

- Underlying profit before tax £56.1m (2017: £48.6m[1]); and
- Underlying diluted earnings per share 89.5p (2017: 78.7p[1]).

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

Consistent with 2017, the Executive Directors' potential maximum level of bonus in 2018 was 100% of base salary, with 70% based on meeting the Group's financial objectives and 30% based on individual achievement and personal objectives. The Group's financial targets for the year ended 31 December 2018 were fully achieved and therefore 100% of this element of bonus was awarded. The Remuneration Committee concluded that personal objectives were partially met. As a result, a combined bonus of 91% of base salary was approved for each Executive Director, of which the first 70% of salary will be paid in cash and the balance will be awarded in shares, to be deferred for three years.

Awards under the LTIP granted in 2016 will vest on 6 April 2019 at a currently estimated 100% of the maximum, with 100% of the earnings per share performance targets (70% of awards) over the three years to 31 December 2018 vesting and an estimated 100% vesting against the total shareholder return (TSR) targets (30% of awards) measured over the three years from 6 April

2015. This is an indicative LTIP vesting result based on an estimate of TSR as at 11 January 2019. The final vesting result will be determined based on the actual TSR on 5 April 2019.

Further detail of the targets and achievement against them is set out in the Annual report on remuneration on pages 60 and 61.

Stakeholder feedback

The new three-year remuneration policy was well received by shareholders and representative bodies in the run up to the 2018 AGM and no changes were made to the proposals during the consultation exercise.

The Committee was pleased to note the very high levels of shareholder support for both the advisory vote on our Directors' remuneration report and the remuneration policy report. However, following a review of the feedback received around the 2018 AGM, a number of enhancements have been made to the disclosures presented in the Annual report on remuneration, particularly in respect of the annual bonus targets and awards.

Engagement with the workforce in respect of remuneration will be considered as part of the Board's approach to broader workforce engagement, which is being developed and formalised in light of the new UK Corporate Governance Code.

Remuneration policy for 2019

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

The Committee considers that the remuneration policy remains appropriate and that it satisfies the Committee's objective to operate a remuneration structure which successfully promotes the long-term success of the Group and fully aligns the interests of the Executive Directors with those of our shareholders.

The current remuneration policy was originally approved by shareholders at the 2018 AGM and will continue to apply without amendment for the forthcoming year.

2019 remuneration

Annual pay awards across the Group are determined on a country and sectoral basis, to ensure that pay levels are fair and reflect local market and industry conditions. Individual merit awards are made where appropriate. Average salary awards across our UK businesses therefore ranged between 1.26% and 3.76% for 2019.

With effect from 1 January 2019, Nick Henry's base salary remained unchanged at £492,000, Stuart Kilpatrick's base salary was increased by 2.5% to £317,750, and Fergus Graham's base salary was increased by 2.5% to £281,875. Any increases are consistent with the guidelines applied to the general workforce this year.

All other elements of the Executive Directors' remuneration packages are proposed to remain unchanged. The annual bonus maximum opportunity and LTIP awards will be 100% and 125% of base salary respectively. 70% of the annual bonus will be determined by underlying profit before tax targets and 30% on personal measures, with the LTIP awards being determined as to 70% by earnings per share targets and 30% by TSR.

With effect from 1 January 2019, the fees payable to the Chairman and Non-Executive Directors were increased by 2.5%.

I hope you will join me in supporting the resolution in respect of this year's Directors' remuneration report at the AGM on 2 May 2019.

Aedamar Comiskey
Chairman of the Remuneration Committee
25 February 2019

Remuneration policy report

Overview of Directors' remuneration policy

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

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

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

Executive remuneration reviews are based upon the following principles:

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

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

The remuneration policy set out within this report provides an overview of the structure that operates for the senior executives in the Group. Employees below executive level have a lower proportion of their total remuneration made up of incentive-based remuneration, with remuneration driven by market comparators and the impact of the role of the employee in question. Long-term incentives are reserved for those judged as having the greatest potential to influence the Group's earnings growth and share price performance. The Remuneration Committee considers pay and conditions across the workforce when reviewing and setting the Executive Director remuneration policy. The Committee does not currently consult with employees on this matter at the current time. However engagement with the workforce in respect of remuneration will be considered as part of the Board's approach to broader workforce engagement, which is being developed and formalised in light of the new UK Corporate Governance Code.

How shareholders' views are taken into account

The Committee takes an active interest in shareholder views on our remuneration policy and is mindful of the views of shareholders and other stakeholders. Major shareholders and representative bodies were consulted at the start of 2018 in respect of the proposed changes to the remuneration policy put forward at the AGM and all major shareholders were supportive. However, following the feedback received around the 2018 AGM, a number of enhancements have been made to the disclosures presented in the Annual report on remuneration, particularly in respect of the annual bonus targets and awards.

Directors' remuneration policy

The table overleaf summarises the remuneration policy approved by shareholders at the 2018 AGM.

Element	Purpose & link to strategy	Operation	Maximum	Performance targets
Base salary	Designed to attract, retain, motivate and reward the necessary high calibre of individuals to the Board.	Base salaries are a fixed annual sum normally effective 1 January and payable monthly in cash. Salaries are reviewed each year, normally effective 1 January and recognising the individual's performance and experience, developments in the relevant employment market and having regard to the Group's performance as well as comparing each Executive Director's base salary to market data.	No prescribed maximum salary or salary increase. Salaries are set for each Executive Director within a range around the market median for similar positions in appropriate comparator companies. The Committee is also guided by the general increase for the employee population although increases may be higher or lower than this to recognise, for example, an increase in the scale, scope or responsibility of an individual and/or performance.	Not applicable.
Pensions	To offer competitive retirement benefits.	Executive Directors are eligible to join the Group's defined contribution scheme, receive a company contribution into a personal pension scheme or be paid a cash supplement in lieu of pension.	Up to a maximum of 15% of base salary although the Committee will aim to reduce pension contributions, as a percentage of salary, for new joiners to the Board, where possible. The level of provision for new Directors will be subject to negotiation at the time of the appointment, having regard to the pensions applicable to the other senior management within the Group.	Not applicable.
Benefits	To offer competitive benefits.	Provision of a company car or cash alternative, life assurance and healthcare insurance. Other benefits may be provided where appropriate. These benefits do not form part of pensionable earnings.	No prescribed maximum.	Not applicable.
Annual bonus	To incentivise and reward the Executive Directors to deliver annual financial and operational targets.	Payable on the achievement of financial and personal objectives and non-pensionable. The first 70% is payable in cash. Bonus in excess of 70% of basic salary is subject to deferral into shares, with awards vesting after three years, subject to normal good/bad leaver provisions, but no further performance targets. Dividend equivalent payments may be awarded (in cash or shares). Malus and clawback provisions operate.	Up to 100% of base salary.	Majority of the bonus potential is based on a financial target derived from the annual plan; Minority of the bonus potential is based on individual achievement and personal objectives.
LTIP	To align the interests of the Executive Directors with the Group's long- term performance, strategy and the interests of shareholders.	Annual grant of share awards. Non-pensionable. A two-year post-vesting holding period will be applied to awards granted to Executive Directors after the 2018 AGM. Dividend equivalent payments may be awarded (in cash or shares). Malus and clawback provisions operate.	Up to 200% of base salary. Awards above 125% will be subject to stretch targets.	Sliding scale relative to EPS and/or TSR growth targets. 25% of an award vests at threshold increasing to 100% vesting at maximum.
Share ownership	To ensure alignment between the interests of Executive Directors and shareholders.	Executive Directors are required to retain half of the shares vesting after tax under the LTIP until the guidelines are met.	200% of base salary for all Executive Directors.	Not applicable.
Sharesave	To encourage share ownership and align the interests of all-employees and shareholders.	An all-employee share plan.	As per prevailing HMRC limits.	Not applicable.

Element	Purpose & link to strategy	Operation	Maximum	Performance targets
Non-Executive Directors	To provide fees to reflect the time commitment and responsibilities of each role in line with those provided by similarly sized companies.	Fixed annual fee, paid monthly in cash reviewed annually; Committee determines the Chairman's fees. The Chairman and Executive Directors determine fees for the other Non-Executive Directors.	No prescribed maximum fee or fee increase, although fees are limited by the Company's Articles of Association. The Board/Committee is guided by market rates, time commitments and responsibility levels.	Not applicable.

Notes:

(1) The choice of the performance metrics applicable to the annual bonus reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of both financial and personal objectives;

(2) TSR and EPS performance conditions are selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth, and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The TSR performance condition is monitored by an independent advisor whilst EPS growth is derived from the audited financial statements;

(3) The Committee operates its share plans in accordance with the plan rules and the Listing Rules and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans (e.g. treatment of awards for leavers, change of control, adjustments to performance targets);

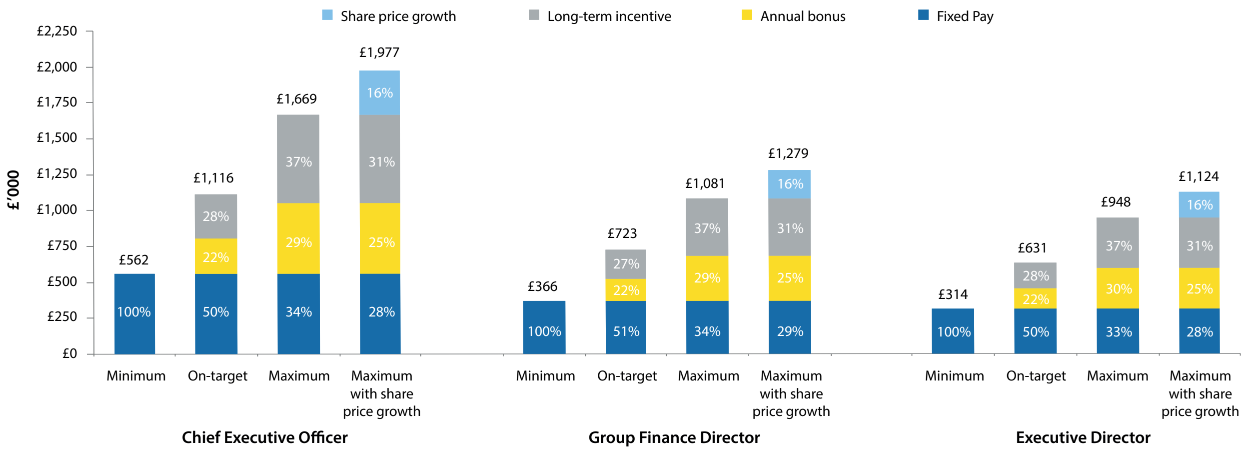
(4) Consistent with HMRC legislation, the all-employee arrangement does not have performance conditions; and

(5) In approving the Directors' remuneration policy, authority is given to the Company to honour any past commitments entered into with current or former Directors including the vesting of share awards granted in the past.

Malus and clawback provisions

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

Potential value of 2019 remuneration package for Executive Directors



In illustrating potential reward opportunities, the following assumptions have been made:

(1) Minimum performance is based on fixed pay only (comprising basic salary and pension from 1 January 2019 and the estimated value of benefits for 2019);

(2) Target performance is based on fixed pay plus 50% of the maximum values used for the Company's incentive arrangements;

(3) Maximum performance is based on: (a) a maximum annual bonus of 100% of base salary; and (b) an LTIP award of 125% of basic salary (presented at face value);

(4) No dividend reinvestment has been assumed; and

(5) Consistent with the new disclosure requirements, the maximum performance with share price growth scenario assumes a 50% share price increase over three years in respect of the LTIP awards.

Approach to recruitment

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

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

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

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

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

Loss of office

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

- payment in lieu of notice equal to one year's basic salary or, if termination is part way through the notice period, the amount of salary relating to any unexpired notice to the date of termination. There is an obligation on Directors to mitigate any loss which they may suffer if the Company terminates their service contract;
- bonus payments for the period worked may be made, subject to the original performance targets, at the discretion of the Committee. Any such payments would be made on the normal payment date;
- vesting of share scheme awards is not automatic and the Committee retains the discretion to prevent awards from lapsing depending on the circumstances of the departure and the best interests of the Company. For a 'good leaver': (i) deferred bonus awards will normally vest in full at the normal vesting date (although may vest earlier, including at cessation); and (ii) LTIP awards will normally vest at the normal vesting date (although may vest earlier, including at cessation) subject to performance against the performance targets and LTIP awards will normally be pro-rated. 'Good leaver' reasons are death, injury, illness or disability, redundancy, retirement, transfer of business resulting in cessation of the individual's employment within the Group and any other reason at the Committee's discretion. No compensation is paid for summary dismissal, save for any statutory entitlements; and
- Executive Directors will also be entitled to a payment in respect of accrued but untaken annual holiday entitlements on termination.

Post employment shareholding policy

Following the publication of the new UK Corporate Governance Code, the Remuneration Committee has formalised its post cessation shareholding policy for Executive Directors as follows:

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

Service contracts

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

	Contract date	Notice period
Nick Henry	1 December 2006	12 months
Stuart Kilpatrick	1 July 2010	12 months
Fergus Graham	26 February 2018	12 months

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

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

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

Annual report on remuneration

Remuneration Committee

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

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

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

In light of the changes to the UK Corporate Governance Code, the Committee's terms of reference have been extended to allow for an extended remit over senior management pay remuneration and workforce remuneration policies.

Advisers to the Remuneration Committee

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

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

Non-Executive Directors

For 2019, the Non-Executive Directors' fees are set out below, all of which are payable in cash.

	2019 £	2018 £
Chairman	**205,000**	200,000
Other Non-Executive Director fees:		
Basic fee	**53,300**	52,000
Additional fee for Audit Committee chair	**12,000**	12,000
Additional fee for the chair of Remuneration Committee	**8,000**	8,000
Additional fee for the Senior Independent Director	**8,000**	8,000

Information subject to audit

Total remuneration earned by the Executive Directors

	Nick Henry		Stuart Kilpatrick		Fergus Graham(1)	
	2018 £000	2017 £000	**2018 £000**	2017 £000	**2018 £000**	2017 £000
Base salary	**492**	447	**310**	300	**275**	–
Benefits(2)	**14**	14	**11**	11	**9**	–
Pension(3)	**56**	51	**37**	35	**23**	–
Bonus in cash	**345**	313	**217**	210	**193**	–
Bonus in deferred shares	**103**	79	**65**	53	**58**	–
Total short-term remuneration	**1,010**	904	**640**	609	**558**	–
LTIP – performance	**536**	88	**359**	59	**–**	–
LTIP – share appreciation	**313**	29	**210**	20	**–**	–
Dividend equivalents	**40**	5	**27**	3	**–**	–
LTIP – total(4)	**889**	122	**596**	82	**–**	–
Total remuneration	**1,899**	1,026	**1,236**	691	**558**	–

(1) From appointment to the Board on 1 March 2018.

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

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

(4) The value presented for the 2016 LTIP awards (vesting in April 2019 based on three-year EPS performance to 31 December 2018 and TSR performance to 5 April 2019) is based on an estimated value at vesting. The 2015 LTIP values (vested in April 2018 based on three-year EPS performance to 31 December 2017 and TSR performance to April 2018) were estimates last year, using a share price based on the three-month average share price to 31 December 2017. The table above has been restated for the actual pre-tax value of these awards (based on the share price calculated in accordance with prevailing tax legislation) and the value of dividend equivalents as at vesting on 6 April 2018.

Annual bonus awards for 2018

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

The bonuses awarded were as follows:

		Nick Henry	Stuart Kilpatrick	Fergus Graham
Financial (note 1)	% of this part achieved (max 100%)	100%	100%	100%
	% of salary (max 70% of salary)	**70%**	**70%**	**70%**
Personal (note 2)	% of this part achieved (max 100%)	70%	70%	70%
	% of salary (max 30% of salary)	**21%**	**21%**	**21%**
Total	% achieved (max 100%)	91%	91%	91%
	% of salary (max 100% of salary)	**91%**	**91%**	**91%**

The split between cash and deferred shares (any bonus over 70% of salary is deferred into shares for three years) is as follows:

Cash	% of salary delivered in cash	70%
Deferred	% of salary delivered in deferred shares	21%

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

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

Performance measure	Performance target	Assessment against targets
Adjusted profit before tax target	Minimum threshold £51m Maximum £56m	Threshold starts at 0% and increases to 100% of this element of the bonus at maximum target performance.
Actual performance	£56.1m	100% of this part of the bonus achieved 70% of salary.

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

Nick Henry

	Objectives	Weighting (% of salary)	Committee assessment	Award (% of salary)
1	Set, communicate and lead key management priorities	6%	Nick delivered an excellent performance by the Group driven principally by organic growth. Potential acquisitions were delayed until the year end, but good work in expanding overseas operations. Further work is required to enhance the internal management structure.	5%
2	Deliver balanced growth, both organically and by acquisitions	6%		4%
3	Focus on geographic expansion	6%		4%
4	Develop the management structure, including succession planning	6%		4%
5	Monitor and manage the Group's risk profile	6%		4%
	Total	**30%**		**21%**

Stuart Kilpatrick

	Objectives	Weighting (% of salary)	Committee assessment	Award (% of salary)
1	Lead financial reporting and oversee financial risk management	6%	Stuart has overseen a very good financial performance by the Group. Tight control has been exercised over working capital management and cash flow. The delivery of planned acquisitions has been slower than expected. Further work is required to strengthen the global reporting structure and succession plans.	5%
2	Oversee internal audit and Group support staff	6%		4%
3	Manage acquisitions and their delivery in a timely manner	6%		4%
4	Maintain relationships with Group's advisors	6%		4%
5	Manage the Group's financial controls	6%		4%
	Total	**30%**		**21%**

Fergus Graham (N.B. targets were set prior to promotion to the Board)

	Objectives	Weighting (% of salary)	Committee assessment	Award (% of salary)
1	Develop key account and commercial management, and customer relationships with JFMS customers	6%	Fergus has performed well, delivering a strong performance by the Marine Support division for which is he is responsible. Strategic plans for new business opportunities remain in progress. Business development across a wide range of markets is being pursued.	5%
2	Produce a strategic plan for renewables	6%		4%
3	Reinforce the discipline of gatepost review of projects	6%		4%
4	Drive business development in Brazil	6%		4%
5	Improve graduate development scheme and mid-career graduate management recruitment	6%		4%
	Total	**30%**		**21%**

Vesting of 2016 LTIP awards

The LTIP values included in the table below relate to awards granted on 21 March 2016 which vest on 6 April 2019 dependent on EPS and TSR performance. EPS is measured over the three-year period ended 31 December 2018 while TSR is measured over the three-year period from 6 April 2016. Therefore the figures set out below for the LTIP vesting are indicative, based on an estimate of TSR as at January 2019.

Under the EPS performance target (70% of awards) which uses a sliding scale, 25% of this part of an award vests where growth of diluted earnings per share of RPI plus 9% is achieved over the three-year performance period, increasing pro-rata to full vesting where growth of RPI plus 18% is achieved.

Performance target	Base EPS	EPS at year end	EPS growth	Threshold RPI +9%	Maximum RPI +18%	Vesting %
Underlying diluted EPS	68.5p	89.5p	30.7%	18.6%	27.6%	100%

Under the TSR performance target (30% of awards) which uses a sliding scale, 25% of this part of an award vests for median TSR increasing pro-rata to full vesting for upper quartile TSR, measured against the constituents of the FTSE 250 excluding investment trusts. The estimated three-year performance based on TSR calculations to 11 January 2019 is as follows:

Performance target	Median TSR	Upper Quartile TSR	James Fisher TSR	Vesting %
TSR v FTSE 250 (excluding investment trusts)	18.4%	52.1%	78.5%	100%

As a result of EPS (70% of awards) and TSR (30% of awards) performance, the gross value of LTIP share awards expected to vest on 6 April 2019 are as follows:

	Share price at date of grant(3)	Share price at 31 December 2018(3)	Proportion to vest	Shares to vest	Performance element(1) £000	Share appreciation element(2) £000	Dividend equivalents £000	Total £000
Nick Henry	1,094p	1,734p	100%	48,950	536	313	40	889
Stuart Kilpatrick	1,094p	1,734p	100%	32,832	359	210	27	596

(1) The performance element represents the face value of awards that will vest on 6 April 2019.

(2) The share appreciation element represents the value due to the change in share price from the date of award to 31 December 2018.

(3) The share price at grant is based on a five-day average immediately prior to the date of grant and the share price at 31 December 2018 is based on a three-month average.

LTIP awards granted in 2018

	Proportion of salary	Maximum shares awarded	Share price at date of grant(1)	Exercise price at grant
LTIPs granted on 4 April 2018				
Nick Henry	125%	40,739	1,509.6p	-
Stuart Kilpatrick	125%	25,669	1,509.6p	-
Fergus Graham	125%	22,770	1,509.6p	-

(1) The share price at date of grant is based on a five-day average prior to the date of grant.

Vesting of the 2018 LTIP award is subject to achievement of performance targets over a three-year period with 70% of the award based on EPS targets and 30% based on TSR targets. EPS target performance is measured over the three-year period ending on 31 December 2020. The EPS element of the award vests if EPS growth at least equals the RPI increase over the period plus 9%. At the threshold level, 25% of the EPS element of the award will vest. Full vesting is achieved if EPS growth is greater than or equal to 18% in excess of the RPI increase over the vesting period. The TSR element of the award is subject to the Company's TSR performance relative to the FTSE 250 index excluding investment trusts, over the three-year period from 6 April 2018. If at the end of the period the Company ranks in the upper quartile, all of the TSR element of the award will vest. If the ranking is at median level, 25% of TSR element of the award will vest. No element of the TSR part of the award will vest for performance below the median. For intermediate ranking, a proportionate part of each award will vest reducing on a straight-line basis. Any part of the award that does not vest at the end of a performance period will lapse immediately.

Deferred bonus awards granted in 2018 in respect of 2017 annual bonus

	Proportion of salary(1)	Shares awarded	Share price at date of grant(2)	Exercise price at grant
Awards granted on 5 April 2018				
Nick Henry	17.75%	5,259	1,509.6p	-
Stuart Kilpatrick	17.75%	3,527	1,509.6p	-

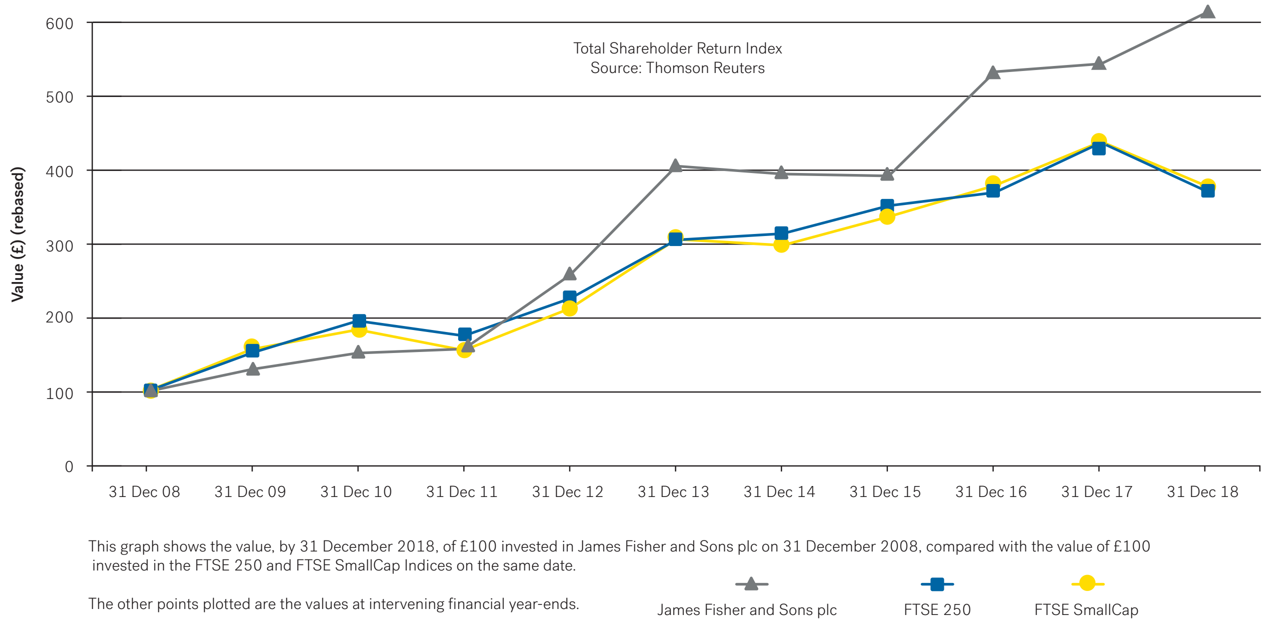
(1) Relates to the annual bonus awarded in respect of 2017, whereby any award in excess of 70% of salary was deferred into shares for 3 years with vesting based on continued service (i.e. no further performance conditions apply between grant and vesting).

