James Fisher and Sons plc

Annual Report and Accounts 2016

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

We employ 2,800 people across 16 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.

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	2016	2015	% change
Revenue	**£466.0m**	£437.9m	+6%
Underlying profit before tax*	**£45.8m**	£41.2m	+11%
Underlying diluted earnings per share*	**76.3p**	68.5p	+11%
Final dividend per share	**17.6p**	16.0p	+10%
Cash conversion	**103%**	95%	+8%
Statutory profit before tax	**£44.9m**	£46.2m	(3)%
Statutory diluted earnings per share	**78.7p**	79.2p	(1)%

- Continued strong underlying operating profit growth at Marine Support, Specialist Technical and Tankships
  – combined growth of 21%;
  – combined operating margin up 120 basis points to 12.0%;
- Underlying profit before tax 11% higher at £45.8m (2015: £41.2m);
- Underlying diluted earnings per share up 11% to 76.3p (2015: 68.5p);
- Increased cash conversion of 103% (2015: 95%);
- Final dividend raised by 10% to 17.6p per share, reflecting continued profitable growth.

* James Fisher and Sons plc uses alternative performance measures (APMs) as key financial indicators to assess the underlying performance of the business. APMs are used by management as they are considered to better reflect business performance and provide useful additional information. APMs include underlying operating profit, underlying profit before tax, underlying diluted earnings per share, underlying return on capital employed and cash conversion. An explanation of APMs is set out in note 2 on page 67.

Chairman's statement

"In 2016, James Fisher's underlying profit before tax increased by 11%. This reflected the continued resilience of the Fisher business model with its well-balanced spread of activities across the marine sector and international markets."

Charles Rice, Chairman

I am pleased to report that James Fisher and Sons plc grew strongly in 2016 producing underlying profit before tax of £45.8m, an increase of 11% over the prior year. This reflected the continued resilience of the Fisher business model with its well-balanced spread of activities across the marine sector and international markets. Three of our four divisions, Marine Support, Specialist Technical and Tankships posted good improvements in results which more than absorbed continued weakness in Offshore Oil. Group revenue for the year grew by 6% to £466.0m (2015: £437.9m) and underlying diluted earnings per share were 76.3 pence, an increase of 11% compared with 2015. Statutory diluted earnings per share were 78.7 pence (2015: 79.2p).

Underlying trading improvements were the key driver of growth with currency gains making only a limited contribution to the increase in profit of £1.4m overall. The Group's cash conversion improved further to 103% and the year end balance sheet gearing remained at a conservative 41% despite acquisition expenditure of £24.6m and higher project related working capital requirements.

The underlying strength of the Group's performance and the positive outlook for the year ahead has led the Board to propose an increase in the final dividend to 17.6 pence per share (2015: 16.0p), making a total for the year of 26.15 pence per share, an increase of 10% compared with 2015.

Strategy

The 2016 results confirm the resilience of the James Fisher Group with its spread of businesses across multiple sectors of the marine services market. This has enabled the Group to offset the downturn in the oil and gas sector with continued growth elsewhere. The decentralised structure of the Group has allowed focus to be maintained on seizing the new opportunities available in the Marine Support and Specialist Technical areas in particular, without distracting from the rapid restructuring of our Offshore Oil activities.

The Group remains focused on investing in niche businesses which operate in demanding environments where their strong marine service and specialist engineering skills are valued and rewarded. Our businesses have a wide international presence across the faster growing markets of Asia Pacific, the Middle East, Africa and South America and we will continue to invest in expanding our position in these new markets. The Group has only a small presence in Europe outside the UK and Norway and therefore the Brexit process is likely to have limited direct impact on Group trading.

The Board believes that each of our four divisions continues to have attractive prospects based on strong market positions.

The strongest growth opportunities are currently in Marine Support and Specialist Technical. In Marine Support, the award of the Galloper wind farm contract together with the acquisition of Hughes Sub Surface Engineering marked a significant step up in our presence in the growing renewables market. We continue to find new growth opportunities for our ship-to-ship transfer activities in Asia Pacific, Africa and Brazil. In Specialist Technical, our JFD subsidiary now has a clear market leadership position in the supply of hyperbaric and specialist diving equipment to the commercial market as well as in its niche defence activities. The past year has seen strong growth in orders from the Asia Pacific region and JFD's acquisition of Lexmar in Singapore will further strengthen our presence in this important market. Our nuclear business has also been successful in establishing an initial presence in the Chinese and Japanese markets and we will seek to build on these opportunities in the future.

Over the last seven years, our Tankships division has performed well with profit improvements every year driven mainly by cost efficiencies and tight management of capacity. The point is nearing when some of our older ships will need replacement. While we see opportunities to do this in a cost efficient manner, there will necessarily be some increase in overall vessel costs in the medium term.

JFD Indian Navy submarine rescue contract

JFD is the world leader in the provision of submarine rescue services and has long-term contracts to manage submarine rescue services for NATO, the Singaporean Navy and the Australian Navy. In 2016, JFD was awarded a £193m submarine rescue contract by the Indian Navy for the design, assembly and supply of two submarine rescue vessels for delivery by December 2018 with a 25 year contract to manage and maintain the submarine rescue service.

The Offshore Oil division is well placed assuming some resumption in customer maintenance spend. Our gross margins have proven to be robust; capital expenditure has been reduced and costs remain under tight control. Our businesses have been very active in seeking out new markets in the Middle East and Asia Pacific. Results have stabilised at levels reported in the second half of 2015. It is too early to be confident of a strong recovery but we have now seen an improvement in the order book in Norway which should benefit 2017. We will continue to invest in Offshore Oil as attractive opportunities arise which meet our niche service criteria.

Our businesses are increasingly technology led with the recent contract gains by JFD being one example of how technological leadership can give our businesses a real competitive edge. When combined with the Group's growing scale and its ability to manage increasingly complex contracts we see good opportunities for organic growth. The strength of our balance sheet enables us to continue to invest for the future and to make bolt-on acquisitions which improve the capability and market presence of our businesses.

The Board

There were no changes in the Board's composition during the year. This year the annual board appraisal was based on an internal evaluation of its performance across the key areas of business performance, strategy, financial reporting and key performance indicators, risk management, succession planning and corporate social responsibility. The Board reviewed the key issues being raised by the investor community in relation to good corporate governance. The Board considers that it functions well as a unit, provides a good balance of support and challenge to management and reports in appropriate detail to investors for a company of its scale.

Staff

The Group continues to benefit from a strong and stable management team both at Board level and in our operating companies. It is becoming increasingly international in its operations with growing scale and complexity in the customer contracts that it undertakes. Considerable attention has been given to managing these changes effectively both in terms of management recruitment and via a significant step up in our centrally organised training programmes which have the double benefit of improving cohesion across the Group as well as raising skill levels.

The broad spread of our businesses means that some staff have been coping with the pressures of growth while others have had to face tougher times. On behalf of the Board, I would like to thank all of our employees for their hard work and commitment shown to the continued success of the James Fisher Group.

Outlook

Our Marine Support and Specialist Technical divisions have started 2017 with strong order books and a number of active prospects. Trading volumes in Tankships are stable and we are seeing some early signs of improved activity in Offshore Oil. We therefore have a positive view of the year ahead and are confident of the Group's potential to provide further growth and value for our shareholders in the future.

Charles Rice
28 February 2017

2016 in focus

January

- JFD wins a contract in Singapore for the design and manufacture of up to eight self-propelled hyperbaric lifeboats.
- Fendercare Marine, the global provider of ship-to-ship (STS) cargo transfer services, is awarded a certificate of excellence for STS operations throughout 2015 by the Dubai Maritime City Authority.

February

- JF Marine Services wins a £25m+ contract to supply a wide range of marine services to support the construction of the Galloper wind farm, off Lowestoft, UK.

March

- JFD wins a £193m contract to design, assemble and supply two deep-submergence rescue vehicles for the Indian Navy and subsequently, to manage and maintain submarine rescue services for 25 years.

April

- JF Nuclear wins a £60m, four year contract to design and deliver the capability to decommission a core reactor at Winfrith, Dorset, UK.

June

- Acquisition of visual asset management company, Return to Scene Limited for £1.9m.

July

- JF Nuclear awarded contract to develop the cutting-edge technology to sample radioactive debris sitting below the reactor cores at the Fukushima Nuclear Power Plant.

August

- Acquisition of Specialist Technical business, Lexmar, Singapore, for S$26.8m (£15.0m).
- Acquisition of Marine Support business, Hughes Sub Surface Engineering, for £9.0m.

September

- Acquisition of the rig cooling technology of SWT, Norway for £3.0m.

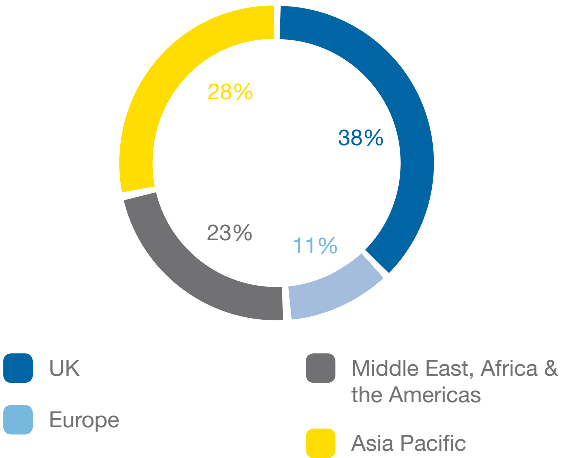
November

- JFD wins a c.£35m contract from Shanghai Salvage to design and build a 24 man saturation diving system rated for diving support to depths of 500m.

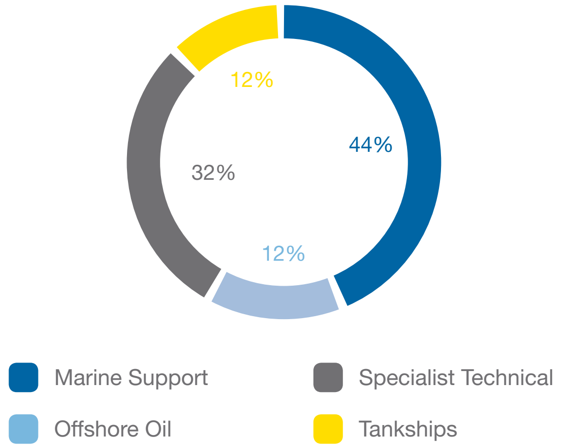
December

- JF Testing Malaysia secures a contract to install its monitoring systems on the Penang bridge establishing it as a key player in the instrumentation and monitoring sector in South East Asia.
- JF Marine Services delivers first offshore oil exchange on wind turbines at Thornton Bank wind farm.

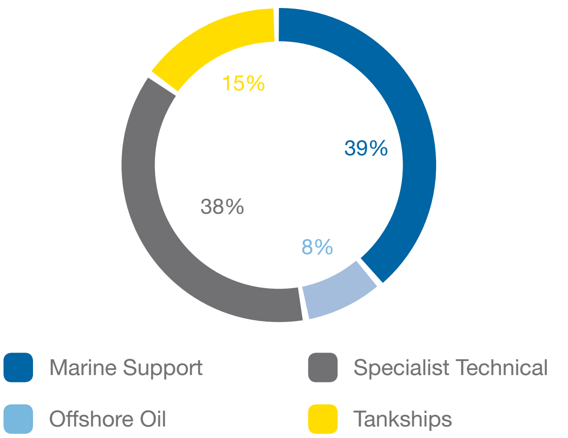
Revenue by geography



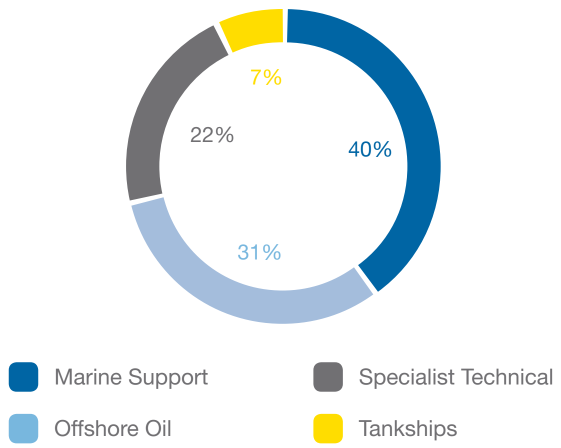
Revenue by division



Profit by division



Capital employed by division



Winfrith reactor decommissioning project

In April 2016, JF Nuclear was awarded a £60m contract by Magnox Limited to decommission the largest of the reactor cores on its site in Winfrith, Dorset, UK.