(2) The share price at date of grant was based on the average of the closing middle-market quotations during the period of five dealing days from the date of the announcement of the 2018 results and prior to the date of grant.

Aligning pay with performance (unaudited)

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

Growth in the value of £100 holding over ten years



This graph shows the value, by 31 December 2018, of £100 invested in James Fisher and Sons plc on 31 December 2008, compared with the value of £100 invested in the FTSE 250 and FTSE SmallCap Indices on the same date.

The other points plotted are the values at intervening financial year-ends.

Remuneration of highest paid Executive Director compared with growth in underlying diluted earnings per share

	2018	2017	2016	2015	2014	2013	2012	2011 (1)	2010 (1)	2009 (1)
Annual change - underlying diluted EPS (pence)	**14%**	7%	11%	(7)%	13%	18%	15%	16%	13%	5%
Salary, pensions and benefits (£000)	**562**	512	492	492	471	439	355	399	381	380
Annual performance bonus (£000)	**448**	392	429	97	287	263	210	268	256	77
Short-term remuneration (£000)	**1,010**	904	921	589	758	702	565	667	637	457
Share schemes (£000)	**889**	109	183	318	728	691	781	534	124	90
CEO total remuneration (£000)	**1,899**	1,013	1,104	907	1,486	1,393	1,346	1,201	761	547
Actual bonus as a percentage of the max	**91%**	88%	100%	23%	100%	100%	100%	100%	100%	30%
LTIP vesting as a percentage of the max	**100%**	15%	47%	100%	100%	100%	100%	100%	100%	100%
ESOS vesting as a percentage of the max	**-**	-	45%	-	100%	100%	100%	40%	-	60%

(1) 2009-2011 represent the remuneration of former Executive Chairman, Tim Harris. 2012-2018 represent Nick Henry's remuneration.

Percentage change in CEO's remuneration

The table below shows the percentage change in salary, benefits and annual bonus earned between the year ended 31 December 2017 and the year ended 31 December 2018 for the Chief Executive Officer compared to the average earnings of all of the Group's other UK employees. The Committee chose the Group's UK employees for pay comparison with the Chief Executive Officer as the most meaningful comparator group.

	2018	2017	% change
Salary			
Chief Executive Officer (£000)	**492**	447	10.1
UK employee average (£000)	**39**	37	5.4
Benefits			
Chief Executive Officer (£000)	**14**	14	-
UK employee average (£000)	**1**	1	-
Annual bonus			
Chief Executive Officer (£000)	**448**	391	14.6
UK employee average (£000)	**8**	10.5	(24.0)
Average number of UK employees	**1,631**	1,572	3.75

Relative importance of remuneration (unaudited)

	2018 £m	2017 £m	change £m
Total employee remuneration	**141**	125	16
Total dividends paid	**15**	14	1

Interests in shares

The interests of Directors and their connected persons in ordinary shares as at 31 December 2018, including any interests in share options and shares provisionally awarded under the LTIP and ESOS are as follows:

	Beneficial number	Unvested LTIP number	Unvested deferred bonus shares	Vested but unexercised share options ESOS number	Exercised during the year number	At 31 December 2017 number
Malcolm Paul	13,000	-	-	-	-	5,000
Nick Henry	228,942	124,417	13,243	161,438	26,314	198,669
Stuart Kilpatrick	39,158	81,793	8,882	69,961	-	36,503
Fergus Graham	-	22,770	-	-	-	-
Justin Atkinson	3,150	-	-	-	-	-

(1) Between 31 December 2018 and 18 March 2019, there were no changes to the Directors' shareholdings other than a sale of 2,750 shares by Nick Henry on 14 March 2019;

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

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

(4) Aedamar Cominsky, David Moorhouse and Michael Salter had no interests in ordinary shares as at 31 December 2018.

Against the 200% of salary guideline and based on the share price and prevailing base salary levels as at 31 December 2018, Nick Henry held shares equivalent to 807% of his base salary, Stuart Kilpatrick held shares equivalent to 219% of his base salary, and Fergus Graham held no shares.

Executive Directors' interest in options over shares

	At 31 December 2018 number	Exercise price	Date from which exercisable	Expiry date
Nick Henry	56,753	410p	19.03.13	19.03.20
	49,105	522p	30.03.14	30.03.21
	48,305	567p	09.04.15	09.03.22
	7,275	1,409p	10.04.17	10.04.24
	161,438			
Stuart Kilpatrick	32,808	522p	30.03.14	30.03.21
	32,274	567p	09.04.15	09.03.22
	4,879	1,409p	10.04.17	10.04.24
	69,961			
Total	**231,399**			

All options relate to the 2005 ESOS scheme. The 2005 ESOS expired in April 2015 and was not renewed. The last awards were made on 10 April 2014. Options over 26,314 (2017: 20,138) shares were exercised by Nick Henry during the year and gains made of £277,744 (2017: £181,235). As at 18 March 2019, being the last practical date prior to the publication of this report, there were no changes to Directors' options under the ESOS.

Executive Directors' interest in share awards

		1 January 2018 number	Granted during year number	Vesting during year number	Lapsing during year number	31 December 2018 number	Vesting date
Nick Henry	LTIP	45,433	-	(7,469)	(37,964)	-	6 April 2018
	LTIP	48,950	-	-	-	48,950	6 April 2019
	LTIP	34,728	-	-	-	34,728	6 April 2020
	LTIP	-	40,739	-	-	40,739	6 April 2021
	Deferred Bonus	7,984	-	-	-	7,984	9 March 2020
	Deferred Bonus	-	5,259	-	-	5,259	4 April 2021
		137,095	**45,998**	**(7,469)**	**(37,964)**	**137,660**	
Stuart Kilpatrick	LTIP	30,473	-	(5,009)	(25,464)	-	6 April 2018
	LTIP	32,832	-	-	-	32,832	6 April 2019
	LTIP	23,292	-	-	-	23,292	6 April 2020
	LTIP	-	25,669	-	-	25,669	6 April 2021
	Deferred Bonus	5,355	-	-	-	5,355	9 March 2020
	Deferred Bonus	-	3,527	-	-	3,527	4 April 2021
		91,952	**29,196**	**(5,009)**	**(25,464)**	**90,675**	
Fergus Graham	LTIP	-	22,770	-	-	22,770	6 April 2021
		-	**22,770**	**-**	**-**	**22,770**	
Total		**229,047**	**97,964**	**(12,478)**	**(63,428)**	**251,105**	

A two-year holding period applies to awards granted after the 2018 AGM. The schemes above are not tax-advantaged for HM Revenue and Customs purposes. As at 18 March 2019, being the last practical date prior to the publication of this report, there were no changes to the Executive Directors' interest in LTIP and Deferred Bonus Share awards.

Sourcing of shares and dilution

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

On vesting, the awards of shares under the LTIP are satisfied by the shares held by the James Fisher and Sons plc Employee Share Trust (Trust). During the year the Trust purchased 38,373 ordinary shares on the open market (2017: 71,243) and at 31 December 2018 the Trust held 28,630 ordinary shares (2017: 27,620).

Share price during the financial year

The middle market price of one ordinary share in the Company during the financial year ranged from 1,360p to 1,940p and at 31 December 2018 was 1,734p.

Non-Executive Directors' remuneration

	Total fees	
	2018[1] £000	2017 £000
Charles Rice[2]	**82**	237
Malcolm Paul[3]	**156**	71
Aedamar Comiskey[4]	**57**	51
David Moorhouse[5]	**57**	51
Michael Salter	**52**	51
Justin Atkinson[6]	**55**	-

(1) The fee increase for 2019 was 2.5% (2% in 2018).
(2) Charles Rice stepped down from the Board on 3 May 2018.
(3) Malcolm Paul became Chairman of the Board on 3 May 2018. The Chairman's fee was set at £200,000 per annum on appointment.
(4) The amount received in 2018 includes a pro rated payment in respect of Chairman of the Remuneration Committee fee of £8,000 per annum.
(5) The amount received in 2018 includes a pro rated payment in respect of Senior Independent Director fee of £8,000 per annum.
(6) Justin Atkinson was appointed to the Board on 1 February 2018. The amount received in 2018 includes a pro rated payment in respect of Chairman of the Audit Committee fee of £12,000.

Shareholder voting

The Company is committed to on-going shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions including in relation to Directors' remuneration, the Company seeks to understand the reasons for any such vote and will report any actions in response to it. Voting at the 2018 AGM was by a show of hands. The following table reflects the valid proxy voting instructions received for the 2018 AGM in respect of the Directors' remuneration report for the year ended 31 December 2017 and the remuneration policy:

	3 May 2018 Annual General Meeting Remuneration Report		3 May 2018 Annual General Meeting Remuneration Policy	
	Total number of votes	**% of votes cast**	**Total number of votes**	**% of votes cast**
For	39,508,991	96.95%	40,478,854	97.89%
Against	1,242,303	3.05%	872,992	2.11%
Total votes cast (excluding withheld votes)	**40,751,294**		**41,351,846**	
Total votes withheld	621,275		20,723	
Total votes cast (including withheld votes)	**41,372,569**		**41,372,569**	

Implementation of the remuneration policy for 2018

With effect from 1 January 2019, Nick Henry's base salary was £492,000, Stuart Kilpatrick's base salary was £317,750, and Fergus Graham's base salary was £281,875.

Malcolm Paul's fee as Chairman, which was set at £200,000 p.a. from the 2018 AGM was increased to £205,000 with effect from 1 January 2019.

Any increases are consistent with the guidelines applied to the general workforce this year.

The maximum bonus opportunity continues to be set at 100% of base salary. The proposed financial target levels have been set to be challenging and appropriately demanding. 70% of the annual bonus will be determined by adjusted profit before tax targets and 30% by personal objectives. The targets are commercially sensitive but it is envisaged that disclosure of the targets and performance against targets will be set out in the 2019 Directors' remuneration report.

Awards under the 2015 LTIP will be granted to the Executive Directors over shares worth 125% of base salary with 70% of the award based on EPS growth targets and 30% based on relative TSR targets. The performance period for the EPS element of the award will run for three years from 1 January 2019 with 25% of the EPS element of the award vesting for EPS growth at least equal to the RPI increase over the period plus 9% rising on a straight-line basis to maximum vesting for EPS growth greater than or equal to 18% in excess of the RPI increase over the vesting period. For the TSR element (measured against the constituents of the FTSE 250 excluding investment trusts), the performance period will be three years from 6 April 2019 with full vesting if the Company ranks in the upper quartile and 25% of the TSR element vesting for ranking median with straight-line vesting in between.

Aedamar Comiskey
Chair of the Remuneration Committee
25 February 2019

Directors' report

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2018.

The Strategic report, which includes our Sustainability report on page 26, Board of Directors biographies on pages 36 and 37, the Corporate governance report on page 38, the Audit Committee report on page 45, the Nominations Committee report on page 50 and the Directors' Remuneration report on page 52 all form part of the Directors' report. The Directors' report and Strategic report comprise the 'management reports' and the Directors' report fulfils the requirements of the Corporate Governance Statement for the purposes of the Financial Services Authority's Disclosure and Transparency Rules.

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

Subject matter	Location	Page
Important events since the financial year end	Strategic report	6
Likely future developments in the business	Strategic report	3
Research and development	Sustainability report	32
Employee involvement	Sustainability report	29
Greenhouse gas emissions	Sustainability report	31
Use of financial instruments	Note 26	102

Going concern

The Group's business activities, together with the factors likely to affect its future development, the financial position of the Group and a description of the principal risks and uncertainties are set out in the Strategic report on pages 22 to 25. The Group's primary sources of funding are bilateral revolving credit facilities with a core group of banks, which totalled £225m at 31 December 2018 (2017: £225m). Compliance with banking covenants is tested half yearly for the ratio of net debt: earnings before interest, tax, depreciation and amortisation (Ebitda) and interest cover. No breaches in covenants occurred during the year.

The Group meets its day-to-day working capital requirements through operating cash flows, with borrowings in place to fund acquisitions and capital expenditure. The Group had £92.4m (2017: £71.8m) of undrawn committed facilities as at 31 December 2018. The Group's forecasts and projections, taking account of reasonable changes in trading performance, confirm that the Group should be able to operate within the level of its current banking facilities.

The Group uses cash flow forecasts derived from budgets, forecasts and medium-term planning to identify headroom under the covenant tests. After making enquiries, and having evaluated the on-going trading of the businesses, the Directors have reasonable expectation that the Group has adequate resources to continue to operate for a period considered to be at least 12 months from the date of this report. Accordingly, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the Annual Report and Accounts.

Results and dividends

The Group's profit after tax for the financial year was £45.3m (2017 restated: £39.4m). The results are shown fully in the consolidated financial statements on pages 77 to 120, and discussed in the Financial review on pages 18 to 20.

The Directors recommend a final dividend of 21.3p per share (2017: 19.3p) making a total dividend of 31.6p per share for the year (2017: 28.7p). Subject to shareholders' approval at the AGM, the final dividend will be paid on 10 May 2019 to ordinary shareholders who are on the register at the close of business on 5 April 2019.

Post balance sheet events

On 8 January 2019 the Group acquired the entire share capital of Martek Holdings Limited (Martek), for an initial net 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.

On 8 January 2019 we announced that the Group had acquired 60% of the share capital of Murjan Al-Sharq (MSMC), for an initial cash consideration of £4.1m, with potential further consideration of up to £4.5m subject to a profit target for the year ending 31 December 2019.

Share capital

Details of the share capital of the Company and the shares held by the Company's Employee Share Trust are set out in note 27 on page 108. The rights and obligations attaching to the shares are set out in the Company's Articles of Association (Articles). Copies of the Articles may be obtained from the Group General Counsel and Company Secretary, and are available for inspection at the Company's registered office during normal business hours.

As at 31 December 2018, 50,263,911 ordinary shares of 25p each have been issued, are fully paid up and are listed on the London Stock Exchange.

Substantial shareholders

Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure Guidance and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website. As at 31 December 2018, the following information has been received, in accordance with DTR5, from holders of notifiable interests in the Company's issued share capital.

	Ordinary shares held	%	Nature of holding
Rowland Hart Jackson*	8,824,413	17.56	Direct
Schroders plc	4,970,246	9.88	Indirect
Therapia Investments Ltd*	3,732,221	7.43	Direct
Standard Life Aberdeen plc	3,178,455	6.32	Indirect
Montanaro Asset Management Limited	1,855,000	3.68	Direct

* Trustee of the Sir John Fisher Foundation

Purchase of own shares

At the 2018 AGM, the Company was given authority to purchase up to 2,510,027 of its ordinary shares until the date of its next AGM. No purchases were made during the year and up to the date of this report by the Company.

Directors

The biographies of the current Board of Directors are set out on pages 36 and 37. Changes in the composition of the Board are provided in more detail in the Nominations Committee report on page 50.

Powers of Directors

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

Directors' and officers' liability insurance

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

Directors' conflict of interest

Under the Companies Act 2006, a director must avoid a situation where a direct or indirect conflict of interest may occur. The Board has adopted established procedures to address the management of any potential and actual conflicts of interest. A review of conflicts which have been authorised has been undertaken by the Board, which concluded that any conflicts had been appropriately authorised, no circumstances existed which would necessitate that any prior authorisation be revoked or amended, and the authorisation process continued to operate effectively.

Additional information for shareholders

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

No political donations were made during the year. Details of the Group's involvement in charitable initiatives in set out on pages 33 and 35.

Details of Group subsidiaries can be found on pages 121 to 123.

Significant agreements – change of control

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

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

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

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

Information required by UK listing rule 9.8.4

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

Disclosure of information to the Auditor

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

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

Directors' responsibility statement

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

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

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

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

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

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

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

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

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

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

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

Signed on behalf of the Board of Directors

N P Henry
Chief Executive Officer
25 February 2019

S C Kilpatrick
Group Finance Director

Independent auditor's report

1 Our opinion is unmodified

We have audited the financial statements of James Fisher and Sons plc (the Company) for the year ended 31 December 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Other Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Cash Flow Statement, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity and the related notes, including the accounting policies in note 31.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were first appointed as auditor by the Directors on 30 June 2008. The period of total uninterrupted engagement is for the 11 financial years ended 31 December 2018. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

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

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

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

Refer to page 20 (Financial review), page 114 (accounting policy) and page 89 (financial disclosures)

The risk: Unprecedented levels of uncertainty

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

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

Brexit is one of the most significant economic events for the UK and 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.

Our response:

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

1. **Our Brexit knowledge** – We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks.
2. **Sensitivity analysis** – When addressing valuation of intangible assets and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
3. **Assessing transparency** – As well as assessing individual disclosures as part of our procedures on revenue recognition and valuation of intangible assets we considered all of the Brexit related disclosures together, including those in the Strategic report, comparing the overall picture against our understanding of the risks.

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

Revenue recognition and long-term contracts £561.5m (2017 restated: £499.3m), Contract assets £46.9m (2017: £87.8m) and Contract Liabilities £5.2m (2017:£5.0m) Risk vs 2017: ◀▶

Refer to page 46 (Audit Committee report), page 116-118 (accounting policy) and page 85 (financial disclosures)

The risk: Subjective estimates

The contractual arrangements that underpin the measurement and recognition of revenue by the Group can be complex, with significant subjective estimates involved in the assessment of current and future financial performance. In particular, where services rendered are provided through long-term contracts and are not completed at the balance sheet date and output measures cannot be estimated reliably, revenue is recognised in proportion to the stage of completion of the transaction measured by reference to an input measure, such as physical progress, attributable man hours and costs incurred measured against the expected outcome. The stage of completion is estimated by the Group and includes certain judgements as contracts may run over a number of accounting periods and include forecasts in relation to future costs including labour and materials which are not yet known. In addition variations and claims can lead to uncertainty over the total contract price.

The effect of these matters is that, as part of our risk assessment, we determined that revenue recognition in relation to long-term contracts have a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

Our response: Our audit procedures included:

1. **Methodology choice:** assessing whether the revenue recognition methodology applied was consistent with accounting standards.
2. **Test of details:** selecting the contracts for substantive audit procedures based on qualitative factors, such as commercial complexity and life of contract, and quantitative factors, such as financial significance and profitability that we considered to be indicative of risk.
3. **Input assessment:** agreeing, for the sample above, observable inputs used in the calculations of costs incurred, such as direct costs, labour charges and document delivery records to source data, including customer acceptance acts and countersigned agreements, including testing the allocation of costs incurred to contracts.
4. **Historical comparisons:** assessing the reliability of the Group's forecasts of costs to complete by considering historical accuracy of their forecasts on completed contracts.
5. **Enquiries:** discussions with operational management for the sample above regarding their expectations for contracts, and comparing these to the forecasts used for the accounting.
6. **Our business understanding:** assessing, for the sample above, whether the subjective estimates made by the Group over the stage of completion and estimates over cost to complete, including specific output measures and costs incurred, are consistent with our understanding of contract activities and performance. This involved comparing assumptions to a variety of information as appropriate, including correspondence with customers, historical outcomes and operational management views. For contracts in the sample above that have significant estimation in the total contract price due to variations and claims, assessing the assumptions made by the Directors in light of the Group's historical experience on similar contracts and correspondence with customers.
7. **Assessing transparency:** assessing the appropriateness of the Group's disclosures in respect of revenue from construction contracts.

Our results: We found revenue recognition from construction contracts acceptable (2017: acceptable).

Valuation of intangible assets, £197.5m (2017: £199.2m) and Parent Company investment in subsidiaries, £400.1m (2017: £409.2m) 2017: Risk vs 2017: ◄►

Refer to page 47 (Audit Committee report), page 114 (accounting policy) and page 89 (financial disclosures)

The risk: Forecast based valuation

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

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

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

Our response: Our audit procedures included:

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

Our results: We found the resulting estimate of the recoverable amount of Group intangible assets and Parent Company investments in subsidiaries to be acceptable. (2017: acceptable).

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

Refer to page 47 (Audit Committee report), page 117 (accounting policies) and page 109 (financial disclosures).

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

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

Our response: Our audit procedures included:

1. **Inspection and enquiry:** considering the Group's exposure to potential breaches of legislation by making appropriate enquiry of the Group in relation to compliance with laws and regulations and the existence and status of any known or suspected significant legal matters. We inspected reports returned by overseas locations to identify actual and potential non-compliance and heightened risks to compliance with laws and regulations, both those specific to the Group's business and those relating to the conduct of the business generally. Where significant or potential matters were identified we made enquiries of the Group's legal counsel and legal representative.
2. **Test of detail:** for any matters or potential matters identified review of underlying correspondence and documentation, including formal confirmations and discussion with external lawyers, where relevant.

3. **Sector experience:** where we considered heightened risks were present, using our experience of procedures adopted by multinational groups to provide assurance that their global components comply with laws and regulations, we undertook additional procedures in relation to the Group's oversight of control of such arrangements which included inspecting the bi-annual self-reporting by local management and testing a sample of reported 3rd party relationships against Group policy. We inspected underlying agreements as considered necessary.
4. **Assessing transparency:** assessing the appropriateness of the Group's disclosures in respect of provisions, and contingencies disclosed.

Our results: We considered the contingency disclosures made to be acceptable (2017: acceptable).

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

The materiality for the Group financial statements as a whole was set at £2.5m (2017: £2.2m), determined with reference to a benchmark of Group profit before tax of £55.9m (2017 restated: £47.3m), of which it represents 4.5% (2017: 4.7%).

The materiality for the Parent company financial statements as a whole was set at £0.7m (2017: £0.7m), determined with reference to a benchmark of gross assets of £426.2m (2017: £436m), of which it represents 0.2% (2017: 0.2%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1m (2017: £0.1m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 122 (2017: 188) reporting components, we subjected 19 (2017: 34) to full scope audits for Group purposes.

The number of reporting components appears to have reduced significantly in the period, however this is due to some larger divisions reporting as a sub consolidated unit.

We conducted reviews of financial information (including enquiry) at a further 5 (2017: 12) non-significant components to obtain further coverage. These components were not individually financially significant enough to require an audit for Group reporting purposes.

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

	Number of components	Group revenue	Group profit before tax	Group total assets
Audits for Group reporting purposes	19 (2017: 36)	83% (2017: 86%)	77% (2017: 77%)	74% (2017: 84%)
Reviews of financial information (including enquiry)	5 (2017: 12)	8% (2017: 4%)	3% (2017: 9%)	6% (2017: 6%)
Total	24 (2017: 48)	91% (2017: 90%)	80% (2017: 86%)	80% (2017: 90%)

The remaining 9% of total Group revenue, 20% of Group profit before tax and 20% of total Group assets is represented by 103 reporting components, none of which individually represented more than 10% of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group audit team approved the component materialities, which ranged from £0.1m to £1.5m (2017: £0.1m to £1.0m), having regard to the mix of size and risk profile of the Group across the components. The work on 17 (2017: 15) of the 24 (2017: 48) components was performed by component auditors and the rest, including the audit of the Parent Company, was performed by the Group audit team.

Telephone conferences were held with these component auditors at the locations which were not audited directly by the Group audit team. At these conferences, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4 We have nothing to report on going concern

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

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

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Company's business model, including the impact of a disorderly Brexit and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period. We evaluated those risks and concluded that they were not significant enough to require us to perform additional audit procedures.

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

- we have anything material to add or draw attention to in relation to the Directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 68 is materially inconsistent with our audit knowledge.

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

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

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

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

Strategic report and Directors' report

Based solely on our work on the other information:

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

Directors' remuneration report

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

Disclosures of principal risks and longer-term viability

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

- the Directors' confirmation within the viability statement that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks and uncertainties disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the viability statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

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

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

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or

- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

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

We have nothing to report in these respects.

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

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

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

We have nothing to report in these respects.

7 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 69, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities – ability to detect

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

The potential effect of these laws and regulations varies considerably.

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

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

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

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

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

Mike Barradell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peters Square
Manchester
M2 3AE

25 February 2019

Consolidated income statement

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 Before separately disclosed items £m	Year ended 31 December 2018 Separately disclosed items £m	Year ended 31 December 2018 Total £m	Year ended 31 December 2017 restated Before separately disclosed items £m	Year ended 31 December 2017 restated Separately disclosed items £m	Year ended 31 December 2017 restated Total £m
Group revenue	4	**561.5**	**–**	**561.5**	499.3	–	499.3
Cost of sales		**(394.9)**	**–**	**(394.9)**	(346.6)	–	(346.6)
Gross profit		**166.6**	**–**	**166.6**	152.7	–	152.7
Administrative expenses		**(106.4)**	**–**	**(106.4)**	(100.3)	–	(100.3)
Share of post-tax results of joint ventures	15	**1.9**	**–**	**1.9**	1.7	–	1.7
Acquisition related income and (expense)	5	**–**	**(0.7)**	**(0.7)**	–	(1.3)	(1.3)
Operating profit	4	**62.1**	**(0.7)**	**61.4**	54.1	(1.3)	52.8
Net finance expense	7	**(6.0)**	**–**	**(6.0)**	(5.5)	–	(5.5)
Profit before taxation		**56.1**	**(0.7)**	**55.4**	48.6	(1.3)	47.3
Income tax	8	**(10.5)**	**0.4**	**(10.1)**	(8.3)	0.4	(7.9)
Profit for the year		**45.6**	**(0.3)**	**45.3**	40.3	(0.9)	39.4
Attributable to:							
Owners of the Company		**45.2**	**(0.3)**	**44.9**	39.8	(0.9)	38.9
Non-controlling interests		**0.4**	**–**	**0.4**	0.5	–	0.5
		45.6	**(0.3)**	**45.3**	40.3	(0.9)	39.4

Earnings per share	Notes	2018 **pence**	2017 pence
Basic	10	**89.5**	77.5
Diluted	10	**88.9**	76.9

Consolidated statement of other comprehensive income

for the year ended 31 December 2018

	Notes	Year ended 31 December 2018 £m	Year ended 31 December 2017 restated £m
Profit for the year		**45.3**	39.4
Items that will not be classified to the income statement			
Actuarial (loss)/gain in defined benefit pension schemes	21	**(1.1)**	3.2
Fair value adjustment to financial asset		**(0.9)**	–
Tax on items that will not be reclassified		**0.2**	(0.2)
		(1.8)	3.0
Items that may be reclassified to the income statement			
Exchange differences on foreign currency net investments		**1.3**	(7.5)
Effective portion of changes in fair value of cash flow hedges	26	**(4.0)**	7.8
Effective portion of changes in fair value of cash flow hedges in joint ventures	15	**0.2**	(0.2)
Net changes in fair value of cash flow hedges transferred to income statement		**0.1**	(0.9)
Deferred tax on items that may be reclassified	8	**0.5**	(1.0)
		(1.9)	(1.8)
Total comprehensive income for the year		**41.6**	40.6
Owners of the Company		**41.2**	40.1
Non-controlling interests		**0.4**	0.5
		41.6	40.6

Consolidated and Company statement of financial position

at 31 December 2018

		Group		Company	
	Notes	**31 December 2018 £m**	31 December 2017 restated £m	**31 December 2018 £m**	31 December 2017 £m
Non-current assets					
Goodwill	12	**171.4**	174.6	**–**	–
Other intangible assets	13	**26.1**	24.6	**–**	–
Property, plant and equipment	14	**145.4**	132.5	**4.5**	5.3
Investment in joint ventures	15	**8.2**	7.1	**–**	–
Investments in subsidiaries	16	**–**	–	**400.1**	409.2
Other investments	16	**1.4**	2.3	**1.4**	2.3
Deferred tax assets	9	**3.7**	4.3	**2.9**	2.8
		356.2	345.4	**408.9**	419.6
Current assets					
Inventories	17	**44.9**	47.2	**–**	–
Trade and other receivables	18	**186.2**	199.3	**4.7**	6.2
Cash and cash equivalents		**18.6**	20.3	**15.4**	12.2
		249.7	266.8	**20.1**	18.4
Current liabilities					
Trade and other payables	19	**(132.2)**	(133.5)	**(11.2)**	(10.8)
Provisions and liabilities and charges	20	**(2.6)**	(4.8)	**–**	–
Current tax	8	**(8.7)**	(8.5)	**0.1**	(1.4)
Loans and borrowings	24	**(10.1)**	(0.4)	**(15.5)**	(11.9)
		(153.6)	(147.2)	**(26.6)**	(24.1)
Net current assets		**96.1**	119.6	**(6.5)**	(5.7)
Total assets less current liabilities		**452.3**	465.0	**402.4**	413.9
Non-current liabilities					
Provisions and liabilities and charges	20	**(6.0)**	(11.5)	**–**	
Retirement benefit obligations	21	**(16.1)**	(19.8)	**(10.5)**	(13.7)
Cumulative preference shares	27	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Loans and borrowings	24	**(122.0)**	(152.3)	**(121.9)**	(152.1)
Deferred tax liabilities	9	**(1.7)**	(2.3)	**–**	–
		(145.9)	(186.0)	**(132.5)**	(165.9)
Net assets		**306.4**	279.0	**269.9**	248.0
Equity					
Called up share capital	27	**12.6**	12.6	**12.6**	12.6
Share premium		**25.9**	25.7	**25.9**	25.7
Treasury shares		**(0.4)**	(0.4)	**(0.4)**	(0.4)
Other reserves		**(0.9)**	1.0	**(0.5)**	2.5
Retained earnings		**267.8**	238.9	**232.3**	207.6
Equity attributable to owners of the Company		**305.0**	277.8	**269.9**	248.0
Non-controlling interests		**1.4**	1.2	**–**	–
Total equity		**306.4**	279.0	**269.9**	248.0

The consolidated financial statements were approved by the Board of Directors on 25 February 2019 and signed on its behalf by:

N P Henry
Chief Executive Officer

Consolidated and Company cash flow statement

for the year ended 31 December 2018

	Notes	Group		Company	
		31 December 2018 £m	31 December 2017 restated £m	**31 December 2018 £m**	31 December 2017 £m
Profit before tax		**55.4**	47.3	**39.7**	53.8
Adjustments to reconcile profit before tax to net cash flows					
Depreciation and amortisation		**31.0**	28.7	**1.1**	1.1
Acquisition costs charged		**0.7**	1.0	**–**	0.2
Loss/(profit) on disposal of fixed assets		**0.3**	(0.9)	**–**	–
Transferred from hedging reserve to income statement		**0.1**	(1.5)	**0.1**	(1.5)
Adjustment to provision for contingent consideration		**(2.6)**	(1.7)	**–**	–
Net finance expense/(income)		**6.0**	5.5	**(1.8)**	(0.3)
Share of post-tax results of joint ventures		**(1.9)**	(1.7)	**–**	–
Share based payments		**1.4**	0.9	**1.4**	0.9
Decrease/(increase) in inventories		**2.6**	(2.3)	**–**	–
Decrease/(increase) in trade and other receivables		**12.5**	(43.1)	**2.0**	1.6
(Decrease)/increase in trade and other payables		**(4.0)**	1.9	**(3.7)**	(8.9)
Defined benefit pension cash contributions less service cost		**(5.3)**	(4.4)	**(5.1)**	(4.0)
Cash generated from operations		**96.2**	29.7	**33.7**	42.9
Cash outflow from acquisition costs		**(0.2)**	(0.8)	**–**	(0.2)
Income tax (payments)/receipts		**(8.6)**	(8.0)	**(0.3)**	1.9
Cash flow from operating activities		**87.4**	20.9	**33.4**	44.6
Investing activities					
Dividends from joint venture undertakings		**1.4**	1.4	**–**	–
Proceeds from the disposal of property, plant and equipment		**2.8**	2.6	**–**	–
Finance income		**0.2**	0.4	**6.7**	4.8
Acquisition of subsidiaries, net of cash acquired	23	**(10.2)**	(2.6)	**–**	–
Net loans advanced to subsidiaries		**–**	–	**10.9**	(46.1)
Investment in joint ventures and other investments		**(2.1)**	(0.6)	**–**	–
Acquisition of property, plant and equipment		**(32.4)**	(23.1)	**(0.3)**	(0.9)
Development expenditure		**(6.1)**	(4.2)	**–**	–
Cash flows (used in)/from investing activities		**(46.4)**	(26.1)	**17.3**	(42.2)
Financing activities					
Proceeds from the issue of share capital		**0.2**	0.1	**0.2**	0.1
Finance costs		**(4.9)**	(5.3)	**(4.6)**	(4.4)
Net purchase of own shares by Employee Share Ownership Trust		**(0.9)**	(0.9)	**(1.0)**	(0.9)
Capital element of finance lease repayments		**(0.2)**	(0.1)	**–**	–
Proceeds from borrowings		**121.1**	95.4	**–**	21.3
Repayment of borrowings		**(142.5)**	(70.4)	**(27.5)**	–
Dividends paid	11	**(14.9)**	(13.5)	**(14.9)**	(13.5)
Dividends paid to minority interest		**(0.3)**	(0.4)	**–**	–
Cash flows (used in)/from financing activities		**(42.4)**	4.9	**(47.8)**	2.6
Net decrease in cash and cash equivalents	25	**(1.4)**	(0.3)	**2.9**	5.0
Cash and cash equivalents at 1 January		**20.3**	21.8	**12.2**	7.4
Net foreign exchange differences		**(0.3)**	(1.2)	**0.3**	(0.2)
Cash and cash equivalents at 31 December		**18.6**	20.3	**15.4**	12.2

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Capital		Attributable to equity holders of parent					
	Share capital £m	**Share premium £m**	**Retained earnings £m**	**Other reserves £m**	**Treasury shares £m**	**Total shareholders equity £m**	**Non-controlling interests £m**	**Total equity £m**
At 1 January 2017 as reported	12.5	25.6	217.0	2.8	(0.6)	257.3	1.0	258.3
Implementation of IFRS 15	–	–	(5.9)	–	–	(5.9)	–	(5.9)
At 1 January 2017 restated	12.5	25.6	211.1	2.8	(0.6)	251.4	1.0	252.4
Total comprehensive income restated	–	–	41.9	(1.8)	–	40.1	0.5	40.6
Contributions by and distributions to owners:								
Ordinary dividends paid	–	–	(13.5)	–	–	(13.5)	(0.4)	(13.9)
Share based payments	–	–	0.9	–	–	0.9	–	0.9
Acquisition	–	–	(0.3)	–	–	(0.3)	0.1	(0.2)
Purchase of shares by ESOT	–	–	–	–	(1.5)	(1.5)	–	(1.5)
Sale of shares by ESOT	–	–	–	–	0.5	0.5	–	0.5
Arising on the issue of shares	0.1	0.1	–	–	–	0.2	–	0.2
Transfer	–	–	(1.2)	–	1.2	–	–	–
Balance at 31 December 2017	12.6	25.7	238.9	1.0	(0.4)	277.8	1.2	279.0
Total comprehensive income	**–**	**–**	**43.1**	**(1.9)**	**–**	**41.2**	**0.4**	**41.6**
Contributions by and distributions to owners:								
Ordinary dividends paid	**–**	**–**	**(14.9)**	**–**	**–**	**(14.9)**	**(0.3)**	**(15.2)**
Acquisition	**–**	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Share based payments	**–**	**–**	**1.4**	**–**	**–**	**1.4**	**–**	**1.4**
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)**	**–**	**0.5**	**(0.2)**	**–**	**(0.2)**
Arising on the issue of shares	**–**	**0.2**	**–**	**–**	**–**	**0.2**	**–**	**0.2**
Transfer	**–**	**–**	**(0.2)**	**–**	**0.2**	**–**	**–**	**–**
At 31 December 2018	**12.6**	**25.9**	**267.8**	**(0.9)**	**(0.4)**	**305.0**	**1.4**	**306.4**

Other reserve movements

Other reserves	Translation reserve £m	Hedging reserve £m	Total £m
At 1 January 2017	6.5	(3.7)	2.8
Other comprehensive income	(7.5)	5.7	(1.8)
At 31 December 2017	(1.0)	2.0	1.0
Other comprehensive income	1.3	(3.2)	(1.9)
At 31 December 2018	**0.3**	**(1.2)**	**(0.9)**

Company statement of changes in equity

for the year ended 31 December 2018

	Capital					
	Share capital £m	Share premium £m	Retained earnings £m	Hedging reserves £m	Treasury shares £m	Total equity £m
At 1 January 2017	12.5	25.6	166.9	(4.6)	(0.6)	199.8
Total comprehensive income	–	–	54.5	7.1	–	61.6
Contributions by and distributions to owners:						
Ordinary dividends paid	–	–	(13.5)	–	–	(13.5)
Share based compensation	–	–	0.9	–	–	0.9
Purchase of shares by ESOT	–	–	–	–	(1.5)	(1.5)
Sale of shares by ESOT	–	–	–	–	0.5	0.5
Arising on the issue of shares	0.1	0.1	–	–	–	0.2
Transfer on disposal of shares	–	–	(1.2)	–	1.2	–
At 31 December 2017	12.6	25.7	207.6	2.5	(0.4)	248.0
Total comprehensive income	**–**	**–**	**38.9**	**(3.0)**	**–**	**35.9**
Contributions by and distributions to owners:						
Ordinary dividends paid	**–**	**–**	**(14.9)**	**–**	**–**	**(14.9)**
Share based compensation	**–**	**–**	**1.4**	**–**	**–**	**1.4**
Tax effect of share based compensation	**–**	**–**	**0.2**	**–**	**–**	**0.2**
Purchase of shares by ESOT	**–**	**–**	**–**	**–**	**(0.7)**	**(0.7)**
Sale of shares by ESOT	**–**	**–**	**(0.7)**	**–**	**0.5**	**(0.2)**
Arising on the issue of shares	**–**	**0.2**	**–**	**–**	**–**	**0.2**
Transfer on disposal of shares	**–**	**–**	**(0.2)**	**–**	**0.2**	**–**
At 31 December 2018	**12.6**	**25.9**	**232.3**	**(0.5)**	**(0.4)**	**269.9**

Notes to the financial statements

1 General information

James Fisher and Sons plc (the Company) is a public limited company registered and domiciled in England and Wales and listed on the London Stock Exchange. The consolidated financial statements comprise the financial statements of the Company, its subsidiary undertakings and its interest in associates and jointly controlled entities (together the Group), for the year ended 31 December 2018. The Company and consolidated financial statements were approved for publication by the Directors on 25 February 2019.

The Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), adopted by the European Union (adopted IFRS). The financial statements are prepared on a going concern basis and on an historical cost basis, modified to include revaluation to fair value of certain financial instruments. As permitted by section 408 of the Companies Act 2006, a separate income statement and related notes for the holding company have not been presented in these financial statements. The profit after taxation in the Company was £39.6m (2017: £54.2m). The Group and Company financial statements are presented in Sterling and all values are rounded to the nearest million pounds (£m) except when otherwise indicated.

The consolidated financial statements and those of the Company have been prepared in accordance with IFRS adopted by the EU as at 31 December 2018 and are applied in accordance with the provisions of the Companies Act 2006.

2 Alternative performance measures

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

2.1 Underlying operating profit and underlying profit before taxation

Underlying operating profit is defined as operating profit before separately disclosed items (note 5) which include acquisition related income and expense, asset impairments, adjustments to contingent consideration or other non-recurring items.

2.2 Underlying earnings per share

Underlying earnings per share (EPS) is calculated as the total of underlying profit before tax, less income tax, but excluding the tax impact on separately disclosed items included in the calculation of underlying profit less profit attributable to non-controlling interests, divided by the weighted average number of ordinary shares in issue during the year. The Directors believe that underlying EPS provides an important measure of the underlying earnings capability of the Group. Underlying earnings per share is set out in note 10.

2.3 Capital employed and Return on Capital Employed (ROCE)

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

2.4 Cash conversion

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

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

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

2.6 Underlying dividend cover

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

Underlying operating profit and underlying profit before taxation	**2018 £m**	2017 £m
Operating profit	**61.4**	52.8
Separately disclosed items before taxation	**0.7**	1.3
Underlying operating profit	**62.1**	54.1
Net finance expense	**(6.0)**	(5.5)
Underlying profit before taxation	**56.1**	48.6

2 Alternative performance measures continued

Return on capital employed for the Group is calculated as follows:

	2018 £m	2017 £m
Capital employed		
Net assets	306.4	279.0
Less cash and short-term deposits	(18.6)	(20.3)
Plus borrowings	132.2	152.8
Capital employed	420.0	411.5
Underlying operating profit	62.1	54.1
Notional tax at the effective tax rate	(11.6)	(9.3)
	50.5	44.8
Average capital employed	413.1	374.8
Return on average capital employed	12.2%	12.0%
Cash conversion		
Cash generated from operations	96.2	29.7
Dividends from joint venture undertakings	1.4	1.4
Operating cash flow	97.6	31.1
Underlying operating profit	62.1	54.1
Cash conversion	157%	57%
Underlying Ebitda		
Underlying operating profit	62.1	54.1
Underlying depreciation and amortisation	28.4	26.7
Underlying Ebitda	90.5	80.8

Underlying dividend cover	pence	pence
Underlying earnings per share	89.5	78.7
Dividends per share	31.6	28.7
Underlying dividend cover (times)	2.8	2.7

3 Segmental information

The Group has four operating segments reviewed by the Board: Marine Support, Specialist Technical, Offshore Oil and Tankships. These operating segments form the basis of the primary segmental disclosures below. Their principal activities are set out in the Strategic report on pages 10 to 17.

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

Year ended 31 December 2018	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Corporate £m	Total £m
Segmental revenue						
– point in time	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)
Revenue	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 and 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 segmental 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

3 Segmental information continued

Year ended 31 December 2017	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Corporate £m	Total £m
Segmental revenue						
– point in time	237.5	40.5	56.6	–	–	334.6
– over time	–	115.8	–	57.0	–	172.8
Implementation of IFRS	–	(6.1)	–	–	–	(6.1)
Segmental revenue restated	237.5	150.2	56.6	57.0	–	501.3
Inter-segmental sales	(1.2)	(0.6)	(0.2)	–	–	(2.0)
Revenue	236.3	149.6	56.4	57.0	–	499.3
Underlying operating profit	24.5	21.1	3.8	8.8	(2.4)	55.8
Implementation of IFRS 15	0.8	(2.3)	(0.2)	–	–	(1.7)
Underlying operating profit restated	25.3	18.8	3.6	8.8	(2.4)	54.1
Acquisition costs	(0.7)	(0.3)	–	–	–	(1.0)
Adjustment to provision for contingent consideration	(1.4)	(0.3)	(0.3)	–	–	(2.0)
Amortisation of acquired intangibles	0.9	0.8	–	–	–	1.7
Operating profit	24.1	19.0	3.3	8.8	(2.4)	52.8
Net finance expense						(5.5)
Profit before tax						47.3
Income tax						(7.9)
Profit for the year						39.4
Assets and liabilities						
Segmental assets restated	234.4	179.1	131.4	32.2	28.0	605.1
Investment in joint ventures	4.1	3.0	–	–	–	7.1
Total assets	238.5	182.1	131.4	32.2	28.0	612.2
Segmental liabilities restated	(77.8)	(57.6)	(13.9)	(8.1)	(175.8)	(333.2)
	160.7	124.5	117.5	24.1	(147.8)	279.0
Other segmental information						
Capital expenditure	15.7	2.8	2.0	2.4	0.3	23.2
Depreciation and amortisation	10.2	5.0	9.6	3.3	0.6	28.7

Geographic information

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

	United Kingdom		**Rest of Europe**		**Middle East, Africa & Americas**		**Asia Pacific**		**Total**	
	2018 £m	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Segmental revenue										
– point in time	**92.4**	72.1	**43.5**	34.7	**124.6**	107.1	**131.4**	120.7	**391.9**	334.6
– over time	**133.0**	138.2	**11.5**	9.0	**1.7**	0.7	**26.6**	18.8	**172.8**	166.7
Inter-segmental sales	**(3.0)**	(2.0)	**–**	–	**(0.2)**	–	**–**	–	**(3.2)**	(2.0)
Group revenue	**222.4**	208.3	**55.0**	43.7	**126.1**	107.8	**158.0**	139.5	**561.5**	499.3
Segmental assets	**391.5**	412.0	**53.9**	54.5	**76.6**	68.2	**75.7**	70.4	**597.7**	605.1
Investment in joint ventures	**0.1**	0.2	**1.3**	0.2	**0.9**	(0.2)	**5.9**	6.9	**8.2**	7.1
Segmental liabilities	**(240.7)**	(282.5)	**(6.5)**	(5.9)	**(24.5)**	(17.8)	**(27.8)**	(27.0)	**(299.5)**	(333.2)
	150.9	129.7	**48.7**	48.8	**53.0**	50.2	**53.8**	50.3	**306.4**	279.0

4 Revenue and operating charges

Revenue disclosed in the income statement comprises of goods and services of £450.4m (2017: £388.8m), rental income of £35.4m (2017: £34.9m) and construction contract income of £75.7m (2017: £75.6m).

Operating charges reflected within operating profit include:	**2018 £m**	2017 £m
Research and development costs	**0.5**	0.7
Net foreign currency (gains)/losses	**(0.6)**	1.1
Cost of inventories recognised as an expense	**80.3**	82.6
Impairment losses on amortised cost financial assets	**1.2**	1.8
Operating lease rentals:		
property	**4.7**	5.4
vessels	**7.2**	7.1
other	**0.5**	0.5
	12.4	13.0

Auditor's remuneration comprises the following:

	2018 £m	2017 £m
Audit of the financial statements of the parent	**0.2**	0.1
Local statutory audits of subsidiaries	**0.6**	0.6
Total fees payable to Group auditor	**0.8**	0.7

5 Separately disclosed items

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

	2018 £m	2017 £m
Acquisition related income and (expense):		
Costs incurred in acquiring businesses	**(0.7)**	(1.0)
Amortisation of acquired intangibles	**(2.6)**	(2.0)
Adjustment to provision for contingent consideration	**2.6**	1.7
Separately disclosed items before taxation	**(0.7)**	(1.3)
Tax on separately disclosed items	**0.4**	0.4
	(0.3)	(0.9)

The adjustment to the provision for contingent consideration is based on the most recent business forecasts and relates to a business acquired in 2015.

6 Group employee costs

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

	2018 £m	2017 £m
Wages and salaries	**124.5**	110.6
Social security costs	**10.8**	9.6
Pension costs	**4.3**	3.7
Share based compensation	**1.4**	0.9
	141.0	124.8

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

	2018 Number	2017 Number
Technical and administrative	**2,604**	2,460
Seafarers	**262**	264
	2,866	2,724

6 Group employee costs continued

The Directors' remuneration and their interest in shares of the Company are set out in the Directors' remuneration report on pages 52 to 66. The amount charged against operating profit in the year in respect of Director short-term remuneration was £2.1m (2017: £1.4m) in respect of emoluments and £0.1m (2017: £0.1m) in respect of pension contributions to defined contribution schemes. The charge for share based payments in respect of Directors was £0.8m (2017: £0.6m) and aggregate gains under the exercise of options was £0.3m (2017: £0.2m).