The contract is to design and deliver a facility to segment and package the reactor core of the redundant Steam Generating Heavy Water Reactor over a four year period.

The reactor was shut down in 1990 and has subsequently been subject to de-fuelling and decommissioning operations. Cutting up and packaging the reactor core for disposal is a major step in returning the site to a green field state.

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Business model

Our business model is based on high quality niche businesses offering a range of marine services predominantly to large multinational customers and governments globally.

High quality marine services

Our businesses are linked together by a set of common marine service skills.

The Group provides solutions to customers through the provision of specialist equipment which is coupled with 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 such customer demands for quality and improvement requires the continuous development of innovative products to maintain market leadership in our areas of service.

Entrepreneurial culture

The Group has a decentralised management structure and 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 that 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.

Buy and build

Acquisitions are a key part of our business model which broaden our product range and service portfolio, deepen our management pool and potentially extend our geographical coverage for our large multinational customers. James Fisher has acquired a number of owner-managed companies with specific expertise. The Group's global reach has facilitated the internationalisation of the operations of these companies. Subsequent strong organic growth has been achieved through investment in people, working capital and equipment.

Strategy

The Group's strategy is to leverage marine skills in areas of specialist expertise to a global market.

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 has 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 business bolt-on to existing businesses we seek to optimise shared back office functions, purchasing opportunities and cross-selling within the Group.

Galloper wind farm contract

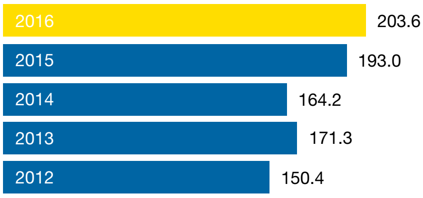
In February 2016, James Fisher Marine Services (JFMS) was awarded a marine services and support contract worth in excess of £25m by Galloper Wind Farm Limited (GWFL), a joint equity partnership between RWE Innogy UK, UK Green Investment Bank, Siemens Financial Services and Macquarie Capital. Under the contract, JFMS will be responsible for providing key elements of marine services and support to the GWFL team during the construction phase of the 336 mega-watt wind farm, located 27km off the coast of Suffolk, UK. Services will include construction site set-up, marine co-ordination, Offshore Wind Management System (OWMS™), crew transfer vessels, vessel refueling and emergency response services. JFMS will also provide ad-hoc diving services, if required, the operation of remotely operated vehicles (ROVs), and unexploded ordnance identification and disposal.

The offshore construction phase of the project is scheduled to complete during 2017, and the wind farm is due to commence operation in March 2018.

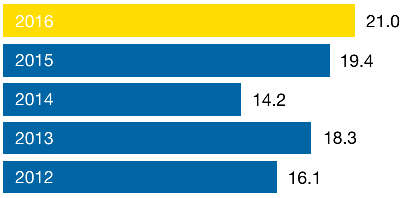
Sector review

Marine Support

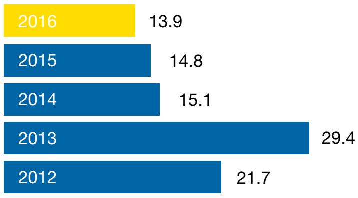
Revenue (£m)



Underlying operating profit (£m)

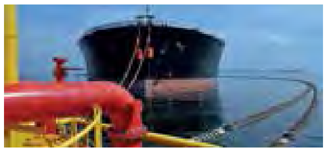


Return on capital employed (%)



Sector

Our Marine Support businesses provide products, services and solutions to the global marine industry. Our services 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, marine consultancy	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, Qatar, 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, Namibia

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 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.

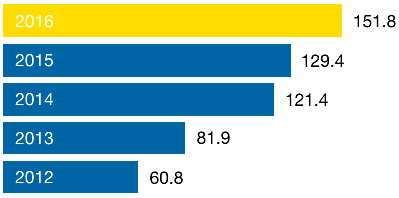
The market drivers for JF Testing Services are new projects in the marine, oil and gas, infrastructure and renewables sectors, where our niche offering and innovative products and services provide a competitive advantage.

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.

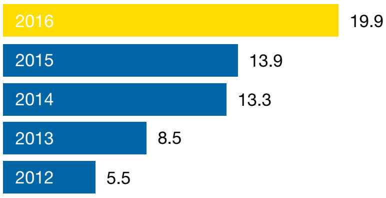
Subtech provides a range of marine services to the sub-Saharan Africa region. Demand for its services is driven by port construction projects, diving projects and support for the major salvage companies.

Specialist Technical

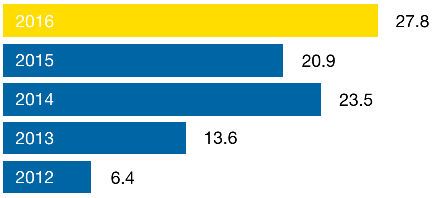
Revenue (£m)



Underlying operating profit (£m)



Return on capital employed (%)



Sector

Our Specialist Technical businesses supply diving equipment and services, submarine rescue products and support services and engineering solutions to the 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 operations vessels. The Group also supplies saturation diving systems which are installed onto dive support vessels and support deep subsea diving activities. JF Nuclear 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

Market drivers

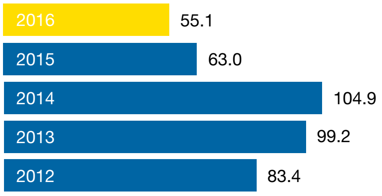
JFD is the world's leading supplier of saturation diving systems and related diving equipment. Its end markets are oil and gas and defence. Saturation diving systems are both fixed and portable. Fixed systems are usually built into dive support vessels (DSV). JFD provides the equipment and the follow-on 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 the world leader in submarine rescue services. It encompasses the ability to design, deliver and operate submarine rescue vehicles. It has long-term service contracts with navies in 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.

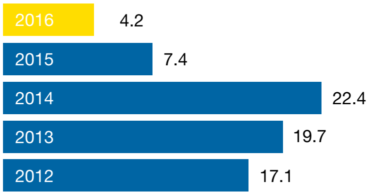
JF Nuclear provides engineered products and services to the nuclear industry both in the operation of nuclear power plants and decommissioning. Its products and services operate in hazardous environments. The business provides instrumentation, non-destructive testing, calibration and digital radiography to the nuclear, aerospace and process industries. The market drivers for JF Nuclear 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.

Offshore Oil

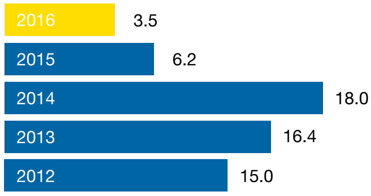
Revenue (£m)



Underlying operating profit (£m)



Return on capital employed (%)



Sector

Our Offshore Oil businesses supply a range of services and equipment to the global oil and gas industry. This includes the design and engineering of specialist equipment, platform maintenance and modification, well testing support, subsea operations and maintenance services. 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	UK, Malaysia

Market drivers

ScanTech AS is Norway's leading provider of ATEX (ATmosphères EXplosives) products and support services to the Energy sector. Its products and services are supplied to the Norwegian oil and gas market and which are used for platform maintenance, well testing or specific projects. Equipment is designed and certificated 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 the leading provider of air compressors, steam generators, heat suppression equipment and qualified personnel for the well testing market worldwide. It rents equipment to the large multinational oil service companies along with qualified personnel to operate the equipment. The driver of the business is the operation and maintenance spend on offshore rigs around the world.

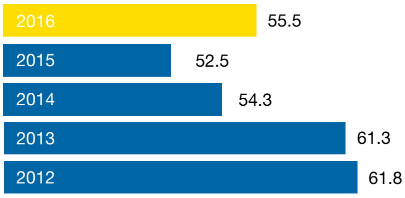
RMSpumptools is a world leader in artificial lift specialist completion technology and innovative accessory tools for electrical submersible pumps. RMSpumptools supplies products to the global downhole oil and gas market which improve the productivity of wells utilising electrical submersible pumps.

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

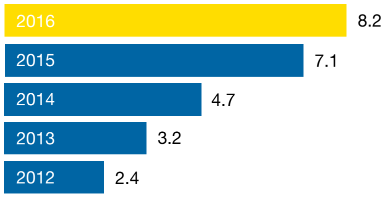
Offshore Oil operates in niche areas of the oil and gas services market. These are predominantly focused on the operation and maintenance phases of the market with limited exposure to exploration expenditure.

Tankships

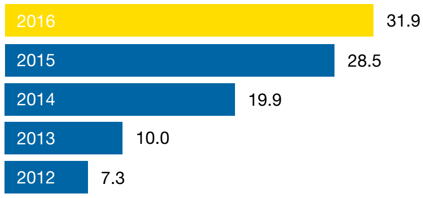
Revenue (£m)



Underlying operating profit (£m)



Return on capital employed (%)



Sector

Our Tankships division operates a fleet of product tankers which trade along the UK and North European coastline carrying petrol, diesel and kerosene. We perform over 1,000 voyages each year carrying fuel from refinery and terminals to major coastal storage facilities. We also operate 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

JF Everard (JFE) distributes clean petroleum products 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 tankers with capacity ranging from 3,000mt to 13,000mt. The business driver is the level of consumption of clean products (petrol, diesel and kerosene) in the UK, Ireland and Northern Europe.

JFE has undertaken 35,900 voyages since the year 2000, carrying in excess of 76 million tonnes of petroleum products. This has been achieved whilst maintaining an excellent safety record.

Shipping clean petroleum products dramatically reduces our customers' carbon footprint compared to other modes of transportation. CO_2 emissions are halved for shipping compared to road freight and just one full ship keeps more than 150 trucks from the roads.

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

Chief Executive's review

"Underlying earnings per share grew by 11% in the year with combined profit growth in Marine Support, Specialist Technical and Tankships of 21%."

Nick Henry, Chief Executive Officer

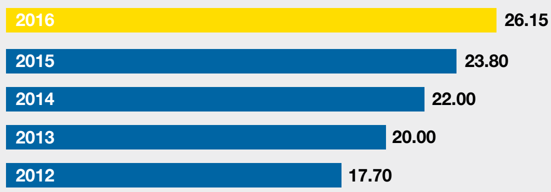
Principal corporate objectives

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 12%**

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 10% over the last ten years and every year in each of the last 22 years.**

Group strategy and corporate objectives

The Group's strategy is to increase shareholder value by growing its marine service businesses, primarily organically but also supplemented by selective bolt-on acquisitions which broaden our service, product and geographical capability. Our businesses are entrepreneurially led, with market leading positions and focused on less mature markets.

Our corporate objectives are to deliver long-term growth in underlying earnings per share and to deliver progressive dividend growth. Underlying earnings per share grew by 11% in the year with combined underlying operating profit growth of 21% in three divisions which more than offset a reduced result in Offshore Oil. Over the last ten years the Group has achieved compound annual growth in underlying earnings per share of 12%. Dividends have increased in each of the last 22 years and this year, it is proposed that the dividend be increased by 10%.

Business model

The Group provides a wide range of marine services predominantly to large multinational corporations and government bodies. It offers solutions to customers through specialist equipment which is often designed and assembled by our people, who then operate it and provide through-life support to our customers.

The Group has a decentralised management structure and encourages managers to be responsible for making timely decisions in response to changes in the market and the competitive environment. Whilst the Group's primary focus is organic growth, acquisitions, which broaden our range of products and services or potentially extend our geographical coverage, are also part of our business model.

The key performance indicators (KPIs) we use to measure the success of the business model include revenue growth, operating margin, return on capital employed and cash conversion. This year, revenue growth was 6% of which 3% was organic and the underlying operating margin increased by 50 basis points to 10.9% (2015:10.4%).

The Group's post-tax return on capital employed was 13.0% (2015: 13.5%) due to increased investment in new businesses and working capital. The Group's cash conversion, which measures the proportion of operating profit that was turned into operating cash, was 103% (2015: 95%) which compares to an average of 115% over the last five years.

Strategic progress

Our strategy is to grow organically and to supplement organic growth with carefully selected, value enhancing acquisitions which fit into our business model and enhance our products, services or geographic offering. We seek to acquire businesses that have a niche product or service offering, with growth potential, a track record of profitability and cash generation and good management.