(b) Compensation of key management to the Group

	2018 £m	2017 £m
Short-term employee benefits	**2.4**	2.3
Share based payments	**0.8**	0.6
	3.2	2.9

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

7 Net finance expense

	2018 £m	2017 £m
Finance income:		
Interest receivable on short-term deposits	**0.2**	0.4
Finance expense:		
Bank loans and overdrafts	**(5.4)**	(4.4)
Interest element of cash flow hedges	**–**	(0.5)
Net interest on pension obligations	**(0.5)**	(0.7)
Unwind of discount on contingent consideration	**(0.3)**	(0.3)
	(6.2)	(5.9)
Net finance expense	**(6.0)**	(5.5)

8 Taxation

(a) The tax charge is based on profit for the year and comprises:	**2018 £m**	2017 £m
Current tax:		
UK corporation tax	**(2.2)**	(3.1)
Overseas tax	**(9.3)**	(6.8)
Adjustment in respect of prior years:		
UK corporation tax	**1.0**	(0.2)
Overseas tax	**0.1**	0.8
Total current tax	**(10.4)**	(9.3)
Deferred tax:		
Origination and reversal of temporary differences:		
UK corporation tax	**(0.3)**	0.7
Overseas tax	**0.6**	0.7
Total taxation on profit for the year	**(10.1)**	(7.9)

The total tax charge in the income statement includes a further £0.1m (2017: £0.2m) which is stated within the share of post-tax results of joint ventures.

(b) Income tax on comprehensive income	**2018 £m**	2017 £m
Current tax:		
Current tax on foreign exchange losses on internal loans	**(0.3)**	0.5
Current tax on contributions to defined benefit pension schemes	**0.8**	0.8
Current tax relating to derivatives	**–**	0.1
Current tax relating to share based payments	**0.3**	0.1
Deferred tax:		
Deferred tax on actuarial loss on defined benefit pension schemes	**(0.6)**	(1.0)
Deferred tax relating to derivatives	**0.5**	(1.0)
Deferred tax relating to share based payments	**(0.1)**	(0.1)
	0.6	(0.6)

8 Taxation continued

(c) Reconciliation of effective tax rate

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

	2018 £m	2017 £m
Profit before tax	**55.4**	47.3
Tax arising from interests in joint ventures	**0.1**	0.2
	55.5	47.5
Tax on profit at UK statutory tax rate of 19% (2017: 19.25%)	**10.5**	9.1
Tonnage tax relief on vessel activities	**(1.5)**	(1.0)
Expenses not deductible for tax purposes	**0.3**	0.2
Over provision in previous years		
Current tax	**(1.1)**	(0.6)
Deferred tax	**0.5**	–
Higher tax rates on overseas income	**2.2**	0.8
Research and development relief	**(0.4)**	(0.3)
Non-taxable income	**(0.9)**	(0.3)
Impact of change of rate	**(0.2)**	0.1
Losses not recognised	**0.8**	0.8
Other	**–**	(0.7)
	10.2	8.1

The effective rate on profit before income tax from continuing operations is 18.2% (2017: 16.9%). The effective income tax rate on the underlying profit before tax is 18.7% (2017: 17.2%). Over provision in previous years arose due to the timing in which certain transactions have been accounted for, rather than any correction.

At 31 December 2018, the Group had unrecognised tax losses of £11.1m (2017: £10.2m). A deferred tax asset has not been recognised in respect of these losses due to the uncertainty relating to their future recovery.

9 Deferred tax

Deferred tax at 31 December relates to the following:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Deferred tax assets				
Retirement benefits	**2.3**	2.8	**1.4**	1.9
Share based payments	**1.0**	0.9	**1.0**	0.9
Derivative financial instruments	**0.2**	–	**0.1**	–
Losses carried forward	**3.6**	3.1	**–**	–
Temporary differences	**1.8**	2.3	**0.3**	0.4
	8.9	9.1	**2.8**	3.2
Deferred tax liabilities				
Property, plant and equipment	**(3.1)**	(2.7)	**0.1**	0.1
Intangible assets	**(3.8)**	(4.0)	**–**	–
Derivative financial instruments	**–**	(0.4)	**–**	(0.5)
	(6.9)	(7.1)	**0.1**	(0.4)
Net deferred income tax asset	**2.0**	2.0	**2.9**	2.8

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

9 Deferred tax continued

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

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Balance at 1 January	**2.0**	3.5	**2.8**	4.3
Charged to comprehensive income	**(0.1)**	(2.0)	**–**	(1.7)
Charged to equity	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Credited to income statement	**0.3**	1.4	**0.2**	0.3
Transfer from current taxation	**–**	0.4	**–**	–
Exchange adjustments	**–**	(0.1)	**–**	–
Acquisition of subsidiaries	**(0.1)**	(1.1)	**–**	–
Balance at 31 December	**2.0**	2.0	**2.9**	2.8

At 31 December 2018, the Group has no recognised deferred income tax liability (2017: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. No deferred income tax liability has been recognised in respect of this temporary timing difference due to the foreign profits exemption, the availability of double taxation relief and the ability to control the remittance of earnings.

Deferred tax credited to the income statement in the year ending 31 December 2018 relates to the following:

	Group	
	2018 £m	2017 £m
Deferred tax assets	**(0.8)**	(0.5)
Deferred tax liabilities:		
Property, plant and equipment	**0.4**	(0.5)
Intangible assets	**(0.4)**	(0.2)
Other items	**0.5**	(0.2)
Deferred income tax credit	**(0.3)**	(1.4)

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, after excluding 28,630 (2017: 27,620) ordinary shares held by the James Fisher and Sons plc Employee Share Ownership Trust (ESOT), as treasury shares. Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

At 31 December 2018, nil options (2017: 105,840) were excluded from the diluted weighted average number of ordinary shares calculation as their effect would be anti-dilutive. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

Weighted average number of shares	**2018 Number of shares**	2017 Number of shares
Basic weighted average number of shares	**50,210,684**	50,163,144
Potential exercise of share based payment schemes	**299,374**	391,640
Diluted weighted average number of shares	**50,510,058**	50,554,784

Underlying earnings per share

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

	2018 £m	2017 £m
Profit attributable to owners of the Company	**44.9**	38.9
Adjustments:		
Separately disclosed items	**0.7**	1.3
Tax on separately disclosed items	**(0.4)**	(0.4)
Underlying profit attributable to owners of the Company	**45.2**	39.8

Earnings per share	**pence**	pence
Basic earnings per share	**89.5**	77.5
Diluted earnings per share	**88.9**	76.9
Underlying basic earnings per share	**90.0**	79.3
Underlying diluted earnings per share	**89.5**	78.7

11 Dividends paid and proposed

	2018 pence per share	2017 pence per share	2018 £m	2017 £m
Declared and paid during the year				
Equity dividends on ordinary shares:				
Final dividend for 2017	**19.3**	17.6	**9.7**	8.8
Interim dividend for 2018	**10.3**	9.4	**5.2**	4.7
			14.9	13.5

A final dividend in respect of the year ended 31 December 2018 of 21.3p per share (2017: 19.3p) is proposed.

12 Goodwill

Group	Marine Support £m	Specialist Technical £m	Offshore Oil £m	Tankships £m	Total £m
At 1 January 2017	66.2	41.7	46.8	10.3	165.0
Acquisitions	15.6	–	–	–	15.6
Transfer to other intangibles	(1.3)	–	(4.3)	–	(5.6)
Exchange differences	(0.3)	–	(0.1)	–	(0.4)
At 31 December 2017	80.2	41.7	42.4	10.3	174.6
Acquisitions	(2.9)	1.0	–	–	(1.9)
Transfer	2.1	(2.1)	–	–	–
Exchange differences	(1.5)	0.2	–	–	(1.3)
At 31 December 2018	**77.9**	**40.8**	**42.4**	**10.3**	**171.4**

Goodwill acquired through business combinations has been allocated for impairment testing purposes to cash generating units (CGU's) of which there are 13 in total. The recoverable amount of these units has been assessed based on value in use calculations using cash projections based on 3 year plans approved by the Board together with projections derived from those plans for the next 2 years. A terminal value of cash flows beyond that date has been calculated at a growth rate in line with management's long-term expectations for the relevant market, using a growth rate in the range 2.0% to 4.6%. The key assumptions used in the value in use calculations include gross margin, discount rate, inflation of overheads and payroll and growth rates. For presentation purposes the CGU's are grouped into the appropriate division.

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

Discount rates applied to cash projections reflect management's estimate of the return required from the business to reflect the cost of funds plus an appropriate risk premium. This has been determined with reference to the CGU's weighted average cost of capital (WACC) adjusted for risks specific to each CGU's cash flows. The range of pre-tax discount rates used was 5.7% to 6.7% (2017: 6.1% to 7.1%). Effective tax rates of between nil% and 35% (2017: nil% and 30%) dependent upon which jurisdiction the operations are forecast to take place in have been assumed as estimated long-term rates.

Based on the value in use calculations set out above no impairment of the goodwill of the cash generating units was identified.

Sensitivity to impairment

The Directors have carried out sensitivity analysis to determine the impact on the carrying value of goodwill of a change in discount rate, revenue growth and terminal value growth and identified that the discount rate would need to be increased to 12% to give rise to an impairment to goodwill of any of the CGU's.

13 Other intangible assets

Group	Development costs £m	Intellectual property £m	Customer relationships £m	Total £m
Cost:				
At 1 January 2017	14.2	5.1	7.2	26.5
Additions	4.2	–	4.1	8.3
Transfer	–	2.7	2.9	5.6
At 31 December 2017	18.4	7.8	14.2	40.4
Additions	6.1	0.8	0.5	7.4
Exchange differences	**0.2**	**–**	**(0.1)**	**0.1**
At 31 December 2018	**24.7**	**8.6**	**14.6**	**47.9**
Amortisation:				
At 1 January 2017	5.0	1.0	5.0	11.0
Charge for the period	2.3	0.5	2.0	4.8
At 31 December 2017	7.3	1.5	7.0	15.8
Charge for the period	**3.0**	**1.0**	**2.0**	**6.0**
At 31 December 2018	**10.3**	**2.5**	**9.0**	**21.8**
Net book value at 31 December 2018	**14.4**	**6.1**	**5.6**	**26.1**
Net book value at 1 January 2018	11.1	6.3	7.2	24.6
Net book value at 1 January 2017	9.2	4.1	2.2	15.5

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

14 Property, plant and equipment

Group	Vessels £m	Assets under construction £m	Freehold & leasehold property £m	Plant & equipment £m	Total £m
Cost:					
At 1 January 2017	76.4	2.1	32.9	168.1	279.5
Additions	4.6	8.6	1.1	8.9	23.2
Transfer	–	–	–	2.3	2.3
Reclassifications	0.7	(1.6)	(0.7)	1.6	–
Acquisitions	–	–	–	1.7	1.7
Disposals	(0.5)	(0.1)	–	(3.1)	(3.7)
Exchange differences	(0.5)	(0.1)	(0.3)	(2.5)	(3.4)
At 31 December 2017	80.7	8.9	33.0	177.0	299.6
Additions	**16.1**	**3.5**	**0.8**	**13.0**	**33.4**
Transfer	**–**	**–**	**–**	**9.7**	**9.7**
Reclassifications	**–**	**(7.4)**	**–**	**7.4**	**–**
Acquisitions	**–**	**–**	**–**	**0.1**	**0.1**
Disposals	**(4.7)**	**(0.2)**	**–**	**(8.1)**	**(13.0)**
Exchange differences	**0.2**	**–**	**0.4**	**(0.1)**	**0.5**
At 31 December 2018	**92.3**	**4.8**	**34.2**	**199.0**	**330.3**
Depreciation and impairment:					
At 1 January 2017	52.2	–	7.2	89.1	148.5
Provided during the year	4.9	–	1.6	16.2	22.7
Reclassifications	0.3		0.1	(0.4)	–
Disposals	(0.4)	–	(0.1)	(1.7)	(2.2)
Exchange differences	(0.3)	–	–	(1.6)	(1.9)
At 31 December 2017	56.7	–	8.8	101.6	167.1
Provided during the year	**5.2**	**–**	**1.6**	**18.6**	**25.4**
Transfer	**–**	**–**	**–**	**2.2**	**2.2**
Disposals	**(3.4)**	**–**	**–**	**(6.7)**	**(10.1)**
Exchange differences	**0.2**	**–**	**0.1**	**–**	**0.3**
At 31 December 2018	**58.7**	**–**	**10.5**	**115.7**	**184.9**
Net book value at 31 December 2018	**33.6**	**4.8**	**23.7**	**83.3**	**145.4**
Net book value at 1 January 2018	24.0	8.9	24.2	75.4	132.5
Net book value at 1 January 2017	24.2	2.1	25.7	79.0	131.0

14 Property, plant and equipment continued

Property, plant and equipment held under leasing arrangements

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 31 December 2018 was £0.4m (2017: £0.5m). Included in vessels are assets with a cost of £6.8m (2017: £6.7m) and accumulated depreciation of £6.7m (2017: £6.3m) which relate to assets held under operating leases. Included in property, plant and equipment is aggregate interest capitalised of £0.8m (2017: £0.8m).

Company	Vessels £m	Freehold & leasehold property £m	Plant & equipment £m	Total £m
Cost:				
At 1 January 2017	9.2	2.1	2.7	14.0
Additions	0.6	0.2	0.1	0.9
At 31 December 2017	9.8	2.3	2.8	14.9
Additions	–	–	**0.3**	**0.3**
At 31 December 2018	**9.8**	**2.3**	**3.1**	**15.2**
Depreciation:				
At 1 January 2017	5.7	1.2	1.5	8.4
Provided during the year	0.6	0.1	0.5	1.2
At 31 December 2017	6.3	1.3	2.0	9.6
Provided during the year	**0.5**	**0.1**	**0.5**	**1.1**
At 31 December 2018	**6.8**	**1.4**	**2.5**	**10.7**
Net book value at 31 December 2018	**3.0**	**0.9**	**0.6**	**4.5**
Net book value at 1 January 2018	3.5	1.0	0.8	5.3
Net book value at 1 January 2017	3.5	0.9	1.2	5.6

15 Investment in subsidiaries, associates and joint arrangements

Details of the Group's joint ventures and associated undertakings are set out on pages 121 to 123. The Group's share of the assets, liabilities and trading results of these joint venture entities at 31 December 2018, which are accounted for under the equity accounting method, are as follows:

	2018 £m	2017 £m
Current assets	**17.0**	25.5
Non-current assets	**19.3**	19.0
Current liabilities	**(6.1)**	(16.8)
Non-current liabilities	**(24.0)**	(22.6)
Loans to associate	**2.0**	2.0
	8.2	7.1
Revenue	**14.9**	11.5
Cost of sales	**(12.4)**	(9.5)
Administrative expenses	**(0.6)**	0.6
Operating profit	**1.9**	2.6
Net finance expense	**0.3**	(0.7)
Profit before taxation	**2.2**	1.9
Income tax	**(0.3)**	(0.2)
Profit after tax	**1.9**	1.7
Segmental analysis of profit after tax:		
Marine Support	**1.5**	1.1
Specialist Technical	**0.4**	0.6
	1.9	1.7
Movement on investment in joint ventures:		
At 1 January	**7.1**	6.4
Acquisitions	**2.1**	0.6
Profit for the period	**1.9**	1.7
Transfer from creditors	**(1.7)**	–
Dividends received	**(1.4)**	(1.4)
Share of fair value losses on cash flow hedges	**0.2**	(0.2)
At 31 December	**8.2**	7.1

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

16 Financial assets

Other investments

	2018 £m	2017 £m
Group		
At 1 January	**2.3**	1.4
Additions	**–**	0.9
Fair value adjustment	**(0.9)**	–
At 31 December	**1.4**	2.3
Company		
At 1 January	**2.3**	1.4
Additions	**–**	0.9
Fair value adjustment	**(0.9)**	–
At 31 December	**1.4**	2.3

Other investments which are in unquoted entities, and held at fair value and subject to annual review include a 17.2% (2017: 17.2%) equity interest in ordinary shares in SEML De Co-operation Transmanche, an unlisted company incorporated in France, whose main activity is a port and ferry operator. In addition, the Group has a 50% interest in JFD Domeyer GmbH, a company incorporated in Germany which provides in-service support and aftermarket services to the German navy in the operation and control of that business and an interest in Britannia's Gold Limited (BGL). The fair value adjustment relates to the carrying value of BGL.

Investments

	Subsidiary undertakings		
Company	Shares £m	Loans £m	Total £m
Cost			
At 1 January 2017	166.7	196.7	363.4
Additions	0.2	100.2	100.4
Disposal	(1.8)	–	(1.8)
Recapitalisation	7.4	(7.4)	–
Repayments	(0.2)	(52.2)	(52.4)
At 31 December 2017	172.3	237.3	409.6
Additions	**0.7**	**72.0**	**72.7**
Transfer to subsidiary	**(25.9)**	**25.9**	**–**
Disposal	**(2.5)**	**–**	**(2.5)**
Repayments	**–**	**(79.3)**	**(79.3)**
At 31 December 2018	**144.6**	**255.9**	**400.5**
Amount provided			
At 1 January 2017	0.4	–	0.4
At 31 December 2017	0.4	–	0.4
At 31 December 2018	**0.4**	**–**	**0.4**
Net book value at 31 December 2018	**144.2**	**255.9**	**400.1**
Net book value at 31 December 2017	171.9	237.3	409.2

A list of subsidiary undertakings is included on pages 121 to 123.

17 Inventories

	Group	
	2018 £m	2017 £m
Work in progress	**5.0**	7.2
Raw materials and consumables	**11.9**	6.6
Finished goods	**28.0**	33.4
	44.9	47.2

Inventories are stated net of impairment provisions of £4.0m (2017: £3.1m). During the year £nil (2017: £nil) was charged to the income statement to write down inventories to net realisable value.

18 Trade and other receivables

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Trade receivables	**115.8**	83.9	**–**	–
Amounts owed by group undertakings	**–**	–	**1.8**	1.3
Amounts owed by joint venture undertakings	**1.6**	4.3	**–**	–
Other non-trade receivables	**14.0**	13.0	**2.4**	4.3
Contract assets	**46.9**	87.8	**–**	–
Prepayments	**7.9**	10.3	**0.5**	0.6
	186.2	199.3	**4.7**	6.2

Of the above, other non-trade receivables of £2.5m (2017: £1.1m) are expected to be recovered in more than one year. Retentions relating to construction contracts included in trade receivables are £0.1m (2017: £0.3m). Included within the trade and other receivables balances is £22.3m (2017: £8.3m) in relation to construction contracts in progress. The movement in contract assets is due to the phasing of projects with regards to the timing of milestone payments.

19 Trade and other payables

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Trade payables	**50.0**	48.4	**0.8**	0.4
Amounts owed to group undertakings	**–**	–	**3.7**	5.9
Amounts owed to joint venture undertakings	**–**	0.2	**–**	–
Taxation and social security	**8.1**	4.5	**0.2**	0.2
Other payables	**9.9**	16.0	**2.8**	1.2
Accruals	**59.0**	59.4	**3.7**	3.1
Contract liabilities	**5.2**	5.0	**–**	–
	132.2	133.5	**11.2**	10.8

20 Provisions and other liabilities and charges

	Contingent consideration £m	Warranty £m	Total £m
At 1 January 2017	6.8	1.4	8.2
Acquisitions	8.8	–	8.8
Paid	(1.5)	–	(1.5)
(Credited)/charged to income statement	(1.6)	2.1	0.5
Unwinding of discount	0.3	–	0.3
At 1 January 2018	**12.8**	**3.5**	**16.3**
Fair value adjustment (note 23)	**(3.1)**	**–**	**(3.1)**
Paid	**(1.0)**	**–**	**(1.0)**
Credited to income statement	**(2.6)**	**(0.9)**	**(3.5)**
Foreign exchange	**(0.4)**	**–**	**(0.4)**
Unwinding of discount	**0.3**	**–**	**0.3**
At 31 December 2018	**6.0**	**2.6**	**8.6**

Analysis of total provisions

	2018 £m	2017 £m
Current liability	**2.6**	4.8
Non-current liability	**6.0**	11.5
	8.6	16.3

Contingent consideration – other liability

Contingent consideration are further potential amounts payable for acquisitions made by the Group which is contingent on achieving profit targets in future years.

Warranty – provision

This provision is based on managements assessment of the previous history of claims, and expenses incurred and an estimate of future obligations on goods supplied where a warranty has been provided to the customer.

21 Retirement benefit obligations

The Group and Company defined benefit pension scheme obligations relate to the James Fisher and Sons plc Pension Fund for Shore Staff (Shore staff), the Merchant Navy Officers Pension Fund (MNOPF) and the Merchant Navy Ratings Pension Fund (MNRPF). The financial statements incorporate the latest full actuarial valuations of the schemes which have been updated to 31 December 2018 by qualified actuaries using assumptions set out in the table below. The Group's obligations in respect of its pension schemes at 31 December 2018 were as follows:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Shore staff	**(4.6)**	(5.8)	**(4.6)**	(5.8)
MNOPF	**(5.1)**	(6.8)	**(3.6)**	(5.0)
MNRPF	**(6.4)**	(7.2)	**(2.3)**	(2.9)
	(16.1)	(19.8)	**(10.5)**	(13.7)

Shore staff

The assets of this scheme are held in a separate trustee administered account and do not include any of the Group's assets. The scheme was closed to new members in October 2001 and closed to future accrual on 31 December 2010. The most recent actuarial valuation was as at 31 July 2016. It is valued every three years following which deficit contributions and the repayment period are subject to agreement between the Company and the Trustees. Estimated contributions to the scheme in 2019 are £1.6m.

MNOPF

The MNOPF is an industry-wide pension scheme which is accounted for as a defined benefit scheme. It is valued every three years and deficits have typically been funded over a ten year period. The most recent triennial actuarial valuation of the scheme was as at 31 March 2018 and no additional deficit funding was requested by the Trustees. The respective share of the Group and Company in the net retirement benefit obligation of the MNOPF are 3.2% (2017: 3.2%) and 1.6% (2017: 1.6%) respectively. Disclosures relating to this scheme are based on these allocations. The liability recognised represents the discounted value of committed cash flows. Information supplied by the trustees of the MNOPF has been reviewed by the Company's actuaries. The principal assumption in the review is the discount rate on the scheme's liabilities which was 2.90% (2017: 2.50%). The disclosures below relate to the Group's share of the assets and liabilities within the MNOPF. Estimated contributions to this scheme in 2019 are £1.9m.

MNRPF

The MNRPF is an industry-wide pension scheme which is accounted for as a defined benefit scheme. The most recent actuarial valuation of the MNRPF was at 31 March 2017 and the Group and Company have recognised a liability based on the discounted value of expected cash contributions. The share of the Group and the Company in the net retirement benefit obligation of the MNRPF are 2.20% and 0.79% respectively. The principal assumption in the MNRPF valuation is the discount rate on the schemes liabilities which was 2.90% (2017: 2.50%). Subject to any changes arising out of the actuarial valuation as at 31 March 2018, estimated contributions to this scheme are £5.1m in 2019.

Actuarial assumptions

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

		2018	2017
Inflation (%)		**3.19**	3.15
Rate of increase of pensions in payment – Shore staff (%)		**3.04**	3.05
Discount rate for scheme liabilities (%)		**2.90**	2.50
Expected rates of return on assets (%)		**2.90**	2.50
Post-retirement mortality: (years)			
Shore staff scheme			
Current pensioner at 65	male	**20.7**	20.9
Current pensioner at 65	female	**22.6**	22.7
Future pensioner at 65	male	**21.8**	21.9
Future pensioner at 65	female	**23.9**	24.0

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

Sensitivities

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

Shore staff scheme

Key measure	Change in assumption	Change in deficit
Discount rate	Decrease of 0.25%	Increase by 2.9%
Rate of inflation	Increase by 0.25%	Increase by 1.3%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.1%

21 Retirement benefit obligations continued

MNOPF

Key measure	Change in assumption	Change in deficit
Discount rate	Decrease of 0.25%	Increase by 0.4%

MNRPF

Key measure	Change in assumption	Change in deficit
Discount rate	Decrease of 0.25%	Increase by 0.1%

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

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

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

	Group				Company			
As at 31 December 2017	Shore staff £m	MNOPF £m	MNRPF £m	Total £m	Shore staff £m	MNOPF £m	MNRPF £m	Total £m
Equities	4.7	–	1.9	6.6	4.7	–	0.6	5.3
Gilts/corporate bonds	–	57.4	25.3	82.7	–	29.0	8.9	37.9
Other investments	51.0	43.7	1.1	95.8	51.0	22.1	0.4	73.5
Cash or liquid assets	0.4	7.7	0.9	9.0	0.4	3.9	0.3	4.6
Fair value of scheme assets	56.1	108.8	29.2	194.1	56.1	55.0	10.2	121.3
Present value of scheme liabilities	(61.9)	(115.6)	(36.4)	(213.9)	(61.9)	(60.0)	(13.1)	(135.0)
Net pension liabilities recognised in the balance sheet	(5.8)	(6.8)	(7.2)	(19.8)	(5.8)	(5.0)	(2.9)	(13.7)

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

(b) Expense recognised in the income statement

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

The actual return on the Shore staff plan assets is £(0.4)m.