In February, the integrated marine services contract to support the construction of the Galloper wind farm, located 27km off the coast of Suffolk, UK, was announced. This contract is worth in excess of £25m and is scheduled to complete in 2018. It encompasses the site set-up, marine logistics OWMS™ marine management system, crew transfer vessels, vessel refueling and emergency response services. The contract is being delivered by James Fisher Marine Services (JFMS) into which a number of bolt-on acquisitions have been integrated to form a substantial offshore and subsea operator for the renewables market. Hughes Sub Surface Engineering, which also operates in this sector was acquired in August and has been integrated into JFMS.

The Indian Navy contract to build two submarine rescue systems was announced in March. The £193m contract entails the design and construction of two systems for £83m which will be delivered by the end of 2018. This is then followed by a 25 year service contract to operate and maintain the systems in India. This significant contract award was then followed in November by the award of a c. £35m contract by Shanghai Salvage to supply a 24 man saturation diving system rated for diving support to a depth of 500m.

In August, the acquisition of Lexmar in Singapore was completed. Lexmar designs modular saturation diving systems and other diving equipment. This strengthens our presence in the defence and diving equipment markets of the Asia Pacific region, which are of strategic importance for further future growth.

James Fisher Nuclear (JFN) was awarded a £60m contract by Magnox Limited to decommission the largest of the reactor cores at the Winfrith site in Dorset, UK. The contract commenced in April and will run through to 2020. This award further establishes JFN as the leading nuclear reactor decommissioning contractor in the UK.

The Group acquired the visual asset management company, Return to Scene (R2S) in June 2016. R2S provides high definition, 360 degree, photographic images to create a three dimensional image of an asset, enabling remote personnel to view a virtual environment and manage the asset without the expense of physically travelling to the site. With its customer base primarily within the oil and gas sector, it broadens our Offshore Oil services and has the potential to provide services to other sectors serviced by the Group.

Lexmar joins James Fisher

In August 2016, Singapore-based Lexmar was acquired. It specialises in the design and manufacture of in-built and modular saturation diving systems and is an established provider of diving equipment and services to the offshore industry.

Founded in 1996, Lexmar is the only saturation diving equipment provider in South East Asia. Lexmar has built up a strong customer focused reputation and track record. It also operates a service contract for the Singapore Navy.

Combining Lexmar's Singapore operations with our existing JFD business means that the fast growing markets of China, Japan, Indonesia and the wider Asia Pacific region can be more effectively served with an enhanced product range and broader service offering.

Divisional performance

	Revenue £m		Underlying operating profit* £m		Underlying operating margin* %		Underlying return on capital employed* %	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Marine Support	**203.6**	193.0	**21.0**	19.4	**10.3**	10.0	**13.9**	14.8
Specialist Technical	**151.8**	129.4	**19.9**	13.9	**13.1**	10.7	**27.8**	20.9
Offshore Oil	**55.1**	63.0	**4.2**	7.4	**7.6**	11.7	**3.5**	6.2
Tankships	**55.5**	52.5	**8.2**	7.1	**14.8**	13.5	**31.9**	28.5
Common Costs	**-**	-	**(2.5)**	(2.2)	**-**	-	**-**	-
	466.0	437.9	**50.8**	45.6	**10.9**	10.4	**13.0**	13.5

* before separately disclosed items

Marine Support

Marine Support revenue was up 5% at £203.6m (2015: £193.0m). After adjusting for a significant contract in Angola, which ceased in March 2016 but contributed a full twelve months in 2015, currency effects and the full year contribution of acquisitions, underlying organic revenue growth was 9%.

Underlying operating profit increased by 8% to £21.0m with a strong performance at Fendercare and growth in renewables. Excluding the effect of currency movements, businesses acquired and the impact of the Angolan contract, organic growth in underlying operating profit was 23%.

Ship-to-ship (STS) transfer business, which in 2016 was 33% of the division, performed strongly as volumes increased by 10% and with mainly US Dollar denominated sales, revenue in the second half of the year was boosted by UK Sterling weakness. The Asia Pacific region performed strongly as did the West African market. The end of the year saw the successful completion of trials for STS operations in Brazil, which commenced in January 2017.

Revenue in marine services, principally for the renewables and tidal sectors increased by over 40%. The project to support the construction of the Galloper wind farm commenced the planning and set-up phase in February and entered the operational phase in October. The work to identify and mitigate unexploded ordnance devices for Galloper was successfully completed during the second half. We continued to provide services to the Meygen tidal array project in the Firth of Forth, UK, and also completed a project to install four subsea power cable extensions at the Wave Hub offshore tidal power project in Falmouth, UK.

Our testing and monitoring businesses performed at similar levels to 2015. With effect from 1 July 2016, export containers are required to have their weight verified prior to loading onto a vessel and our Container Weight System (CWS™), which was launched by Strainstall Marine this year, was installed into 15 ports around the World.

Following the cessation of a marine services contract in Angola and protracted negotiations with its customer, the Group has recognised a separately disclosed charge of £2.3m (2015: £nil) due to early termination in March 2016.

Specialist Technical

Specialist Technical revenue grew by 17% in the year of which 9% was organic, 2% due to currency and the balance due to businesses acquired. Underlying operating profit increased by 43% to £19.9m (2015: £13.9m) due to strong performance in JFD, our submarine rescue and saturation diving equipment business. Excluding the effect of currency and acquisitions, organic underlying operating profit growth was 31%.

JFD, which accounted for 70% of divisional sales in 2016, commenced a contract in April, to design and assemble two submarine rescue systems for the Indian Navy for delivery in 2018. The business also entered the market for hyperbaric lifeboats and won orders for six vessels. A c. £35m contract for Shanghai Salvage was announced for a 24 man saturation diving system capable of reaching a depth of 500m. Submarine rescue service revenues increased by 10% and diving equipment product sales were 23% higher with strong demand for our military rebreather diving equipment and a new range of compact bailout rebreathing apparatus (Cobra) which delivers up to 45 minutes of emergency life support at a depth of 120 metres.

Our Nuclear business won and commenced a four year contract to decommission a core reactor at Winfrith, Dorset, UK, worth £60m. Overall performance was similar to 2015 as a change in UK decommissioning policy reduced business in the second half as projects ceased to be awarded across the supply chain.

Offshore Oil

Revenue and underlying operating profit in the second half of 2016 were at similar levels to the previous two halves. Due to a stronger first half in 2015 revenue on a full year basis was down 12% and after adjusting for currency and acquisitions, 20% lower. Second half sales were 5% higher than the comparative for 2015 but flat after adjusting for currency.