21 Retirement benefit obligations continued

	Group				Company			
Year ended 31 December 2017	Shore staff £m	MNOPF £m	MNRPF £m	Total £m	Shore staff £m	MNOPF £m	MNRPF £m	Total £m
Expenses	0.1	–	–	0.1	0.1	–	–	0.1
Interest cost on benefit obligation	1.7	3.1	1.0	5.8	1.7	1.5	0.4	3.6
Return on scheme assets	(1.4)	(2.9)	(0.8)	(5.1)	(1.4)	(1.3)	(0.3)	(3.0)
	0.4	0.2	0.2	0.8	0.4	0.2	0.1	0.7

The actual return on the Shore staff plan assets is £3.9m.

(c) Movements in the net defined benefit liability

	Group				Company			
Year ended 31 December 2018	**Shore staff £m**	**MNOPF £m**	**MNRPF £m**	**Total £m**	**Shore staff £m**	**MNOPF £m**	**MNRPF £m**	**Total £m**
As at 1 January 2018	**5.8**	**6.8**	**7.2**	**19.8**	**5.8**	**5.0**	**2.9**	**13.7**
Expense recognised in the income statement	**0.2**	**0.2**	**0.2**	**0.6**	**0.2**	**0.1**	**–**	**0.3**
Contributions paid to scheme	**(1.7)**	**(1.9)**	**(1.8)**	**(5.4)**	**(1.7)**	**(1.5)**	**(0.5)**	**(3.7)**
Remeasurement gains and losses	**0.3**	**–**	**0.8**	**1.1**	**0.3**	**–**	**(0.1)**	**0.2**
	4.6	**5.1**	**6.4**	**16.1**	**4.6**	**3.6**	**2.3**	**10.5**

	Group				Company			
Year ended 31 December 2017	Shore staff £m	MNOPF £m	MNRPF £m	Total £m	Shore staff £m	MNOPF £m	MNRPF £m	Total £m
As at 1 January 2017	10.1	8.5	8.2	26.8	10.1	6.3	3.2	19.6
Expense recognised in the income statement	0.4	0.2	0.2	0.8	0.4	0.2	0.1	0.7
Contributions paid to scheme	(1.5)	(1.9)	(1.2)	(4.6)	(1.5)	(1.5)	(0.4)	(3.4)
Remeasurement gains and losses	(3.2)	–	–	(3.2)	(3.2)	–	–	(3.2)
	5.8	6.8	7.2	19.8	5.8	5.0	2.9	13.7

(d) Changes in the present value of the defined benefit obligation are analysed as follows:

	Group				Company			
Year ended 31 December 2018	**Shore staff £m**	**MNOPF £m**	**MNRPF £m**	**Total £m**	**Shore staff £m**	**MNOPF £m**	**MNRPF £m**	**Total £m**
As at 1 January 2018	**61.9**	**115.6**	**36.4**	**213.9**	**61.9**	**60.0**	**13.1**	**135.0**
Expenses	**0.1**	**–**	**–**	**0.1**	**0.1**	**–**	**–**	**0.1**
Interest cost	**1.5**	**2.9**	**0.9**	**5.3**	**1.5**	**1.5**	**0.3**	**3.3**
Remeasurement loss/(gain):								
Actuarial loss/(gain) arising from scheme experience	**0.3**	**(7.8)**	**(4.2)**	**(11.7)**	**0.3**	**(3.9)**	**(1.9)**	**(5.5)**
Actuarial loss arising from changes in demographic assumptions	**1.0**	**–**	**–**	**1.0**	**1.0**	**–**	**–**	**1.0**
Actuarial gain arising from changes in financial assumptions	**(2.7)**	**–**	**–**	**(2.7)**	**(2.7)**	**–**	**–**	**(2.7)**
Net benefits paid out	**(4.2)**	**(1.9)**	**(1.8)**	**(7.9)**	**(4.2)**	**(1.5)**	**(0.6)**	**(6.3)**
	57.9	**108.8**	**31.3**	**198.0**	**57.9**	**56.1**	**10.9**	**124.9**

21 Retirement benefit obligations continued

Year ended 31 December 2017	Group Shore staff £m	Group MNOPF £m	Group MNRPF £m	Group Total £m	Company Shore staff £m	Company MNOPF £m	Company MNRPF £m	Company Total £m
As at 1 January 2017	64.2	112.6	36.0	212.8	64.2	55.3	13.0	132.5
Expenses	0.1	–	–	0.1	0.1	–	–	0.1
Interest cost	1.7	3.1	1.0	5.8	1.7	1.5	0.4	3.6
Remeasurement (gain)/loss:								
Actuarial (gain)/loss arising from scheme experience	(1.4)	1.8	0.6	1.0	(1.4)	4.7	0.2	3.5
Actuarial gain arising from changes in demographic assumptions	(1.0)	–	–	(1.0)	(1.0)	–	–	(1.0)
Actuarial loss arising from changes in financial assumptions	1.8	–	–	1.8	1.8	–	–	1.8
Net benefits paid out	(3.5)	(1.9)	(1.2)	(6.6)	(3.5)	(1.5)	(0.5)	(5.5)
	61.9	115.6	36.4	213.9	61.9	60.0	13.1	135.0

(e) Changes in the fair value of the plan assets are analysed as follows:

Year ended 31 December 2018	Group Shore staff £m	Group MNOPF £m	Group MNRPF £m	Group Total £m	Company Shore staff £m	Company MNOPF £m	Company MNRPF £m	Company Total £m
As at 1 January 2018	**56.1**	**108.8**	**29.2**	**194.1**	**56.1**	**55.0**	**10.3**	**121.4**
Return on scheme assets recorded in interest	**1.4**	**2.7**	**0.7**	**4.8**	**1.4**	**1.4**	**0.3**	**3.1**
Remeasurement loss:								
Return on plan assets excluding interest income	**(1.7)**	**(7.8)**	**(5.0)**	**(14.5)**	**(1.7)**	**(3.9)**	**(1.9)**	**(7.5)**
Contributions by employer	**1.7**	**1.9**	**1.8**	**5.4**	**1.7**	**1.5**	**0.5**	**3.7**
Net benefits paid out	**(4.2)**	**(1.9)**	**(1.8)**	**(7.9)**	**(4.2)**	**(1.5)**	**(0.6)**	**(6.3)**
	53.3	**103.7**	**24.9**	**181.9**	**53.3**	**52.5**	**8.6**	**114.4**

Year ended 31 December 2017	Group Shore staff £m	Group MNOPF £m	Group MNRPF £m	Group Total £m	Company Shore staff £m	Company MNOPF £m	Company MNRPF £m	Company Total £m
As at 1 January 2017	54.2	104.0	27.8	186.0	54.2	49.0	9.7	112.9
Return on scheme assets recorded in interest	1.5	2.9	0.7	5.1	1.5	1.3	0.3	3.1
Remeasurement loss:								
Return on plan assets excluding interest income	2.4	1.8	0.7	4.9	2.4	4.7	0.3	7.4
Contributions by employer	1.5	2.0	1.2	4.7	1.5	1.5	0.4	3.4
Net benefits paid out	(3.5)	(1.9)	(1.2)	(6.6)	(3.5)	(1.5)	(0.4)	(5.4)
	56.1	108.8	29.2	194.1	56.1	55.0	10.3	121.4

21 Retirement benefit obligations continued

(f) History of experience gains and losses

Shore staff	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Fair value of scheme assets	**53.3**	56.1	54.2	50.8	53.8
Defined benefit obligation	**(57.9)**	(61.9)	(64.3)	(59.4)	(64.3)
Deficit in scheme	**(4.6)**	(5.8)	(10.1)	(8.6)	(10.5)
Remeasurement (loss)/gain:					
Return on plan assets excluding interest income	**(1.7)**	2.4	6.5	(1.3)	3.5
Remeasurement (loss)/gain on scheme liabilities	**(0.3)**	1.4	–	(0.1)	0.4

MNOPF Group	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Fair value of scheme assets	**103.7**	108.8	104.0	83.9	80.1
Defined benefit obligation	**(108.8)**	(115.6)	(112.5)	(93.6)	(91.4)
Deficit in scheme	**(5.1)**	(6.8)	(8.5)	(9.7)	(11.3)

MNOPF Company	2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Fair value of scheme assets	**52.5**	55.0	49.0	39.5	37.7
Defined benefit obligation	**(56.1)**	(60.0)	(55.3)	(46.9)	(46.3)
Deficit in scheme	**(3.6)**	(5.0)	(6.3)	(7.4)	(8.6)

MNRPF Group	2018 £m	2017 £m	2016 £m	2015 £m
Fair value of scheme assets	**24.9**	29.2	27.8	20.7
Defined benefit obligation	**(31.3)**	(36.4)	(36.0)	(29.3)
Deficit in scheme	**(6.4)**	(7.2)	(8.2)	(8.6)

MNRPF Company	2018 £m	2017 £m	2016 £m	2015 £m
Fair value of scheme assets	**8.6**	10.2	9.7	7.5
Defined benefit obligation	**(10.9)**	(13.1)	(12.9)	(10.6)
Deficit in scheme	**(2.3)**	(2.9)	(3.2)	(3.1)

The cumulative amount of actuarial gains and losses relating to all schemes recognised since 1 January 2004 in the Group and Company statement of comprehensive income is a loss of £51.4m (2017: £50.3m).

(g) Defined contribution schemes

The Group operates a number of defined contribution schemes. The pension charge for the year for these arrangements is equal to the contributions paid and was £4.3m (2017: £3.7m). During the year the Company contributed £0.4m (2017: £0.3m) into defined contribution schemes.

22 Share based payments

The Company operates a Long-Term Incentive Plan (LTIP) in respect of Executive Directors and certain senior employees and details of these are set out in the Director's remuneration report on pages 52 to 66. The Company also operates a Sharesave scheme (Sharesave) for eligible employees which is HM Revenue and Customs approved.

Long-Term Incentive Plan (LTIP)

The Group recognises an expense for these benefits provided to employees and the amount charged in respect of equity-settled share based payments was £1.4m (2017: £0.9m) (Company £0.9m (2017: £0.6m)). The Company has granted conditional awards in the form of options over shares or conditional rights to have shares transferred to certain employees under the LTIP scheme over 373,582 (2017: 377,100) ordinary shares of 25p each.

The weighted average exercise prices (WAEP) and movements in share options during the year are as follows:

					nil options	
Group	**2018 Number**	**WAEP**	2017 Number	WAEP	**2018 Number**	2017 Number
Outstanding at 1 January	**564,652**	**£7.07**	678,122	£7.09	**377,100**	358,625
Granted during the year	**38,002**	**£16.31**	40,684	£15.67	**140,778**	105,840
Forfeited during the year	**(21,085)**	**£14.52**	(61,940)	£13.73	**(131,818)**	(48,883)
Exercised	**(146,016)**	**£5.45**	(92,214)	£6.57	**(12,478)**	(38,482)
Outstanding at 31 December	**435,553**	**£8.06**	564,652	£7.07	**373,582**	377,100
Exercisable at 31 December	**305,507**	**£5.53**	420,132	£5.09	**–**	–

The weighted average share price at the date of exercise for the options exercised was £16.49 (2017: £16.69). For the share options outstanding at 31 December 2018, the weighted average remaining contractual life is 2 years and 2 months (2017: 2 years and 7 months). The weighted average fair value of options granted during the year was £11.74 (2017: £10.94). The range of exercise prices for options outstanding at the end of the year was £6.02 – £16.31 (2017: £3.54 – £15.67).

					nil options	
Company	**2018 Number**	**WAEP**	2017 Number	WAEP	**2018 Number**	2017 Number
Outstanding at 1 January	**432,442**	**£5.35**	528,922	£5.84	**249,813**	230,017
Granted during the year	**1,024**	**£16.31**	6,563	£15.67	**97,769**	69,238
Forfeited during the year	**(654)**	**£13.95**	(37,004)	£14.76	**(82,348)**	(19,058)
Exercised	**(116,930)**	**£4.10**	(66,039)	£4.94	**(12,478)**	(30,384)
Outstanding at 31 December	**315,882**	**£5.83**	432,442	£5.35	**252,756**	249,813
Exercisable at 31 December	**304,993**	**£5.52**	420,303	£5.09	**–**	–

The weighted average share price at the date of exercise for the options exercised was £16.14 (2017: £16.64). For the share options outstanding at 31 December 2018, the weighted average remaining contractual life is 2 years and 0 months (2017: 2 years and 11 months). The weighted average fair value of options granted during the year was £13.49 (2017: £12.85). The range of exercise prices for options outstanding at the end of the year was £6.02 – £16.31 (2017: £3.54 – £15.67). The fair value of share based payments has been estimated using the Black-Scholes model for the Sharesave and the earnings per share (EPS) element of the LTIP. The fair value of share based payments relating to the total shareholder return (TSR) element of the LTIP has been estimated using the Monte Carlo model.

The inputs to the models used to determine the valuations fell within the following ranges:

	2018	2017
Dividend yield (%)	**1.8%**	1.6%
Expected life of option (years)	**3 – 7.22**	3 – 7.22
Share price at date of grant	**£15.12 – £15.34**	£15.94 – £16.67
Expected share price volatility (%)	**30%**	30%
Risk-free interest rate (%)	**0.94% – 1.12%**	0.17%

Sharesave

All employees, subject to the discretion of the Remuneration Committee, may apply for share options under an employee save as you earn plan which may from time to time be offered by the Company. An individual's participation is limited so that the aggregate price payable for shares under option at any time does not exceed the statutory limit. Options granted under the plans will normally be exercisable if the employee remains in employment and any other conditions set by the Remuneration Committee have been satisfied. Options are normally exercisable at the end of the related savings contract but early exercise is permitted in certain limited circumstances. The performance period will not normally be less than three and a half years or greater than seven and a half years. Awards were made under this scheme on 5 April 2018.

23 Business combinations

Year ended 31 December 2018

On 19 February 2018, the Group acquired the entire share capital of Cowan Manufacturing Pty Limited (Cowan) for consideration of A$2.6m (£1.5m) in cash. Cowan, based in New South Wales, Australia, manufactures, installs and provides in-service support of transportable recompression chamber systems and other life support equipment for the global defence market. The acquisition which joined the Specialist Technical division, broadens the Group's offering to the Australian navy and further enhances capability within the defence and commercial diving sectors.

The fair values of the assets and liabilities acquired are set out below:

Cowan	Book value £m	Fair value adjustments £m	Total £m
Intangible assets	–	0.5	0.5
Property, plant and equipment	0.1	–	0.1
Inventories	0.2	–	0.2
Trade and other receivables	0.1	–	0.1
Cash and short-term deposits	0.2	–	0.2
Trade and other payables	(0.5)	–	(0.5)
Deferred tax	–	(0.1)	(0.1)
Fair value of net assets acquired	0.1	0.4	0.5
Goodwill			1.0
			1.5
Cash consideration			1.5

Fair value adjustments of £2.9m were made to goodwill and to net assets of £0.2m, relating to the acquisition of EDS HV Group Limited (EDS) in December 2017 mainly in relation to contingent consideration (note 20). None of the goodwill is expected to be deductible for income tax purposes. The reduction in goodwill primarily relates to the revision of the estimated contingent consideration payable on the acquisition of EDS.

Cash flow in respect of business combinations	Cowan £m	Other acquisition £m	Total £m
Cash paid	1.5	8.9	10.4
Cash and short-term deposits acquired	(0.2)	–	(0.2)
Acquisition of business net of cash acquired	1.3	8.9	10.2
Acquisition costs	0.2	–	0.2
	1.5	8.9	10.4

The cash paid in respect of the other acquisition relates to EDS.

Contribution to Group results

The business acquired during the period contributed £0.1m to the Group's profit after tax and £2.2m of revenues. If these businesses had been acquired at the start of the financial year, the contribution to Group profit after tax would have been £0.2m with revenue of £2.8m.

24 Loans and borrowings

	Group		Company	
Non-current liabilities	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Bank loans	121.9	152.1	121.9	152.1
Finance leases	0.1	0.2	–	–
	122.0	152.3	121.9	152.1

	Group		Company	
Current liabilities	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Overdrafts	–	–	15.5	11.9
Bank loans	10.0	0.2	–	–
Finance leases	0.1	0.2	–	–
	10.1	0.4	15.5	11.9

24 Loans and borrowings continued

Bank loans

Loans analysed by currency are repayable as follows:

Year ended 31 December 2018

	Group			Company		
Currency	**GBP £m**	**USD £m**	**Total £m**	**GBP £m**	**USD £m**	**Total £m**
Due within one year	**10.0**	**–**	**10.0**	**10.0**	**–**	**10.0**
Due between one and two years	**84.3**	**0.7**	**85.0**	**84.3**	**0.7**	**85.0**
Due between two and five years	**28.8**	**8.1**	**36.9**	**28.8**	**8.1**	**36.9**
	123.1	**8.8**	**131.9**	**123.1**	**8.8**	**131.9**

Year ended 31 December 2017

	Group			Company		
Currency	GBP £m	USD £m	Total £m	GBP £m	USD £m	Total £m
Due within one year	0.2	–	0.2	–	–	–
Due between one and two years	39.2	–	39.2	39.2	–	39.2
Due between two and five years	106.5	6.4	112.9	106.5	6.4	112.9
	145.9	6.4	152.3	145.7	6.4	152.1

The interest rates charged during the year ranged from 1.4% to 2.4% (2017: 1.4% to 2.1%). There were no loans secured against the assets of the Group or Company in the current or prior period.

Obligations under finance leases and hire purchase contracts

Group

The minimum future lease payments due under finance leases and hire purchase contracts are as follows:

	Group	
	2018 £m	2017 £m
Future minimum payments due:		
Within one year	**0.1**	0.2
Within two to five years	**0.1**	0.2
	0.2	0.4
Present value of minimum lease payments is analysed as follows:		
Within one year	**0.1**	0.2
Within two to five years	**0.1**	0.2
	0.2	0.4

Company

The Company does not have any outstanding finance lease commitments.

25 Reconciliation of net debt

Net debt comprises interest bearing loans and borrowings less cash and cash equivalents.

Group	1 January 2018 £m	Cash flow £m	Other non-cash £m	Exchange movement £m	31 December 2018 £m
Cash in hand and at bank	**20.3**	**(1.4)**	**–**	**(0.3)**	**18.6**
Debt due after 1 year	**(152.2)**	**31.2**	**(0.4)**	**(0.6)**	**(122.0)**
Debt due within 1 year	**(0.2)**	**(9.8)**	**–**	**–**	**(10.0)**
	(152.4)	**21.4**	**(0.4)**	**(0.6)**	**(132.0)**
Finance leases	**(0.4)**	**0.2**	**(0.1)**	**0.1**	**(0.2)**
Net debt	**(132.5)**	**20.2**	**(0.5)**	**(0.8)**	**(113.6)**

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

26 Financial instruments

Capital management

The primary objective of the Group's capital management policy is to maintain a strong credit rating and covenant ratios in order to be able to support the continued growth of its trading businesses and to increase shareholder value. The Group meets its day-to-day working capital requirements through operating cash flows, with borrowings in place to fund acquisitions and capital expenditure. At 31 December 2018, the Group had £92.4m (2017: £71.8m) of undrawn committed facilities none of which expire within twelve months.

The Group is required under the terms of its loan agreements to maintain covenant ratios in respect of net debt to Ebitda and net interest costs to underlying earnings before interest. The Group met its covenant ratios for the year ended 31 December 2018. The Directors have prepared forecasts of the cash flows for the subsequent eighteen-month period which indicate that, taking into account the factors noted above, the Group will meet its covenant requirements for this period. The total amount that it is able to borrow under existing revolving credit facilities is limited to a maximum of £225m (2017: £225m).

The Group manages its capital structure so as to maintain investor, supplier and market confidence and to provide returns to shareholders that will support the future development of the business. Capital is monitored by measuring the gearing ratio which is net debt divided by capital. Net debt comprises interest bearing loans and borrowings less cash and cash equivalents. Capital represents net equity attributable to the equity holders of the parent. Return on capital employed is also monitored. The Group's dividend policy is based on the expected growth in sustainable income streams after making provision for the retention of capital to invest in growth and acquisitions. In evaluating growth investment opportunities the Group has a target of a 15% pre-tax return on the capital invested.

	2018 £m	2017 £m
Interest bearing loans and borrowings	**132.2**	152.8
Less cash and cash equivalents	**(18.6)**	(20.3)
Net debt	**113.6**	132.5
Equity attributable to the equity holders of the parent	**305.0**	277.8
Gearing ratio	**37.2%**	47.7%

The Group has exposure to the following financial risks:

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. These arise principally from the Group's receivables from customers and from cash balances held with financial institutions. The carrying amount of financial assets represents the maximum credit exposure. There are no significant concentrations of credit risk within the Group. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and the industry and country in which each customer operates. The Group has a number of large customers including Government agencies in the UK and overseas, major oil companies and other multinational corporations. The ten largest customers of the Group accounted for approximately 26% of Group revenue (2017: 20%). No customer accounted for more than 4% (2017: 3%) of Group revenue. New customers are subject to creditworthiness checks and credit limits are subject to approval by senior management. Goods are sold subject to retention of title clauses so that in the event of non-payment the Group may have a secured claim.

26 Financial instruments continued

The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Receivables	**176.0**	186.7	**2.6**	2.3
Cash and cash equivalents	**18.6**	20.3	**9.9**	12.2
Interest rate swaps used for hedging:				
Assets	**1.5**	1.1	**1.5**	1.1
Forward exchange contracts used for hedging:				
Assets	**0.1**	2.3	**0.1**	2.3
	196.2	210.4	**14.1**	17.9

Trade receivables are non-interest bearing and are generally on 30 to 60 days terms. At 31 December the value of trade debtors outstanding was:

	Group			
	2018		2017	
	gross £m	**allowance £m**	gross £m	allowance £m
Not past due	**49.1**	**–**	48.5	–
Past due	**70.1**	**(3.4)**	39.0	(3.6)
	119.2	**(3.4)**	87.5	(3.6)

	Group		Company	
	gross 2018 £m	gross 2017 £m	**gross 2018 £m**	gross 2017 £m
Not yet due	**49.1**	48.5	**–**	–
Overdue 1 to 30 days	**27.0**	15.2	**–**	–
Overdue 31 to 60 days	**9.4**	6.8	**–**	–
Overdue 61 to 90 days	**19.1**	5.5	**–**	–
Overdue more than 90 days	**14.6**	11.5	**–**	–
	119.2	87.5	**–**	–

The movement in the provision for impairment of trade receivables is as follows:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Balance at 1 January	**3.6**	1.5	**–**	–
On acquisition of subsidiaries	**–**	1.2	**–**	–
Provided in the year	**1.2**	1.8	**–**	–
Recoveries	**–**	(0.2)	**–**	–
Write-offs	**(1.4)**	(0.7)	**–**	–
	3.4	3.6	**–**	–

The Group considers that the trade receivables that have not been provided against and are past due by more than 30 days are collectable based on historic payment behaviour and extensive analysis of underlying customers' credit ratings. Based on historic default rates, the Group believes that apart from the amounts included in the table above, no impairment allowance is necessary in respect of trade receivables. The material balances over 90 days are in respect of specific contracts or markets where the balance is considered recoverable, except to the extent that they are already provided, and there is no material impact on expected credit losses.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages its cash resources and borrowings to ensure that it will have sufficient liquidity to meet its liabilities as they fall due but in a manner designed to maximise the benefit of those resources whilst ensuring the security of investment resources. The Group forecasts the profile of its cash requirements on a monthly basis and ensures that sufficient facilities are available to meet peak requirements which occur at predictable times in the year. The Group manages the maturity profile of its borrowings by maintaining a regular dialogue with its lenders and ensuring that it commences the renegotiation of facilities sufficiently early to allow a comprehensive review of its requirements before completion.