Underlying operating profit was similar to the first half and £4.2m (2015: £7.4m) for the full year. Gross margins were similar to prior year confirming the strength of our niche positions and actions taken to reduce costs over the last two years. Overheads have been reduced by 21% compared to 2014. Our businesses remain well placed to benefit from any future recovery in maintenance and repair expenditure although no significant recovery in the sector has yet to emerge.

Return to Scene joined the Group in June 2016 and offers our customers a photographic three dimensional representation of an asset, such as an oil rig, allowing them to plan maintenance and repair operations reducing the cost of travelling to the site. Major projects completed in 2016 include a large production and drilling facility in the Gulf of Mexico and similar assets in the North Sea and Azerbaijan.

Tankships

Our Tankships division increased revenue by 6% to £55.5m (2015: £52.6m). Approximately half of this increase was driven by increased volumes and half due to currency. Profitability was enhanced by the return of one vessel to the fleet from third party charter which was required to cater for the increased demand. Our Plymouth port saw a 6% increase in volumes discharged.

Underlying operating profit was 15% above 2015 at £8.2m (2015: £7.1m) reflecting the increase in revenue and the benefit of reduced costs from the renegotiation of certain supplier contracts. Vessel utilisation was 94% (2015: 97%). The business operated 15 vessels in 2016 (2015: 14) and completed 828 voyages in the year compared to 806 in the previous year maintaining its excellent operational safety record.

Acquisition of Hughes

The acquisition of Hughes Sub Surface Engineering Limited (Hughes), a diving, subsea and marine project company, in August 2016, has further enhanced our subsea capability and adds to our range of services focused in the oil and gas, marine renewables, power generation and marine civil engineering.

Based in Liverpool, Hughes has been integrated into JFMS and the business now has key UK hubs in Lowestoft, Falmouth and Liverpool.

The expanded service offering enables our customers to achieve further supply chain optimisation and reduce contractual interface risks. The resulting pool of assets, resources and experience combined with the capability to support mobilisations of personnel and equipment at key strategic locations around the UK coast offers a greater level of service and value to our customers.

Financial review

Stuart Kilpatrick, Group Finance Director

2016 results

The Group's performance against its key performance indicators in 2016 saw an increase in underlying operating profit of 11% to £50.8m (2015: £45.6m) on revenue of £466.0m (2015: £437.9m). Underlying operating margin increased to 10.9% (2015: 10.4%) due to strong results of the Specialist Technical, Marine Support and Tankships divisions. Underlying profit before taxation was 11% higher at £45.8m (2015: £41.2m). Statutory profit before taxation was £44.9m (2015: £46.2m) due to separately disclosed items which are set out below. The Group's post-tax return on capital employed was 13.0% (2015: 13.5%) and cash conversion, the measure of how much operating profit is converted into cash, improved to 103% (2015: 95%).

The Group is exposed to fluctuations in exchange rates, primarily in respect of US Dollar cash flows and the translation of overseas business results into UK Sterling. Forward currency contracts are entered into periodically to hedge approximately half of forecast net US Dollar inflows to reduce the risk of earnings volatility. In 2016, the Group's US Dollar hedges had the effect of limiting the currency gains following the post-Brexit devaluation of UK Sterling. The Group does not hedge translation exposure where an overseas business records transactions in local currencies, which are then converted into UK Sterling at average rates. The net increase in revenue and underlying operating profit due to changes in exchange rates was £18.2m and £1.4m respectively.

Revenue	£m	% change
2015	437.9	
Acquisitions	27.5	6%
Angolan contract	(32.4)	(7)%
Currency	18.2	4%
Offshore Oil	(13.6)	(3)%
Other divisions	28.4	6%
2016	466.0	6%

Revenue increased by 6% in the year and the incremental effect of businesses acquired (including the full year effect of those added in the prior year) was £27.5m. The cessation of a marine services contract in Angola reduced revenue by £32.4m and currency added £18.2m. Organic growth was 3% comprising a £13.6m fall in the Offshore Oil division offset by an increase of £28.4m in the other divisions.

Underlying operating profit	£m	% change
2015	45.6	
Acquisitions	2.0	4%
Angolan contract	(2.9)	(6)%
Currency	1.4	3%
Offshore Oil	(4.4)	(10)%
Other divisions	9.1	20%
2016	50.8	11%

Underlying operating profit was 11% higher than 2015. Acquisitions added £2.0m in the year and the effect of the ceased contract in Angola reduced profit by £2.9m. The impact of currency rates is net of US Dollar cash flow hedges of £3.5m and a £1.5m loss on Nigerian Naira cash balances following a 30% devaluation when the peg against the US Dollar was removed during 2016. Organic growth was 10% with three divisions performing strongly to offset a reduction in Offshore Oil.

Interest and taxation

Net finance charges were £0.6m higher than 2015 at £5.0m (2015: £4.4m) due to an increase in non-cash interest on pension schemes of £0.2m and £0.4m of increased bank interest as the Group borrowed more in 2016. Interest cover, the ratio of underlying operating profit to the net finance charge, excluding pension related charges, was 12.6 times (2015: 12.7 times).

Tax charge	2016 £m	2015 £m
Underlying profit before tax	45.8	41.2
UK rate of 20.0% (2015: 20.3%)	9.2	8.3
Adjusted for the effects of recurring items:		
Effect of overseas tax rates	0.4	0.5
Tonnage tax relief on vessel activities	(1.0)	(0.9)
Other recurring items	0.1	0.1
Adjusted for the effects of non-recurring items:		
Over provisions in prior years	(0.9)	(2.1)
UK deferred tax rate reduction	(0.7)	-
	7.1	5.9

The tax charge for the year of £7.1m (2015: £5.9m) on profit before tax and separately disclosed items of £45.8m (2015: £41.2m) represents an underlying effective tax rate (ETR) of 15.4% (2015: 14.3%). The Group ETR is impacted by recurring items such as the geographical mix of profits, tonnage tax relief on the profits of its tanker operations and expenses disallowed for tax. The Group operates in 16 countries so its ETR is a blend of national tax rates applied to locally generated profits. Non-recurring items in 2016 include adjustments to tax calculations in previous years where the outturn has been or will be lower.

In addition, in 2016 the Group benefitted from the UK government committing to reduce future corporation tax rates to 17% with effect from 1 April 2020 which resulted in a non-recurring benefit of £0.7m.