The Group's revolving credit facilities extend over several accounting periods and fall due for renewal in different accounting periods ensuring that the Group negotiations with individual lenders follow an orderly process which does not expose the Group to the possibility of a significant reduction in available facilities in any single period. At 31 December 2018, the Group had £92.4m (2017: £71.8m) of undrawn committed bank facilities.

26 Financial instruments continued

The following are the contractual maturities of financial liabilities, including interest payments:

Year ended 31 December 2018

Group Non-derivative financial liabilities	**Carrying amount £m**	**Contractual cash flows £m**	**Within 1 year £m**	**1 – 2 years £m**	**2 – 5 years £m**
Unsecured bank loans	**131.9**	**(140.2)**	**(13.9)**	**(87.4)**	**(38.9)**
Finance lease liabilities	**0.2**	**(0.2)**	**(0.1)**	**(0.1)**	**–**
Trade and other payables	**126.6**	**(126.6)**	**(126.6)**	**–**	**–**
Contingent consideration	**6.0**	**(6.0)**	**–**	**–**	**(6.0)**
Derivative financial liabilities					
Interest rate swaps used for hedging	**(1.4)**	**0.6**	**0.1**	**0.2**	**0.3**
Outflow on forward exchange contracts used for hedging	**2.2**	**(50.4)**	**(50.4)**	**–**	**–**
	265.5	**(322.8)**	**(190.9)**	**(87.3)**	**(44.6)**

Year ended 31 December 2017

Group Non-derivative financial liabilities	Carrying amount £m	Contractual cash flows £m	Within 1 year £m	1 – 2 years £m	2 – 5 years £m
Unsecured bank loans	152.3	(163.0)	(4.0)	(43.0)	(116.0)
Finance lease liabilities	0.4	(0.4)	(0.2)	(0.2)	–
Trade and other payables	136.5	(136.5)	(136.5)	–	–
Contingent consideration	12.8	(12.8)	(1.3)	–	(11.5)
Derivative financial liabilities					
Interest rate swaps used for hedging	(0.7)	(0.8)	(0.3)	(0.1)	(0.4)
Outflow on forward exchange contracts used for hedging	(2.3)	(35.2)	(35.2)	–	–
	299.0	(348.7)	(177.5)	(43.3)	(127.9)

Year ended 31 December 2018

Company Non-derivative financial liabilities	**Carrying amount £m**	**Contractual cash flows £m**	**Within 1 year £m**	**1 – 2 years £m**	**2 – 5 years £m**
Unsecured bank loans	**131.9**	**(140.2)**	**(13.9)**	**(87.4)**	**(38.9)**
Trade and other payables	**5.3**	**(5.3)**	**(5.3)**	**–**	**–**
Derivative financial liabilities					
Interest rate swaps used for hedging	**(1.4)**	**0.6**	**0.1**	**0.2**	**0.3**
Outflow on forward exchange contracts used for hedging	**2.2**	**(50.4)**	**(50.4)**	**–**	**–**
	138.0	**(195.3)**	**(69.5)**	**(87.2)**	**(38.6)**

Year ended 31 December 2017

Company Non-derivative financial liabilities	Carrying amount £m	Contractual cash flows £m	Within 1 year £m	1 – 2 years £m	2 – 5 years £m
Unsecured bank loans	152.1	(162.9)	(3.9)	(43.0)	(116.0)
Trade and other payables	4.5	(4.5)	(4.5)	–	–
Derivative financial liabilities					
Interest rate swaps used for hedging	(0.7)	(0.8)	(0.3)	(0.1)	(0.4)
Outflow on forward exchange contracts used for hedging	(2.3)	(35.2)	(35.2)	–	–
	153.6	(203.4)	(43.9)	(43.1)	(116.4)

26 Financial instruments continued

(c) Foreign exchange risk

The Group is exposed to foreign currency risks on sales, purchases, cash and borrowings denominated in currencies other than Sterling. These transactional exposures are mainly to movement in the US Dollar and the Euro. The Group uses forward exchange contracts to hedge its transactional exposures. Most forward exchange contracts have maturities of less than one year after the balance sheet date. Forward exchange contracts which qualify as effective cash flow hedges are stated at fair value. The principal translation exposures relate to the Norwegian Kroner.

The Group's exposure to foreign currency transactional risk in its principal currencies was as follows based on notional amounts:

	31 December 2018						31 December 2017					
	USD m	**EUR m**	**NOK m**	**SGD m**	**AUD m**	**NGN m**	USD m	EUR m	NOK m	SGD m	AUD m	NGN m
Trade receivables	**34.5**	**2.3**	**0.1**	**–**	**0.1**	**71.0**	35.8	3.2	0.1	–	–	90.9
Cash at bank and in hand	**6.7**	**(0.2)**	**0.2**	**2.8**	**–**	**117.3**	7.6	2.2	0.3	–	0.1	533.6
Unsecured bank loans	**(11.2)**	**–**	**–**	**–**	**–**	**–**	(8.7)	–	–	–	–	–
Trade payables	**(5.9)**	**(2.7)**	**(0.8)**	**(0.2)**	**(0.2)**	**(36.3)**	(7.8)	(2.8)	(1.0)	(0.1)	–	(2.5)
Gross balance sheet exposure	**24.1**	**(0.6)**	**(0.5)**	**2.6**	**(0.1)**	**152.0**	26.9	2.6	(0.6)	(0.1)	0.1	622.0
Forecast sales	**153.1**	**12.3**	**–**	**–**	**–**	**86.1**	125.0	11.1	–	–	–	215.0
Forecast purchases	**(44.8)**	**(14.5)**	**(0.1)**	**(0.1)**	**(0.1)**	**(59.8)**	(44.5)	(13.6)	(2.2)	(0.2)	(0.3)	(15.0)
Gross exposure	**132.4**	**(2.8)**	**(0.6)**	**2.5**	**(0.2)**	**178.3**	107.4	0.1	(2.8)	(0.3)	(0.2)	822.0
Forward exchange contracts	**(64.2)**	**–**	**–**	**–**	**–**	**–**	(55.6)	–	–	–	–	–
Net exposure	**68.2**	**(2.8)**	**(0.6)**	**2.5**	**(0.2)**	**178.3**	51.8	0.1	(2.8)	(0.3)	(0.2)	822.0

Changes in the level of exchange rates will have an impact on consolidated earnings. The following table shows the impact on earnings of a 5% strengthening in the exchange rate in the Group's key currencies against Sterling. The obverse movements would be of the same magnitude. These amounts have been calculated by applying changes in exchange rates to the Group's foreign currency profits and losses and to financial instruments denominated in foreign currency.

	2018		2017	
	Equity £m	**Income statement £m**	Equity £m	Income statement £m
US Dollar	**(2.4)**	**(4.3)**	(1.8)	(3.3)
Norwegian Kroner	**(0.1)**	**–**	(0.1)	0.1
Euro	**–**	**(0.1)**	(0.1)	0.1
Singaporean Dollar	**(0.1)**	**0.1**	(0.5)	(0.5)
Australian Dollar	**(0.3)**	**(0.2)**	(0.3)	(0.3)
	(2.9)	**(4.5)**	(2.8)	(3.9)

(d) Interest rate risk

The Group uses interest rate swaps to convert interest rates on certain borrowings from floating rates to fixed rates to hedge exposure to fluctuations in interest rates. The interest rate profile of the Group's financial assets and liabilities are set out in the table below:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Fixed rate instruments				
Financial liabilities	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Variable rate instruments				
Financial assets	**18.6**	20.3	**9.9**	12.2
Financial liabilities	**(131.9)**	(152.3)	**(137.4)**	(164.0)
	(113.3)	(132.0)	**(127.5)**	(151.8)

Where hedging criteria are met the Group classifies interest rate swaps as cash flow hedges and states them at fair value. Over the longer-term permanent changes in interest rates would have an impact on consolidated earnings. At 31 December 2018, a general increase of one percentage point would have had the following impact:

	2018 Income statement £m	2017 Income statement £m
Variable rate instruments	**(1.1)**	(1.3)
Interest rate swap	**0.8**	0.8
Cash flow sensitivity	**(0.3)**	(0.5)

26 Financial instruments continued

(e) Fair values

There are no material differences between the book value of financial assets and liabilities and their fair value other than set out below:

		2018		2017	
Group Liabilities carried at amortised cost	Note	**Carrying value £m**	**Fair value £m**	Carrying value £m	Fair value £m
Unsecured bank loans	24	**(131.9)**	**(128.1)**	(152.3)	(145.6)
Trade and other payables	19	**(126.6)**	**(126.6)**	(136.5)	(136.5)
Finance leases	24	**(0.2)**	**(0.3)**	(0.4)	(0.5)
Preference shares	27	**(0.1)**	**(0.1)**	(0.1)	(0.1)
		(258.8)	**(255.1)**	(289.3)	(282.7)
Company					
Liabilities carried at amortised cost					
Overdrafts	24	**(15.5)**	**(15.5)**	(11.9)	(11.9)
Unsecured bank loans	24	**(131.9)**	**(128.1)**	(152.1)	(145.5)
Trade and other payables	19	**(5.3)**	**(5.3)**	(4.5)	(4.5)
Preference shares	27	**(0.1)**	**(0.1)**	(0.1)	(0.1)
		(152.8)	**(149.0)**	(168.6)	(162.0)

Fair value has been determined by reference to the market value at the balance sheet date or by discounting the relevant cash flows using current interest rates for similar instruments. The fair value of the financial assets has been assessed by the Directors with reference to the current prospects of the investments and risks associated with those prospects.

Fair value hierarchy
The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of inputs used in making measurements of fair value. The fair value hierarchy has the following levels:

(a) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(c) Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments carried at fair value are as set out below:

	Level 2		Level 3	
Group	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Financial assets measured at fair value				
Forward exchange contracts – cash flow hedges	**0.1**	2.3	**–**	–
Interest rate swaps – cash flow hedges	**1.5**	1.1	**–**	–
	1.6	3.4	**–**	–
Financial liabilities measured at fair value				
Forward exchange contracts – cash flow hedges	**(2.3)**	–	**–**	–
Interest rate swaps – cash flow hedges	**(0.1)**	(0.4)	**–**	–
Contingent consideration	**–**	–	**(6.0)**	(12.8)
Financial liabilities not measured at fair value				
Unsecured bank loans	**(128.1)**	(145.6)	**–**	–
Finance leases	**(0.3)**	(0.5)	**–**	–
	(130.8)	(146.5)	**(6.0)**	(12.8)
	(129.2)	(143.1)	**(6.0)**	(12.8)

26 Financial instruments continued

Company	Level 2 2018 £m	2017 £m
Financial assets measured at fair value		
Forward exchange contracts – cash flow hedges	**0.1**	2.3
Interest rate swaps – cash flow hedges	**1.5**	1.1
	1.6	3.4
Financial liabilities measured at fair value		
Forward exchange contracts – cash flow hedges	**(2.3)**	–
Interest rate swaps – cash flow hedges	**(0.1)**	(0.4)
Financial liabilities not measured at fair value		
Unsecured bank loans	**(128.1)**	(145.5)
	(130.5)	(145.9)
	(128.9)	(142.5)

There have been no transfers between categories during the period. The fair value of interest rate swap contracts and forward exchange contracts are calculated by management based on external valuations received from the Group's bankers and is based on forward exchange rates and anticipated future interest yields respectively.

Fair value hedges – Group and Company

At 31 December 2018 and 31 December 2017 the Group did not have any outstanding fair value hedges.

Cash flow hedges – Group and Company

Note 31.3 (d) describes the Group's approach to hedge accounting following the introduction of IFRS 9.

Forward contracts and interest rate swaps are included within 'trade and other payables or trade and other receivables' in the Statement of Financial Position, in 'effective portion of changes in fair value of cash flow hedges' in the consolidated statement of other comprehensive income (OCI), and in 'Administrative expenses' within the Income Statement.

At 31 December 2018, the Group and Company held forward currency contracts designated to hedge future commitments in US Dollars and Swedish Krone. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £m
Sell			
US$ 64.2m	**January 2019 – December 2019**	**1.35**	**(2.2)**
Buy			
SEK 83.5m	**January 2019 – December 2019**	**11.39**	**0.1**
SEK 5.6m	**January 2020 – December 2020**	**11.23**	**-**

At 31 December 2017, the Group and Company held forward currency contracts designated to hedge future commitments in US Dollars. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £m
Sell			
US$ 47.6m	January 2018 – December 2018	1.28	2.3

The foreign exchange contracts have been negotiated to match the expected profile of receipts. At 31 December 2018, these hedges were assessed to be highly effective and an unrealised loss of £4.3m (2017: gain £6.0m) relating to the hedging instruments is included in equity.

Interest rate swaps

The Group and Company entered into interest rate swap contracts in respect of Sterling denominated debt to swap a variable rate liability for a fixed rate liability. These instruments have been allocated against the Group and Company debt in the tables shown above. Details of the contracts and their fair values at 31 December are set out below:

	Amount 2018 £m	Amount 2017 £m	Maturity	Fixed rate %	Fair value 2018 £m	Fair value 2017 £m
Sterling interest rate swaps	**81.0**	81.0	30 January 2019 to 31 October 2022	0.47% – 3.71%	**1.4**	0.7

In respect of the interest rate swaps a cost of £0.2m was recognised in the income statement, and £0.7m gain in the OCI. A cost of £0.1m was recognised in the income statement and £4.3m in the OCI relating to forward contracts.

27 Share capital

Group and Company

Allotted, called up and fully paid

	25p Ordinary shares		£1 Cumulative Preference shares	
In millions of shares	**2018**	2017	**2018**	2017
In issue at 1 January	**50.2**	50.2	**0.1**	0.1
Exercise of share options	**0.1**	–	**–**	–
In issue at 31 December	**50.3**	50.2	**0.1**	0.1

	2018 £m	2017 £m	2018 £m	2017 £m
Issued share capital	**12.6**	12.6	**0.1**	0.1

The preference shareholders are entitled to receive 3.5% cumulatively per annum, payable in priority to any dividend on the ordinary shares. The ordinary shareholders are entitled to receive dividends as declared from time to time by the Directors.

Shares all carry equal voting rights of one vote per share held. They also have the right to attend and speak at general meetings, exercise voting rights and appoint proxies. Neither type of share is redeemable. In the event of a winding-up order the amount receivable in respect of the cumulative preference shares is limited to their nominal value. The ordinary shareholders are entitled to an unlimited share of the surplus after distribution to the cumulative preference shareholders.

Treasury shares	2018 £m	2017 £m
28,630 (2017: 27,620) ordinary shares of 25p	**0.4**	0.4

The Company has an established Employee Share Ownership Trust, the James Fisher and Sons plc Employee Share Ownership Trust, to meet potential obligations under share option and long-term incentive schemes awarded to employees. The market value of these shares at 31 December 2018 was £0.5m (2017: £0.4m). The trust has not waived its right to receive dividends.

In the year ended 31 December 2018, 63,370 (2017: 18,128) ordinary shares with an aggregate nominal value of £15,843 (2017: £4,532) were issued to satisfy awards made under the Company's Executive Share Option Scheme at an option prices of 354p and 410p (2017: 354p) per share giving rise to total consideration of £245,142 (2017: £64,173).

During the year the Trust purchased 38,373 (2017: 71,243) of the Company's shares in the market at an average cost per share of £15.67 (2017: £16.38) and a total cost of £601,397 (2017: £1,166,653).

28 Commitments and contingencies

Operating leases

The Group has entered into leases on certain properties, vessels, plant and motor vehicles. These leases have a life of between one and ten years and are renewable at the option of the lessee. The future minimum rentals payable under non-cancellable operating leases at 31 December are as follows:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Within one year	**11.2**	12.5	**–**	–
After one year but not more than five years	**18.3**	17.3	**1.0**	1.5
After five years	**8.7**	7.0	**0.6**	0.5
	38.2	36.8	**1.6**	2.0

Capital commitments

At 31 December, capital commitments for which no provision has been made in these accounts amounted to:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
	0.5	0.3	**–**	–

28 Commitments and contingencies continued

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 2024.

(d) Subsidiaries of the Group have issued performance and payment guarantees to third parties with a total value of £56.2m (2017: £44.6m).

(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 considerations at that time. This may include matters in areas such as relevant exchange control regulations, compliance with relevant laws and regulations, the impact of political instability, tax legislation and overall operating environments. Any changes impacting the assumptions underlying those estimates or judgements may give rise to a liability. The Directors consider the possibility of any liability arising in the future cannot currently either be excluded or quantified and therefore no provision has been included within the financial statements of the Company and the Group for any such matters.

(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.

29 Related party transactions

Transactions with related parties

FCM businesses

The Group has interests of between 40% and 50% in several joint ventures providing ship-to-ship transfer services in Northern Europe and Asia through its wholly owned subsidiary, Fender Care Marine Services Limited.

First Response Marine

The Group holds through James Fisher Marine Services Limited (JFMS) a 50% interest in First Response Marine Pte Ltd (FRM). FRM provides submarine rescue services to the Singapore government under a 20-year service contract which commenced in March 2009. Included in the contract is the provision of a submarine rescue vessel acquired by FRM from JFMS. FRM subcontracts part of the provision of the submarine rescue service to JFMS and its subsidiary James Fisher Singapore Pte Ltd. JFMS has also provided a loan to FRM of £2.0m to support its day-to-day operations. The loan which is included in the Group balance sheet as part of the investment in joint ventures is interest bearing and is repayable at the end of the project. Interest charged in the period amounted to £0.1m (2017: £0.1m). Dividends received or receivable during the period included in the results of the Group are £0.6m (2017: £0.6m).

JFD Domeyer

The Group, through JFD Limited has a 50% stake in JFD Domeyer GmbH, an entity which provides in-service support and aftermarket services to customers in Germany. Details of equipment sales to this entity are set out in the table below.

Eurotestconsult

The Group through JF Testing Services Limited, has a 50% stake in Eurotestconsult Limited, an entity which provides testing services to customers in Europe. Details of service sales and recharges for labour and subcontractor works to this entity are set out in the table below.

Wuhu Divex Diving Systems

The Group, through JFD Limited, has a 49% stake in Wuhu Divex Diving System Ltd, an entity which manufactures advanced diving systems for the Chinese market. Details of equipment sales are set out in the table below.

29 Related party transactions continued

Britannia's Gold Limited

The Group have an interest in Britannia's Gold Limited (BGL) which was granted in exchange for marine services provided to BGL in 2017. The Group's Chief Executive Officer, Nick Henry, is a non executive Director of BGL.

Details of the transactions carried out with related parties are shown in the table below:

		Services to related parties £m	Sales to related parties £m	Purchases from related parties £m	Amounts owed by parties £m	Amounts owed to parties £m
FCM businesses	**2018**	**–**	**0.2**	**–**	**0.5**	**–**
	2017	–	0.2	0.8	0.4	0.2
First Response Marine	**2018**	**5.6**	**–**	**–**	**0.9**	**–**
	2017	3.4	–	–	1.7	–
JFD Domeyer	**2018**	**–**	**0.6**	**–**	**0.1**	**–**
	2017	–	0.8	–	0.1	–
Eurotestconsult	**2018**	**–**	**0.4**	**–**	**–**	**–**
	2017	0.2	1.2	–	0.1	–
Wuhu Divex Diving Systems	**2018**	**–**	**6.2**	**–**	**0.1**	**–**
	2017	–	0.7	–	2.0	–
BGL	**2018**	**3.0**	**–**	**–**	**–**	**–**
	2017	4.2	–	–	–	–

No allowance for expected credit losses for bad debts has been made in respect of these balances (2017: £nil). No bad debts arose during the period relating to these transactions (2017: £nil).

All transactions with related parties are priced on an arms length basis on terms equivalent to those provided to wholly external parties.

Company

The Company has entered into transactions with its subsidiary undertakings primarily in respect of the provision of accounting services, finance and the provision of share options to employees of subsidiaries.

The amount outstanding from subsidiary undertakings to the Company at 31 December 2018 was £255.9m (2017: £237.3m). Amounts owed to subsidiary undertakings by the Company at 31 December 2018 totalled £3.7m (2017: £5.9m).

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2017: £nil).

30 Post balance sheet events

On 8 January 2019, we announced that the Group acquired the entire share capital of Martek Holdings Limited (Martek), for an initial net 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.

On 8 January 2019, we announced that the Group acquired 60% of the share capital of Murjan Al-Sharq (MSMC), for an initial cash consideration of £4.1m, with potential further consideration of up to £4.5m subject to a profit target for the year ending 31 December 2019. Both Martek and MSMC will be included in the Group's Marine Support division.

31 Significant accounting policies

The Group has adopted IFRS15 'Revenue from contracts with customers' and restated its comparatives accordingly, which is set out in note 33. The Group has adopted IFRS 9 'Financial Instruments' which has had no impact on comparatives. Otherwise, the principal accounting policies, which have been applied consistently throughout the year and the preceding year, are set out below.

31.1 Basis of preparation of the consolidated financial statements

The results of subsidiaries are consolidated for the periods from or to the date on which control has passed. Control exists when the Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee. Acquisitions are accounted for under the purchase method of accounting from the acquisition date, which is the date on which control is passed to the Group. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in the consolidated financial statements.

Payment for the future services from employees or former owners are expensed. Any payments to employees or former owners in respect of the acquisition of the business are capitalised. This is carefully managed during the acquisition process so that former owners and/or employees do not receive any incentive payments during an earn-out period.

Joint arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Any investment in joint ventures is carried in the balance sheet at cost plus the Group's post acquisition share in the change in net assets of the joint ventures, less any impairment provision. The income statement reflects the Group's share of the post-tax result of the joint ventures. The Group's share of any changes recognised by the joint venture in other comprehensive income are also recognised in other comprehensive income.

31 Significant accounting policies continued

Non-controlling interests

Non-controlling interests represent the proportion of profit or loss and net assets not held by the Group and are presented separately in the income statement and in the consolidated statement of financial position. On the acquisition of non-controlling interests, the difference between the consideration paid and the fair value of the share of net assets acquired is recognised in equity. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Company investments in subsidiaries and joint ventures

In its separate financial statements the Company recognises its investments in subsidiaries and joint ventures at cost. Income is recognised from these investments when its right to receive the dividend is established.

31.2 Foreign currency

Group

The financial statements of subsidiary undertakings are prepared in their functional currency which is the currency of the primary economic environment in which they operate. For the purpose of the consolidated financial statements, the results and financial position of each entity are translated into UK Sterling, which is the Group's presentational currency.

(i) Foreign currency transactions in functional currency

Transactions in currencies other than the entities functional currency are initially recorded at rates of exchange prevailing on the date of the transaction. At each subsequent balance sheet date:

(i) Foreign currency monetary items are retranslated at rates prevailing on the balance sheet date and any exchange differences recognised in the income statement;

(ii) Non-monetary items measured at historical cost are not retranslated; and

(iii) Non-monetary items measured at fair value are retranslated using exchange rates at the date the fair value was determined. Where a gain or loss is recognised directly in equity, any exchange component is also recognised in equity and conversely where a gain or loss is recognised in the income statement, any exchange component is recognised in the income statement.