The Group's tax policy has been approved by the Board and shared with the UK tax authorities. Whilst the Group has a duty to shareholders to seek to minimise its tax burden, its tax policy is to do so in a manner which is consistent with its commercial objectives, meets its legal obligations and its code of ethics. We aim to manage our tax affairs in a responsible and transparent manner and with regard for the intention of the legislation rather than just the wording itself.

Our tax objectives are to comply with all applicable tax laws and regulations, including the timely submission of all tax returns and tax payments and to undertake all dealings with local tax authorities in a professional and timely manner. The Group operates in a complex global environment and a principal tax risk is the acceptance of intragroup transaction pricing by tax authorities around the World. The Group continues to monitor the OECD's Base Erosion Profit Shifting (BEPS) project as part of its tax risk management and seeks to comply with local transfer pricing legislation in each relevant jurisdiction and involve external tax advisers, where appropriate, to identify any changes to pricing policies and related documentation.

In terms of cash tax, the Group paid £6.9m (2015: £8.8m) across all of its jurisdictions with around 40% paid to the UK tax authorities. A further £28.2m was paid in the UK for payroll taxes (2015: £26.3m).

Earnings per share and dividends

Underlying diluted earnings per share increased by 11% to 76.3p per share (2015: 68.5p). Statutory diluted earnings per share were 78.7p per share (2015: 79.2p) due to a separately disclosed charge after tax of £0.6m compared to a gain of £5.3m in the previous year. The Board are recommending a 10% increase to the total dividend for the year to 26.15p per share (2015: 23.80p). A final dividend of 17.6p per share (2015: 16.0p) will be paid on 9 May 2017 to shareholders on the register on 7 April 2017, subject to approval at the Annual General Meeting. Dividend cover based on the ratio of underlying earnings per share divided by the dividend per share was 2.9 times (2015: 2.9 times).

Separately disclosed items

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. Items disclosed separately comprise gains or losses on the sale of businesses, asset impairments, other significant non-recurring items and acquisition related charges or income.

Costs incurred on acquiring businesses decreased due to fewer businesses being acquired in 2016. Amortisation of intangible assets which have arisen when businesses have been acquired was unchanged, contingent consideration releases are based on latest estimates of obligations in relation to estimated outcomes against targets originally agreed within a sale and purchase agreement. A credit of £3.4m (2015: £8.5m) related mainly to Subtech, which was acquired in 2015.

Separately disclosed items	**2016 £m**	2015 £m
Acquisition related (charges) and income:		
Costs incurred on acquiring businesses	**(0.7)**	(1.4)
Amortisation of acquired intangible assets	**(1.2)**	(1.2)
Adjustments to contingent consideration provisions	**3.4**	8.5
	1.5	5.9
Provision for contract cessation costs in Angola	**(2.3)**	-
Loss on disposal of businesses	**-**	(1.0)
Separately disclosed items before tax	**(0.8)**	4.9
Tax on separately disclosed items	**0.2**	0.4
	(0.6)	5.3

In 2016, the Group recognised a charge of £2.3m relating to the early cessation of a marine services contract in Angola which is classified as separately disclosed, being a significant, non-recurring item.

Cash flow and borrowings

Free cash flow, which is the net cash generated before the cash spend on acquisitions and before dividends paid to shareholders, increased by £18.0m to £25.1m (2015: £7.1m) due to higher operating cash flow and a 27% reduction in capital expenditure, mainly from lower investment in Offshore Oil. Cash conversion, the ratio of underlying operating cash flow to underlying operating profit was 103% (2015: 95%) despite a further investment in working capital.

Summary cash flow	**2016 £m**	2015 £m
Underlying operating profit	**50.8**	45.6
Depreciation and amortisation	**24.6**	23.2
Underlying Ebitda	**75.4**	68.8
Working capital	**(19.0)**	(22.7)
Pension/other	**(4.3)**	(2.7)
Operating cash flow	**52.1**	43.4
Interest and tax	**(10.8)**	(12.2)
Capital expenditure	**(14.8)**	(20.2)
Other	**(1.5)**	(3.9)
Free cash flow	**25.0**	7.1
Businesses acquired	**(24.6)**	(27.2)
Dividends	**(12.3)**	(11.4)
Increase in net borrowings	**(11.9)**	(31.5)

The working capital outflow of £19.0m (2015: £22.7m) was primarily in respect of projects within Specialist Technical and growth in the Marine Support renewables business. The ratio of working capital to sales increased from 16% to 18% and is expected to increase further in 2017 due to the India submarine rescue contract.

Net capital expenditure in the year was £14.8m (2015: £20.2m) which represents 66% of depreciation. Spend in Offshore Oil on rental equipment was lower at £5.6m (2015: £7.9m), Marine Support was £4.6m (2015: £7.2m), reflecting continued investment into the renewables and tidal sector and Specialist Technical was £2.1m (2015: £2.3m).

Net borrowings increased in the year by £11.9m to £105.7m (2015: £93.8m) with a cash outflow on businesses acquired of £24.6m (2015: £27.2m) of which £6.9m related to businesses acquired in the previous year. At 31 December 2016, the ratio of net borrowings to underlying earnings before interest, tax, depreciation and amortisation (Ebitda) was 1.4 times (2015: 1.4 times) and the Group had £49.7m (2015: £67.4m) of undrawn committed banking facilities. Net gearing, the ratio of net debt to equity, was 41% (2015: 43%).

Acquisitions

During the year the Group acquired Lexmar Engineering Pte Limited and Lexmar Sat Systems Pte Limited (together, Lexmar) for S$26.8m (£15.0m), inclusive of net cash in the business on 1 August 2016 of S$8.8m (£4.9m). Lexmar is complementary to our saturation diving business within JFD in our Specialist Technical division and broadens the Group's offering, particularly in the Asia Pacific region. Hughes Sub Surface Engineering Limited was acquired for an initial consideration of £9.0m, inclusive of net cash in the business of £2.0m. A further £1.0m is potentially payable based on the profitability of certain projects up to 28 February 2017. Return to Scene was acquired for £1.9m in June 2016 and a further £3.0m was spent to acquire SWT, Norway for its heat suppression capability.