(ii) Net investment in foreign operations

Exchange differences arising on monetary items forming part of the Group's net investment in overseas subsidiary undertakings which are denominated in the functional currency of the subsidiary undertaking are taken directly to the translation reserve and subsequently recognised in the consolidated income statement on disposal of the net investment. Exchange differences on foreign currency borrowings to the extent that they are used to provide an effective hedge against Group equity investments in foreign currency are taken directly to the translation reserve.

(iii) Translation from functional currency to presentational currency

The assets and liabilities of operations, where the functional currency is different from the Group's presentational currency are translated at the period end exchange rates. Income and expenses are translated at the average exchange rate for the reporting period. All other exchange differences on transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Resulting exchange differences are recognised in the consolidated statement of other comprehensive income. Tax charges and credits attributable to exchange differences included in the reserve are also dealt with in the translation reserve.

Company

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on settlement of monetary items or on the retranslation of monetary items at rates different from those at which they were initially recognised are taken to the income statement.

All exchange differences on assets and liabilities denominated in foreign currencies are taken to the income statement, other than investments in foreign operations and foreign currency borrowings used to hedge those investments, where exchange differences are taken to the translation reserve.

31.3 Financial instruments

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

- Expected credit losses being recognised on trade debtors and contract assets recognised under IFRS 15;
- Hedge accounting and related hedge documentation; and
- Re-classification of assets held for sale as other investments, with these being fair valued at each reporting period.

(a) Financial assets

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset, other than a trade receivable without a significant financing component, or financial liability is initially measured at fair value plus transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

31 Significant accounting policies continued

Policy applicable from 1 January 2018

A financial asset is measured at amortised cost if it is not designated as fair value through the profit and loss account (FVTPL) and it is held to collect contractual cash flows with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at fair value through other comprehensive income (FVOCI) if it is not designated as at FVTPL, and it is held with the objective of collecting contractual cash flows and selling financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment not held for trading, the Group can irrevocably elect, on an investment by investment basis, to present subsequent changes in the investment's fair value in OCI.

All financial assets not classified as measured at amortised cost or FVOCI, as described above, including derivative financial instruments are measured at fair value through profit and loss.

Financial assets at fair value through profit and loss, including any interest or dividend income, are recognised in the profit and loss.

Financial assets at amortised cost are valued using the effective interest method with the amortised cost reduced by any impairment losses, with interest income, foreign exchange gains or losses, impairment and de-recognition gains or losses recognised in profit or loss.

Debt investments are measured at fair value with interest income calculated using the effective interest method with any foreign exchange gains and losses, or impairments, taken through the profit and loss. Other net gains or losses, and those on de-recognition accumulated through the OCI, are re-classified in the profit or loss.

Equity investments are measured at fair value with dividends recognised through the profit and loss. Other net gains or losses, are recognised in the OCI, and are never re-classified in the profit or loss.

Before 1 January 2018 the Group classified its financial assets into one of the following categories:

- Financial assets, except those designated as hedging instruments, at FVTPL, measured at fair value with any changes therein, including any interest or dividend income, recognised in profit or loss;
- Held-to-maturity financial assets measured at amortised cost using the effective interest method;
- Loans and receivables measured at amortised cost using the effective interest method; or
- Available-for-sale financial assets measured at fair value, with changes therein (excluding impairment losses, interest income and foreign currency differences on debt instruments) recognised in OCI and accumulated in the fair value reserve. On de-recognition, the gain or loss accumulated in equity is re-classified to profit or loss.

(b) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses, and any gain or loss on de-recognition are recognised in profit or loss.

(c) De-recognition

The Group de-recognises a financial asset when the contractual rights to the cash flows from that asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

The Group de-recognises a financial liability when its contractual obligations are discharged or cancelled, or expire. On de-recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in profit or loss.

(d) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss. The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge and the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The appropriate level of hedging is monitored by Group Treasury and the Group Board. As part of this review process the following are assessed:

- the hedging effectiveness to determine that there is an economic relationship between the hedged item and the hedging instrument;
- the hedge ratio; and
- that the hedged item and instrument are not intentionally weighted to create hedge ineffectiveness.

31 Significant accounting policies continued

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships.

For all hedged forecast transactions, the amount accumulated in the hedging reserve is re-classified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

Cash and short-term deposits included in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less from the original acquisition date. Cash and cash equivalents included in the cash flow statement comprise cash and short-term deposits, net of bank overdrafts.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately re-classified to profit or loss.

Net investment hedges

When a derivative instrument or a non derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in OCI and presented in the translation reserve within equity.

Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non derivative is recognised immediately in profit or loss. The amount recognised in OCI is re-classified to profit or loss as a re-classification adjustment on disposal of the foreign operation.

(e) Expected credit losses

IFRS 9 introduced a new model for the recognition of impairment losses – the expected credit loss (ECL) model. ECL is the expected value decrease in an asset. The expected credit loss model constitutes a change from the previous IAS 39 incurred loss model. The key difference between incurred and expected is the requirement to consider forward looking scenarios. Credit risk is the risk of financial loss of the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities. The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

31.4 Intangible assets

Intangible assets, excluding goodwill arising on a business combination, are stated at cost or fair value less any provision for impairment.

Intangible assets assessed as having finite lives are amortised over their estimated useful economic life and are assessed for impairment whenever there is an indication that they are impaired. Amortisation charges are on a straight-line basis and recognised in the income statement. Estimated useful lives are as follows:

Development costs	5 years or over the expected period of product sales, if less
Intellectual property	3 to 20 years
Patents and licences	5 years or over the period of the licence, if less
Other intangibles	5 years

(a) Goodwill arising on a business combination

Goodwill arising on the acquisition of a subsidiary represents the excess of the aggregate of the fair value of the consideration over the aggregate fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised at cost and is subsequently measured at cost less any accumulated impairment losses.

Costs related to an acquisition, other than those associated with the issue of debt or equity securities incurred in connection with a business combination are expensed to the income statement. The carrying value of goodwill is reviewed annually for impairment but more regularly if events or changes in circumstances indicate that it may be impaired. When an impairment loss is recognised it is not reversed in a subsequent accounting period, even if the circumstances which led to the impairment cease to exist.

(b) Acquired intangible assets

Intangible assets that are acquired as a result of a business combination including but not limited to customer relationships, supplier lists, patents and technology and that can be separately measured at fair value on a reliable basis are recorded initially at fair value and amortised over their expected useful life. Amortisation is expensed to the consolidated income statement.

31.5 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment losses. Refit costs relating to vessels are capitalised when incurred and depreciated over their estimated useful economic life of 30 months. Cost comprises expenditure incurred during construction, delivery and modification. Where a substantial period of time is required to bring an asset into use, attributable finance costs are capitalised and included in the cost of the relevant asset.

Depreciation is provided to write off the cost of property, plant and equipment to their residual value in equal annual instalments over their estimated useful lives, as follows:

Freehold property	40 years
Leasehold improvements	25 years or the period of the lease, if shorter
Plant and equipment	Between 5 and 20 years
Vessels	Between 10 and 25 years

No depreciation is charged on assets under construction.

Residual values of vessels are set initially at 20% of purchase cost or fair value at acquisition, which the Directors believe to be an approximation of current residual values. Residual values and estimated remaining lives are reviewed annually by the Directors and adjusted if appropriate to reflect the relevant market conditions and expectations, obsolescence and normal wear and tear.

31 Significant accounting policies continued

31.6 Impairment of tangible and intangible assets

At each reporting date the Group assesses whether there are any indications that an asset has been impaired. If any indication exists, an estimate of the recoverable amount of the asset is made which is determined as the higher of its fair value less costs to sell and its value in use. These calculations are determined for an individual asset unless that asset does not generate cash inflows independently from other assets, in which case its value is determined as part of that group of assets. To assess the value in use, estimated future cash flows relating to the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset. Where the carrying amount of the asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

(a) Impairment of goodwill

Goodwill acquired in a business combination is allocated against the appropriate combination of business units deemed to obtain advantage from the benefits acquired with the goodwill. These are designated as cash generating units (CGU). Impairment is then assessed by comparing the recoverable amount of the relevant CGU with the carrying value of the CGU's goodwill. Recoverable amount is measured as the higher of the CGU's fair value less cost to sell and the value in use. Where the recoverable amount of the CGU is less than its carrying amount including goodwill, an impairment loss is recognised in the income statement. An impairment loss for goodwill is not reversed in a subsequent period.

(b) Impairment of tangible and other intangible assets

If any indication of a potential impairment exists, the recoverable amount is estimated to determine the extent of any impairment loss. Assets are grouped together for this purpose at the lowest level for which there are separately identifiable cash flows.

(c) Research and development costs

Research expenditure is expensed in the income statement as incurred.

Expenditure on development which represents the application of research to the development of new products or processes is capitalised provided that specific projects are identifiable, technically feasible, and the Group has sufficient resources to complete development. The useful life of projects meeting the criteria for capitalisation is determined on a project by project basis. Capitalised development expenditure is measured at cost and amortised over its expected useful life on a straight-line basis. Other development costs are recognised in the income statement as incurred.

If an event occurs after the recognition of an impairment that leads to a decrease in the amount of the impairment loss previously recognised the impairment loss is reversed. The reversal is recognised in the income statement to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

31.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Raw materials, consumables stores and finished goods for sale are stated at purchase cost on a first in first out basis. Work in progress and finished goods are stated at the cost of direct materials and labour plus attributable overheads allocated on a systematic basis based on a normal level of activity. Net realisable value is based on estimated selling price less the estimated costs of completion and sale or disposal.

31.8 Taxation

Corporation tax is provided on taxable profits from activities not qualifying for tonnage tax relief and is recognised in the income statement except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected corporation tax payable or receivable in respect of the taxable profit for the year using tax rates enacted or substantively enacted at the balance sheet date, less any adjustments to tax payable or receivable in respect of previous years.

Deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities included in the financial statements and the amounts used for tax purposes, that will result in an obligation to pay more, a right to pay less or to receive more tax, with the following exceptions:

- No provision is made where a deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction which is not a business combination that at the time of the transaction affect neither accounting nor taxable profit; and
- No provision is made for deferred tax that would arise on all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that the Directors consider that it is probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences and unused tax losses and credits can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the asset is expected to be realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Deferred tax arising on actuarial gains and losses relating to defined benefit pension funds is recorded in other comprehensive income. Where the cash contributions made to the schemes exceed the service costs recognised in the income statement the current tax arising is recorded in other comprehensive income.

31.9 Leases

A lease arrangement under which substantially all the risks and rewards of ownership rest with the lessee are classified as finance leases and capitalised at the inception of the lease at the lower of the fair value of the related item or the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed to the income statement.

Capitalised leased assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. All other leases are classified as operating leases and rentals payable are charged to the income statement on a straight-line basis over the lease term.

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

31 Significant accounting policies continued

31.10 Pension plans

(i) Defined contribution schemes

Pre-determined contributions paid to a separate privately administered pension plan are recognised as an expense in the income statement in the period in which they arise. Other than this contribution the Group has no further legal or constructive obligation to make further contributions to the scheme.

(ii) Defined benefit schemes

A defined benefit scheme is a pension plan under which the amount of pension benefit that an employee receives on retirement is defined by reference to factors including age, years of service and compensation. The schemes are funded by payments determined by periodic actuarial calculations agreed between the Group and the trustees of trustee-administered funds.

The cost of providing benefits is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (current service cost) and to current and prior periods (to determine the present value of the defined benefit obligation). Current service costs are recognised in the income statement in the current year. Past service costs are recognised in the income statement immediately. When a settlement (which eliminates all obligations for benefits already accrued) or a curtailment (which reduces future obligations as a result of a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and any gain or loss is recognised in the income statement.

The interest element of the defined benefit charge is determined by applying the discount rate to the net defined benefit liability at the start of the period and is recognised in the income statement. A liability is recognised in the statement of financial position which represents the present value of the defined benefit obligations at the balance sheet date, less the fair value of the scheme assets and is calculated separately for each scheme.

The defined benefit obligations represent the estimated amount of future benefits that employees have earned in return for their services in current and prior periods, discounted at a rate representing the yield on a high quality corporate bond at the balance sheet date, denominated in the same currency as the obligations, and having the same terms to maturity as the related pension liability, applied to the estimated future cash outflows arising from these obligations. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available from any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement. Actuarial gains and losses on experience adjustments and changes in actuarial assumptions are recognised in the statement of other comprehensive income.

31.11 Share based payments

Executive share option schemes are operated under which options are granted to employees of the Group. An expense is recognised in the income statement with a corresponding credit to equity in respect of the fair value of employee services rendered in exchange for options granted, which is determined by the fair value of the option at the date of grant. The amount is expensed over a specified period until the options can be exercised (the vesting period).

The fair value of an option is determined by the use of mathematical modelling techniques, including the Black-Scholes option pricing model and the Binomial model. Non-market vesting conditions (such as profitability and growth targets) are excluded from the fair value calculation but included in assumptions about the number of options that are expected to become exercisable.

An estimate is made of the number of options that are expected to become exercisable at each balance sheet date. Any adjustments to the original estimates are recognised in the income statement (and equity) over the remaining vesting period with any element of any adjustments relating to prior periods recognised in the current period. No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition (such as total shareholder return of the Group relative to an index). These are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In addition to failure by the employee to exercise an option in accordance with the exercise period allowed by the scheme, an award made to an employee under a share option scheme is deemed to lapse when either the scheme is cancelled by the Company, or when an employee, who continues to qualify for membership of a scheme, ceases to pay contributions to that scheme. In these circumstances the full remaining unexpired cost of the award is expensed in the period in which the option lapses.

Where the exercise of options is satisfied by the issue of shares by the Company, the nominal value of any shares issued from the exercise of options is credited to share capital with the balance of the proceeds received, net of transaction costs, credited to share premium.

31.12 Short-term employee benefits

The Group recognises a liability and an expense for short-term employee benefits, including bonuses, only when contractually or constructively obliged.

31.13 Share capital and reserves

Ordinary shares are classified as equity. Costs attributable to the issue of new shares are deducted from equity from the proceeds.

(a) Treasury shares

Shares issued by the Company which are held by the Company or its subsidiary entities (including the Employee Share Ownership Trust (ESOT)), are designated as treasury shares. The cost of these shares is deducted from equity. No gains or losses are recognised on the purchase, sale, cancellation or issue of treasury shares. Consideration paid or received is recognised directly in equity.

31 Significant accounting policies continued

(b) Employee Share Ownership Plan (ESOP)

Company shares are held in an ESOP. The finance costs and administration costs relating to the ESOP are charged to the income statement. Dividend income arising on own shares is excluded in arriving at profit before taxation and deducted from aggregate dividends paid.

The Group maintains the following reserves:

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of operations whose financial statements are denominated in foreign currencies as well as from the translation of liabilities that hedge the Company's net investment in a foreign subsidiary.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

31.14 Revenue recognition

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

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

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

Performance obligations

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

Transaction price

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

Revenue and profit recognition

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

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

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

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

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

Bid costs

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

Warranty costs

Provision is made for warranties offered with products where it is probable that an obligation to transfer economic benefits to the customer in future will arise. This provision is based on management's assessment of the previous history of claims and probability of future obligations arising on a product by product basis. Provisions for warranty costs are set out in note 20.

31 Significant accounting policies continued

Revenue – operating lease rental income

Revenue is measured at the fair value of consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised in the income statement on a straight-line basis over the period of the hire.

31.15 Other investments

Other investments are recognised at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale are included in profit or loss, as are any gains and losses on subsequent remeasurement.

31.16 Intra-group financial instruments

Where the Company enters into financial guarantee contracts to guarantee the indebtness of other companies within the Group, the Company considers these to be insurance arrangements and accounts for them as such. In this respect the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

32 Significant accounting judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. The outcome may differ from these estimates.

Estimates and underlying assumptions are reviewed and revised on an on-going basis.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included below:

Impairment of goodwill

Goodwill, which is set out in note 12, of £171.4m (2017: £174.6m) is tested annually for any permanent impairment in accordance with the accounting policy in note 31.6. The value in use of the Group's cash generating units (CGU) requires assumptions about future levels of demand, gross margins and cost inflation. Inherent uncertainty involved in forecasting and discounting future cash flows is a key area of judgement. If indicators of impairment exist the carrying value of goodwill is compared to its recoverable amount which represents the higher of the net present value of the CGU's forecast cash flow and its carrying value. The assessment also includes sensitivity analysis to identify the range of outcomes and the validity of underlying assumptions. In the current year it is not expected that there is a risk of material misstatement based on these assessments.

Business combinations

Business combinations are set out in note 23 and the Group makes an assessment of the fair values of the assets and liabilities arising in a business combination and of any related contingent consideration. Judgement is applied in assessing appropriate fair values of the assets and liabilities required, identifying any intangible assets of the acquired business and in estimating the likelihood of contingent targets being achieved during the relevant period. The outcome of contingent consideration arrangements depends on a number of factors outside the control of the business including, but not limited to competition, general economic conditions and the availability of resources within the business to meet its obligations to its customers. The Group regularly assesses the likelihood of the targets being achieved during the performance period and makes appropriate adjustments to the provision for contingent consideration through the income statement. The Group uses a discounted cash flow analysis to assess the value of contingent consideration.

Revenue

Revenue is set out in notes 4 and 31.14. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably and recovery of the consideration is probable. The timing of the performance obligations will vary depending on the terms of the sales agreement, the evaluation of the specific risks associated with the performance of the contract (for example design, construction and testing) or generally accepted practice where there are no specific arrangements in the contract. Areas of judgement relate to construction contract accounting and specifically estimating the stage of completion and forecast outturn of the contract.

Income taxes

Taxation is set out in notes 8, 9 and 31.8. The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax risk issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group has entered the UK tonnage tax regime under which tax on its ship owning and operating activities is based on the net tonnage of vessels operated. Income and profits outside this regime are taxed under normal tax rules. This means that it is necessary to make estimates of the allocation of some income and expenses between tonnage and non-tonnage tax activities. These estimates are subject to agreement with the relevant tax authorities and may be revised in future periods.

Operating in overseas jurisdictions

The Group operates in emerging markets which increases contractual, operational and financial risk with potentially uncertain or changing regulatory and political environments. This is referred to in the Group's principal risks and uncertainties on page 25 and in note 26. In preparing the consolidated financial statements the management form a judgement about the risk of exchange control regulations, political stability, potential changes to tax regimes and operating environments.

32 Significant accounting judgements and estimates continued

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending 31 December 2019 is included in the following notes:

- Note 9 – recognition of deferred tax assets, and the availability of future taxable profit against which tax losses carried forward can be used;
- Notes 12 and 13 – impairment test of intangible assets and goodwill: key assumptions underlying recoverable amounts, including the recoverability of development costs; and
- Note 23 – Business combinations.

33 Changes in significant accounting policies

A. IFRS 15 'Revenue from contracts with customers'

The Group adopted IFRS 15 on 1 January 2018 using the fully retrospective method, utilising the practical expedients available:

a) Expedient 1 – Contracts started and completed in the same annual reporting period. An entity need not restate completed contracts that begin and end in the same annual reporting period;

b) Expedient 1A – Further, an entity can elect not to restate contracts that are completed contracts at the beginning of the earliest period presented;

c) Expedient 2 – That allows an entity to use the transaction price at the date on which the contract was completed, rather than estimating the variable consideration amounts in each comparative reporting period;

d) Expedient 3 – An entity need not separately evaluate the effect of contract modifications before the start of the earliest reporting period presented; and

e) Expedient 4 – An entity does not need to disclose for reporting periods presented before the date of initial application:

– Amount of the transaction price allocated to remaining performance obligations; and

– An explanation of when it expects to recognise the revenue.

Two revenue streams were identified as requiring Group policy change to align with IFRS 15. These were the rendering of services and delivery of construction contracts.

The main revenue streams within the Group are:

Sale of goods

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

Construction contracts

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

For some of the goods that the Group provides, the customer controls all of the work in progress as the products are manufactured, or the goods manufactured are of a specialised nature. The revenue from these contracts will be recognised as the products are manufactured. Revenue and some associated costs, for these contracts are recognised over time i.e. before the goods are delivered to the customers' premises.

Rendering of services

The Group is involved in providing a range of services including submarine rescue services. The transfer of control is assumed to pass to the customer on delivery of the goods or completion of the provision of the relevant services. Under IFRS 15, the total consideration in the service contracts is allocated to all services based on their stand-alone prices. The stand-alone selling prices are determined based on the list prices at which the Group sells such services in separate transactions.

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

	Year ended 31 December 2017		
	Reported £m	Adjustments £m	Restated £m
Revenue	505.4	(6.1)	499.3
Cost of sales	(350.9)	4.3	(346.6)
Gross profit	154.5	(1.8)	152.7
Administrative expenses	(100.4)	0.1	(100.3)
Share of post-tax results of joint ventures	1.7	–	1.7
Acquisition related income and (expense)	(1.3)	–	(1.3)
Operating profit	54.5	(1.7)	52.8
Net finance expense	(5.5)	–	(5.5)
Profit before taxation	49.0	(1.7)	47.3
Income tax	(8.3)	0.4	(7.9)
Profit for the period	40.7	(1.3)	39.4

33 Changes in significant accounting policies continued

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

	Year ended 31 December 2017		
	Reported £m	Adjustments £m	Restated £m
Non-current assets			
Deferred tax assets	3.2	1.1	4.3
Current assets			
Inventories	52.1	(4.9)	47.2
Trade and other receivables	201.9	(2.6)	199.3
Total assets	618.6	(6.4)	612.2
Current liabilities			
Trade and other payables	(132.7)	(0.8)	(133.5)
Net assets	286.2	(7.2)	279.0

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

The impact was to reduce the 2017 basic earnings per share by 1.9p, and the diluted earnings per share by 1.8p.

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

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

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

Performance obligations

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

Transaction price

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

Revenue and profit recognition

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and it has an enforceable right to payment for performance completed to date.

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

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

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

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

33 Changes in significant accounting policies continued

Bid costs

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

B. IFRS Financial Instruments

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

- Expected credit losses being recognised on trade debtors and contract assets recognised under IFRS 15;
- Hedge accounting and related hedge documentation; and
- Re-classification of assets held for sale as other investments, with these being fair valued at each reporting period.

Expected Credit Loss

Note 31.3 (e) describes the expected ECL. The Group has not historically suffered significant levels of write offs and a review has concluded that the current level of provision is considered appropriate.

Hedge accounting

The Group has elected to adopt the new General Hedge Accounting Model under IFRS 9 which requires that hedge accounting relationships are in line with its management objectives and strategy.

The Group uses forward exchange contracts to hedge against the variability in cash flows in foreign exchange rates relating to sales and receivables. Only the change in fair value of the spot element of the forward contracts is designated as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is held in a cash flow hedge reserve as a separate component of equity.

Re-classification of assets held for sale as other investment

Following the transition to IFRS 9, in respect of the interest in Britannia's Gold Limited (BGL) and SEML De Co-operation Transmanche the Group has elected to present subsequent changes to the fair value of these investments in the consolidated OCI. The investments are not part of the Group's core operational activities. The investments are in unquoted entities and held at fair value (see note 16).

These investments were previously classified as "Available for Sale" investments.

No dividends were received in the period in respect of these investments. In relation to the interest in BGL a fair value adjustment was made through the OCI during the year.

Transition

The Group has taken the exemption not to restate comparative periods. All hedging relationships designated under IAS 39 met the conditions to apply hedge accounting under IFRS 9.

34 Standards issued but not yet effective

The Group is required to adopt IFRS 16 'Leases' from 1 January 2019, and has performed an initial assessment of the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 'Leases', and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

Leases in which the Group is a lessee

The Group will recognise new right-of-use assets and liabilities for some its offices, operating leases of warehouse, vessels and factory facilities (see note 28). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. The interest charge will be higher in the earlier years of the lease term, but the total expense recognised in the Income Statement over the life of the lease will be unaffected by this new standard. It will, however, result in the timing of leases expense recognition being accelerated for leases currently accounted for as operating leases.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between lease payments and the expense recognised. There will be no impact on cash flows, but the presentation of the Cash Flow Statement will change with an increase in cash inflows from operating activities offset by an increase in cash outflows from financing activities.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised with no restatement of comparative information. The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

At 31 December 2018 the Group has operating lease commitments of £38.2m, and the initial recognition of asset and liability is not expected to exceed this.

Subsidiaries and associated undertakings

Subsidiary undertakings

Name of company	Address	Group percentage of equity capital
Marine Support		
Buchan Technical Services Limited	Barrow-in-Furness[1]	100%
Clariden Holdings SA	80 Broad Street, Monrovia, Liberia	100%
EDS HV Group Limited	Barrow-in-Furness[1]	100%
EDS HV Management Limited	Barrow-in-Furness[1]	100%
EDS HV Services Limited	Barrow-in-Furness[1]	100%
Electricity Distribution Services Limited	Barrow-in-Furness[1]	100%
F.C.N. Limited	c/o Trident Trust, Trident Chambers, Road Town, Tortola, British Virgin Islands	100%
Fender Care (Changshu) Limited	Room 1211, Building 4, Huifeng Times Plaza, No 22 Huanghe Road, Changshu City, Jiangsu, 215500, China	100%
Fender Care do Brasil Comercio E Servicos Navais Ltda	Rua 01 S/N, Lote 115, Quadra 01, Balneario das Garcas, Rio de Janeiro, 28890-000, Brazil	100%
Fender Care Limited	Barrow-in-Furness[1]	100%
Fender Care Marine (Asia Pacific) Pte Ltd	6 Pioneer Place, 627705, Singapore	100%
Fender Care Marine (Gibraltar) Limited	28 Irish Town, Gibraltar	100%
Fendercare Marine Ghana Limited	11 Aduemi Close, North Kaneshie, Accra, Ghana	70%
Fender Care Marine Ltd	Barrow-in-Furness[1]	100%
Fender Care Marine Products (Asia Pacific) Pte Limited	6 Pioneer Place, 627705, Singapore	100%
Fender Care Marine Services Group Limited	Barrow-in-Furness[1]	100%
Fender Care Marine Sohar LLC	Al Batinah Region, PO Box 37, Sohar, 327	70%
Fender Care Marine Solutions Limited	Barrow-in-Furness[1]	100%
Fendercare Australia Pty Ltd	23 Sparks Road, Henderson WA 6166, Australia	100%
Fendercare Servicos Marinhos do Brasil Ltda	Rua 01 S/N, Lote 115, Quadra 01, Balneario das Garcas, Rio de Janeiro, 28890-000, Brazil	100%
Foresight HV Operations Limited	Second Floor, Sketrick House, Jubilee Road, Newtownards, Northern Ireland, BT23 4YH	100%
Hughes Marine Engineering Limited	Barrow-in-Furness[1]	100%
Hughes Sub Surface Engineering Limited	Barrow-in-Furness[1]	100%
Insight Marine Projects Limited	Barrow-in-Furness[1]	100%
James Fisher Fender Care Limited	Barrow-in-Furness[1]	100%*
James Fisher Marine Services Limited	Barrow-in-Furness[1]	100%
James Fisher MFE Limited	Barrow-in-Furness[1]	100%
James Fisher MIMIC Limited	Barrow-in-Furness[1]	100%
James Fisher Ocean Team Limited	Rooms 1318-19, 13/F, Hollywood Plaza, 610 Nathan Road, Mongkok, Kowloon, Hong Kong	60%
James Fisher Personnel S.A. de C.V.	Gabriel Mancera 1041 Del Valle, Benito Juarez, 03100, Ciudad de Mexico, D.F., Mexico	100%
James Fisher Servicos Empresariais Ltda	Rua 01 No 223, Quadra 02, Lote 146-part, Balneario das Garcas, Brazil	100%
James Fisher Subsea Excavation Incorporated	21559 Provincial Boulevard, Katy TX 77450, United States	100%
James Fisher Subsea Excavation Mexico S.A. de C.V.	Gabriel Mancera 1041 Del Valle, Benito Juarez, 03100, Ciudad de Mexico, D.F., Mexico	100%
James Fisher Subsea Excavation Pte Limited	133 Cecil Street, #16-01, Keck Seng Tower, Singapore, 069535	100%
James Fisher Subsea Limited	Barrow-in-Furness[1]	100%
James Fisher Testing Services (Ireland) Limited	Unit D, Zone 5, Clonminam Business Park, Portlaoise, County Laois, Ireland	100%

1 Fisher House, PO Box 4, Barrow-in-Furness, Cumbria, LA14 1HR
2 North Meadows, Oldmeldrum, Aberdeenshire, AB51 0GQ

Name of company	Address	Group percentage of equity capital
Marine Support		
James Fisher Testing Services Limited	Barrow-in-Furness[1]	100%
JCM Scotload Ltd	Barrow-in-Furness[1]	100%
JF STS (Guernsey) Ltd	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%
Load Test Sdn Bhd	Ground Floor 8, Lorong Universiti B, Section 16, 46350 Petaling Jaya Selangor Darul Ehsan, Malaysia	100%
Maritime Engineers (Asia Pacific) Pte Ltd	1 North Bridge Road, #06-15, High Street Centre, Singapore 179094	100%
Maritime Engineers Pty Ltd	23 Sparks Road, Henderson, WA 6166, Australia	100%
Mojo Maritime France	3 rue de France Comte, CS50311, Hauts de Quimpcanpoix, 5103, Cherbourg, France	100%
Mojo Maritime Limited	Barrow-in-Furness[1]	100%
Namibia Subtech Diving and Marine (Proprietary) Limited	Shop 48, Second Floor, Old Power Station Complex, Armstrong Street, Windhoek, Namibia	100%
Osiris Marine Services Limited	Barrow-in-Furness[1]	100%
Osiris Underwater Engineering Services Limited	Barrow-in-Furness[1]	100%
Prolec Limited	Barrow-in-Furness[1]	100%
Rotos 360 Limited	Barrow-in-Furness[1]	100%
Scotload Ltd	Oldmeldrum[2]	100%
Strainstall Engineering Services Limited	Barrow-in-Furness[1]	100%
Strainstall Group Limited	Barrow-in-Furness[1]	100%*
Strainstall Malaysia Sdn Bhd	Ground Floor, 8, Lorong Universiti B, Section 16, 46350 Petaling Jaya Selangor Darul Ehsan, Malaysia	100%
Strainstall Middle East Limited	Vistra (Cayman), Grand Pavilion, Hibiscus Way, 802 West Bay Road, PO Box 31119, Grand Cayman, KY1-1205, Cayman Islands	100%
Strainstall Singapore Pte Ltd	50 Raffles Place, #06-00 Singapore Land Tower, Singapore, 048623	100%
Strainstall UK Limited	Barrow-in-Furness[1]	100%
Subtech (Pty) Ltd	Warehouse 1, 20 Rustic Close, Briardene, Durban, 4051, South Africa	100%
Subtech (Pty) Ltd – Mozambique branch	Rua da Educacao, No.38, Matola, Mozambique	100%
Subtech Core Innovation (Pty) Ltd	20 Rustic Close, Briardene, KwaZulu-Natal, 4014, South Africa	49%
Subtech Diving & Marine Tanzania Limited	The Slipway Road, Msasani Peninsula, Dar Es Salaam, United Republic of Tanzania	100%
Subtech Group Holdings (Pty) Ltd	20 Rustic Close, Briardene, KwaZulu-Natal, 4051, South Africa	100%
Subtech Marine (Pty) Limited	PO Box 90757, Shop 48, Old Power Station Complex, Armstrong Street, Windhoek, Namibia	70%
Subtech Middle East Saudi Company	Office 102, Al Jazira Building, Al Khobar, Saudi Arabia	95%
Subtech Norte Lda	Rua da Educacao, No.38, Matola, Mozambique	100%
Subtech Offshore	Ocra (Mauritius) Limited, Level 2, Max City Building, Remy Ollier Street, Port Louis, Mauritius	100%
Subtech South Africa (Pty) Ltd	Warehouse 1, 20 Rustic Close, Briardene, Durban, 4051, South Africa	90%
Testconsult Limited	Barrow-in-Furness[1]	100%
Vision Marine Ltd	80 Broad Street, Monrovia, Liberia	100%

* held by the Parent Company (all other subsidiaries are held by an intermediate subsidiary)
** consolidated as subsidiary undertakings

Subsidiaries and associated undertakings continued

Name of company	Address	Group percentage of equity capital
Specialist Technical		
Cowan Manufacturing Pty Limited	BDO Tax (WA) Pty Ltd, 'BDO', 38 Station Street, Subiaco, WA6008, Australia	100%
Divex Asia Pacific Pty Ltd	54 Bushland Ridge, Bibra Lake WA 6163, Australia	100%
Divex FZE	PO Box 261749, Jebel Ali Free Zone, Dubai, United Arab Emirates	100%
Divex Limited	Oldmeldrum[2]	100%
Harsh Environment Systems Limited	Barrow-in-Furness[1]	100%
Hatch Holdings Limited	Barrow-in-Furness[1]	100%
High Technology Sources Limited	Barrow-in-Furness[1]	100%
Inspection Holdings Limited	Barrow-in-Furness[1]	100%
James Fisher (Ro-Ro) Limited	Barrow-in-Furness[1]	100%*
James Fisher Defence Italy	Via Giulio Caccini, 100198, Rome, Italy	100%
James Fisher Defence Limited	Barrow-in-Furness[1]	100%
James Fisher Defence North America Limited	Suite 808, 1220 North Market Street, Wilmington DE 19801, United States	100%
James Fisher Defence Sweden Aktiebolag	Rindovagen, Rindo Vastra, 185 41 Vaxholm, Sweden	100%
James Fisher NDT Limited	Barrow-in-Furness[1]	100%
James Fisher Nuclear GmbH	Uwestraße 12, 22525 Hamburg, Germany	80%
James Fisher Nuclear Limited	Oldmeldrum[2]	100%
James Fisher Rumic Limited	Barrow-in-Furness[1]	100%*
James Fisher Singapore Pte Ltd	19 Loyang Lane, Singapore 508929	100%
James Fisher Technologies LLC	Units 1 and 2, 1234 Sherman Drive, Longmont CO 80501, Colorado	51%
JF Nuclear Limited	Barrow-in-Furness[1]	100%
JFD Australia Pty Ltd	BDO, 38 Station Street, Subiaco WA 6008, Australia	100%
JFD Limited	Oldmeldrum[2]	100%
JFD Singapore Pte Ltd	19 Loyang Lane, Singapore, 508929	100%
JFD South Africa (Pty) Limited	c/o Mazars, Mazars House, Rialto Road, Grand Moorings Precinct, Century City, Cape Town, SA 7441, South Africa	100%
Lexmar Sat Systems PTE Ltd	19 Loyang Lane, Singapore, 508929	100%
NDT (Inspection & Testing) Limited	Barrow-in-Furness[1]	100%
Raygen Limited	Barrow-in-Furness[1]	100%
Remac Limited	Barrow-in-Furness[1]	100%

Name of company	Address	Group percentage of equity capital
Offshore Oil		
James Fisher Air Supply Norway Limited	Barrow-in-Furness[1]	100%
James Fisher and Sons (Seafloor Dynamex) Limited	Barrow-in-Furness[1]	100%*
James Fisher Marine Services Malaysia Ltd	Level 1, Lot 7, Block F, Sanguking Commercial Building Jalan Patau-Patau, 87000 Labuan FT, Malaysia	100%
James Fisher Marine Services Middle East Limited FZCO	PO Box 371072, Dubai, United Arab Emirates	100%
James Fisher Norway AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%*
James Fisher Offshore Limited	Oldmeldrum[2]	100%*
James Fisher Offshore Malaysia Sdn Bhd	Room A, Ground Floor, Lot 7, Block F, Saguking Commercial Building Jalan Patau-Patau, 87000 Labuan FT, Malaysia	100%
JF Singapore Holdings PTE Ltd	160 Robinson Road, #17-01, SBF Center, Singapore, 068914	100%
Monyana Engineering Services Limited	Oldmeldrum[2]	100%
Pump Tools Limited	Oldmeldrum[2]	100%
Return To Scene Limited	Barrow-in-Furness[1]	100%
RMSPumptools FZE	1-153, THUB, Dubai Silicon Oasis, Dubai, United Arab Emirates	100%
RMSPumptools Limited	Barrow-in-Furness[1]	100%
SC177590 Limited	Oldmeldrum[2]	100%*
Scan Tech AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%
Scan Tech Personell AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%
Scan Tech Produckt Personell AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%
Scantech Offshore do Brasil Comercio E Servicos Ltda	R 01 223, Lote 146 Quadra 02, Balneario das Garcas, Rio das Ostras, 28.898-268, Brazil	100%
Scantech Offshore Limited	Barrow-in-Furness[1]	100%*
Scantech Offshore Pty Ltd	23 Sparks Road, Henderson WA 6166, Australia	100%
Scantech Offshore UK Limited	Oldmeldrum[2]	100%
Solmead Limited	Oldmeldrum[2]	100%
Solvapli Limited	Oldmeldrum[2]	100%
Strata Oil Tools Limited	Oldmeldrum[2]	100%

Name of company	Address	Group percentage of equity capital
Tankships		
Cattedown Wharves Limited	Barrow-in-Furness[1]	100%
Everard (Guernsey) Ltd	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	50%
F.T. Everard Shipping Limited	Barrow-in-Furness[1]	100%
F.T.Everard & Sons Limited	Barrow-in-Furness[1]	100%*
James Fisher (Crewing Services) Limited	Barrow-in-Furness[1]	100%*
James Fisher (Guernsey) Limited	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%***
James Fisher (New Zealand) Limited	Level 10, 34 Shortland Street, Auckland 1010, New Zealand	100%*
James Fisher (Shipping Services) Limited	Barrow-in-Furness[1]	100%*
James Fisher Crewing (CY) Limited	115 Griva Digeni, Trident Centre, Limassol, 3101, Cyprus	100%
James Fisher Everard Limited	Barrow-in-Furness[1]	100%
Onesimus Dorey (Shipowners) Ltd	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%*
Scottish Navigation Company Limited	Oldmeldrum[2]	100%

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* held by the Parent Company (all other subsidiaries are held by an intermediate subsidiary)
** consolidated as subsidiary undertakings

Name of company	Address	Group percentage of equity capital
Holding Companies		
James Fisher (Aberdeen) Limited	Barrow-in-Furness[1]	100%*
James Fisher and Sons Nigeria Limited	7th Floor, 1 Kingsway Road, Falomo, Ikoyi, Lagos, Lagos State, Nigeria	99%*
James Fisher Holdings UK Limited	Barrow-in-Furness[1]	100%*
James Fisher Hong Kong Limited	Level 17, Silvercord Tower 2, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	100%
James Fisher Nuclear Holdings Limited	Barrow-in-Furness[1]	100%*
James Fisher Properties Limited	Oldmeldrum[2]	100%

Name of company	Address	Group percentage of equity capital
Holding Companies		
James Fisher Subtech Group Limited	Barrow-in-Furness[1]	100%*
James Fisher Tankships Holdings Limited	Barrow-in-Furness[1]	100%*
JF Australia Holding Pty Ltd	54 Bushland Ridge, Bibra Lake, WA 6163	100%
JF Nordvik Limited	12 Castle Street, St Helier, Jersey, JE2 3RT	100%*
JF Overseas Limited	Barrow-in-Furness[1]	100%*

Associated undertakings and significant holdings in undertakings other than subsidiary undertakings

Name of company	Address	Group percentage of equity capital
Marine Support		
Asteria Navigation Inc	80 Broad Street, City of Monrovia, County of Mosterrado, Liberia	45%
Eurotestconsult Limited	Unit D, Zone 5, Clonminam Industrial Estate, Portlaoise, County Laois, Ireland	50%
Eurotestconsult UK Limited	Ruby House, 40A Hardwick Grange, Woolston, Warrington, Cheshire, WA1 4RF	50%
FC Viking Sdn.Bhd	Suite 6.01, 6th Floor, Plaza See Hoy Chan Jalan Raja Chulan, 50200, Kuala Lumpur, Malaysia	49%
Fender Care Benelux B.V.	Torontostraat 20, 3197 KN , Rotterdam Botlek, Netherlands	50%
Fender Care Marine LLC	Fujairah Port, PO Box 5198, Fujairah, United Arab Emirates	49%**
Fender Care Marine Services LLC	G013, GH-1, Industrial City of Abu Dhabi (ICAD-1), Mussafeh, PO Box 45628, Abu Dhabi, United Arab Emirates	49%**
Fender Care Middle East LLC	Plot 146/16, Emirates Industrial City, Sajja Industrial Area, PO Box 25896, Sharjah, United Arab Emirates	49%**
Fender Care Omega (Middle East) FZC	E-LOB Office No. E-69G-20, PO Box 51602, Hamriyah Free Zone - Sharjah, United Arab Emirates	50%
Fendercare Marine (M) SDN BHD	5-2 Jalan 109E, Desa Business Park, Taman Desa Off Jalan Klang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan, Malaysia	49%

Name of company	Address	Group percentage of equity capital
Marine Support		
Fendercare Marine Omega India Private Limited	JA 1104-1106 DLF Tower-A, Jasole District Centre, New Delhi, 11044, India	50%
James Fisher (Angola) Limitada	67 Rua Damiao de Gois, Alvalade, Borough, District of Maianga, Ingombota Municipality, Angola	49%*
James Fisher Angola UK Limited	Barrow-in-Furness[1]	50%
James Fisher Nigeria Limited	34 Awolowo Road, Ikoyi, Lagos, Nigeria	49%
Lome Offshore Services Inc	Trust Co Complex, Ajeltake Road, Majouro, Marshall Islands	45%
Silvertide Navigation Inc	80 Broad Street, City of Monrovia, County of Mosterrado, Liberia	45%
Strainstall Laboratories WLL	PO Box 2255, Office #2, Property No.25, Tariq Bin Ziyad Street, Al Ghanim, Doha, Qatar	49%**
Strainstall Middle East LLC	PO Box 111007Jebel Ali Industrial Area 1, Dubai, United Arab Emirates	49%**
Strainstall Saudi Arabia Limited	PO Box 30124, Riyadh 11372, Saudi Arabia	49%**
Strainstall Testing Lab LLC	PO Box 62579, Abu Dhabi, United Arab Emirates	49%**
Subtech Offshore Services Nigeria Limited	Plot 15, Block 110, Henry Ojogho Crescent, Off Road 69, Lekki Phase 1, Lagos, Nigeria	49%
Work Boat Services Inc	Trust Co Complex, Ajeltake Road, Majouro, Marshall Islands	45%

Name of company	Address	Group percentage of equity capital
Specialist Technical		
First Response Marine Pte Ltd	16 Benoi Road, 629889, Singapore	50%
JFD Domeyer GmbH	Konsul-Smidt-Str. 15, 28217, Bremen, Germany	50%

Name of company	Address	Group percentage of equity capital
Specialist Technical		
Wuhu Divex Diving System Limited	No.58 Yongchang Road, Jiujiang District, Wuhu City, Anhui Province, PR China	49%

Name of company	Address	Group percentage of equity capital
Offshore Oil		
Pleat Mud Coolers AS	Jåttåvågveien 7, 4020 Stavanger	25%

1 Fisher House, PO Box 4, Barrow-in-Furness, Cumbria, LA14 1HR
2 North Meadows, Oldmeldrum, Aberdeenshire, AB51 0GQ

* held by the Parent Company (all other subsidiaries are held by an intermediate subsidiary)
** consolidated as subsidiary undertakings

Group financial record

For the five years ended 31 December

	2018 £m	2017 restated £m	2016 £m	2015 £m	2014 £m
Revenue					
Marine Support	**279.7**	236.3	203.6	193.0	164.1
Specialist Technical	**159.6**	149.6	151.8	129.4	121.5
Offshore Oil	**61.5**	56.4	55.1	63.0	104.9
Tankships	**60.7**	57.0	55.5	52.5	54.3
	561.5	499.3	466.0	437.9	444.8
Underlying operating profit					
Marine Support	**29.0**	25.3	21.0	19.3	14.2
Specialist Technical	**20.9**	18.8	19.9	13.9	13.3
Offshore Oil	**5.1**	3.6	4.2	7.4	22.4
Tankships	**9.9**	8.8	8.2	7.2	4.7
Corporate costs	**(2.8)**	(2.4)	(2.5)	(2.2)	(3.1)
	62.1	54.1	50.8	45.6	51.5
Net finance costs	**(6.0)**	(5.5)	(5.0)	(4.4)	(4.6)
Underlying profit before taxation	**56.1**	48.6	45.8	41.2	46.9
Separately disclosed items	**(0.7)**	(1.3)	(0.9)	5.0	2.3
Profit before taxation	**55.4**	47.3	44.9	46.2	49.2
Taxation	**(10.1)**	(7.9)	(6.8)	(5.5)	(8.7)
Profit after taxation	**45.3**	39.4	38.1	40.7	40.5
Intangible assets	**197.5**	199.2	180.5	156.5	127.1
Property, plant and equipment	**145.4**	132.5	131.0	127.6	116.6
Investment in associates and joint ventures	**9.6**	9.4	7.8	7.7	10.6
Working capital	**96.3**	109.5	86.3	68.1	49.5
Contingent consideration	**(6.0)**	(12.8)	(9.2)	(14.5)	(9.1)
Retirement benefit obligations	**(16.1)**	(19.8)	(26.8)	(27.0)	(21.8)
Taxation	**(6.7)**	(6.5)	(5.6)	(4.1)	(6.4)
Capital employed	**420.0**	411.5	364.0	314.3	266.5
Net borrowings	**113.6**	132.5	105.7	93.9	62.3
Equity	**306.4**	279.0	258.3	220.4	204.2
	420.0	411.5	364.0	314.3	266.5
Earnings per share	**pence**	pence	pence	pence	pence
Basic	**89.5**	77.5	79.4	79.7	80.2
Diluted	**88.9**	76.9	78.7	79.2	79.2
Underlying basic	**90.0**	79.3	76.9	69.0	74.9
Underlying diluted	**89.5**	78.7	76.3	68.5	74.0
Dividends per share	**36.1**	28.7	26.2	23.8	22.0
Other key performance indicators					
Operating margin (%)	**11.0%**	10.8%	10.9%	10.4%	11.6%
Return on capital employed (post-tax) (%)	**12.2%**	12.0%	13.0%	13.5%	16.5%
Net gearing (%)	**37.2%**	47.7%	41.0%	43.0%	30.7%
Dividend cover (times)	**2.5**	2.7	2.9	2.9	3.4

Investor information

Company Secretary

Jim Marsh

Registered office

James Fisher and Sons plc
Fisher House, PO Box 4
Barrow-in-Furness
Cumbria LA14 1HR

Incorporated in England under
Company no. 211475

www.james-fisher.com

Registrar

Link Asset Services

34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditor

KPMG LLP

1 St Peters Square
Manchester M2 3AE

Bankers

Barclays Bank PLC

Barclays Commercial Bank
1st Floor
3 Hardman Street
Spinningfields
Manchester M3 3HF

DBS Bank Ltd

London Branch
4th Floor
Paternoster House
65 St Paul's Churchyard
London EC4M 8AB

Handelsbanken

First Floor East
Bridge Mills
Stramongate
Kendal LA9 4UB

HSBC Bank PLC

2nd Floor
4 Hardman Square
Spinningfields
Manchester M3 3EB

Lloyds Bank PLC

8th Floor
40 Spring Gardens
Manchester M2 1EN

Santander UK PLC

2 Triton Square
Regent's Place
London NW1 3AN

Merchant bankers

E C Hambro Rabben and Partners Ltd

32-33 St James's Place
London SW1A 1NR

Brokers

Investec Bank (UK) Limited

30 Gresham Street
London EC2V 7QP

Jefferies International Limited

Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Financial Calendar

4 April 2019

Ex dividend date for 2018 final dividend

5 April 2019

Record date

2 May 2019

Annual General Meeting

10 May 2019

Payment of 2018 final dividend

28 August 2019*

Announcement of 2019 Half Year results

* provisional

Disclaimer

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James Fisher and Sons plc

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