Pensions

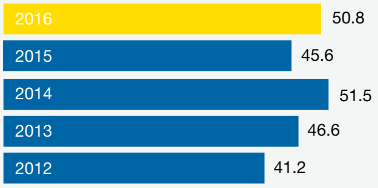
The Group operates a range of defined contribution schemes for current employees and in 2016, contributed £3.7m (2015: £3.7m) into those schemes. The Group has an obligation of £26.8m (2015: £27.0m) for its own closed defined benefit scheme and for two industry-wide defined benefit schemes. In respect of these obligations, the net pension liability decreased by £0.2m to £26.8m as contributions of £4.4m were offset by an increase in remeasurement losses due to reduced long-term interest rates, particularly following the outcome of the Brexit vote.

JFD underwater life support equipment

JFD's stealth clearance diver's life support equipment (CDLSE) together with maintenance and training is supplied to a number of navies, including the Royal Navy.

CDLSE is a state-of-the-art underwater life support technology, developed by JFD in-house, for mine counter measures and explosive ordnance disposal. CDLSE includes JFD's innovative rebreather solution which is non-magnetic and acoustically clean. The multi-mission underwater breathing apparatus provides increased diver safety through a dynamically responsive control system that rapidly and accurately responds to changes in breathing air level requirements. CDLSE's operational capability and reliability has successfully set new standards in military underwater breathing apparatus performance due to its long duration and depth range.

Key performance indicators

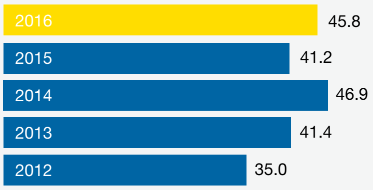


Underlying operating profit (£m)

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 7% over the last five years.

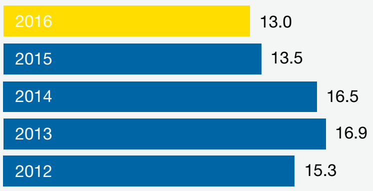
Operating margin (%)

Operating margin is the ratio of underlying operating profit to revenue. The Group's operating margin in 2016 was 10.9% (2015: 10.4%).



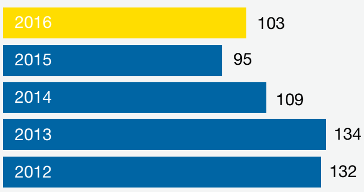
Underlying profit before tax (£m)

Underlying profit before taxation is after interest and before separately disclosed items and related taxes. The compound annual growth rate in underlying profit before taxation over the last five years is 9%.



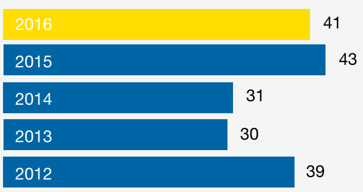
Return on operating capital employed (%)

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 (note 2) was 13.0% (2015: 13.5%) at 31 December 2016.



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 103% in 2016 (2015: 95%).



Gearing (%)

Gearing is defined as the ratio of net borrowings to net assets. The gearing of the Group at 31 December 2016 was 41% (2015: 43%).

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 Company'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 and/or legal claims and/or settlements; major 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 from the Board to operating units that have been communicated throughout the businesses and are well understood by the Executive Directors, the central management team, 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. Central functions and operating units are each required to operate within this control environment and in accordance with the Group's established policies and procedures which include ethical, anti-bribery and corruption, treasury, employment, health and safety and environmental policies and procedures.

The Group's trading companies are supported by centralised finance, treasury, taxation, internal audit, legal and company secretarial, human resource and payroll and information systems functions: the functional heads report 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.

Risk management systems

The key features of the Group's risk management systems are as follows:

- Each trading business is required to maintain an up to date risk register, which is reviewed at each business board meeting, identifies key risks and assesses the likelihood and impact of each risk before and after mitigation measures are taken.
- On an annual basis the risk registers are submitted to the Company Secretary and Head of Internal Audit for analysis. This analysis is considered by the Board when determining the Group's principal risks and the areas of internal audit focus for the forthcoming period.
- The trading company managing directors complete a risk management review questionnaire on an annual basis which is a self-assessment of operational controls and compliance with Group policies and applicable laws and regulations relating to their business. This enables business managers to identify risks and focus on mitigating strategies. The reviews are submitted to the Company Secretary and Head of Internal Audit for analysis and reporting to the Board.
- The Group Risk Committee meets quarterly and is chaired by the CEO with representation from functional heads including finance, human resources, legal and company secretarial, information services, insurance and internal audit. The minutes of the Risk Committee are reported to the Board.

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.

Identifying and monitoring material risks

Material risks are identified and monitored 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. This is supported by a self-assessment internal control review questionnaire completed by each operating company and submitted to the Group Head of Internal Audit. This process is robust and challenging, ensures that risks are identified and that management has adequate internal control systems in place to report any weaknesses that require management attention. The results of the analysis are utilised to determine future areas of internal audit focus.
- A 'risk score' is determined for each risk based on the likelihood of the identified risk arising and the potential impact on the business of an adverse outcome. The risk score before and after mitigation is reviewed at business and Group level.
- The risk assessments are summarised and presented to the Board who evaluate the principal risks of the Group by reference to the strategy and operating business environment.

Principal risks and uncertainties

The most significant risks that the Board considers may affect our business based on the risk evaluation process described above are listed below. These risks are similar to last year except for the addition of 'Contractual risk' and the re-designation of 'Reputational risk from operations' to 'Health, safety and environment'. The Group's decentralised business model and geographical spread helps to mitigate the impact of each principal risk.

Risk description and potential impact	Management and mitigation	Changes in risk profile 2015 - 2016
Project delivery		
The failure to meet customer expectations on project delivery could have potentially significant adverse financial and reputational consequences and could potentially result in 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. This together with established processes and procedures, reporting systems, management oversight, customer feedback and staff training and development are designed to mitigate the risk to successful project delivery.	No change.
Contractual risk		
As the Group continues to grow, wins larger contracts and operates in more geographies, sometimes with local partners, the Company is potentially exposed to increased risks such as late payment or cost overruns.	The Group utilises professional expertise to minimise risk in contract negotiation with customers and partners. All major tenders, contracts and joint ventures are referred to the Board for approval and limits of authority are designed to ensure that contracts are reviewed and approved at appropriate levels prior to commitment. In addition the project delivery and performance function (referred to above) provides assurance on delivery.	The major contract wins in 2016 potentially increase the Group's risk.
Recruitment and retention of key staff		
James Fisher has strong and experienced management teams in its operational businesses and depends on the skills, experience and competence of all of its people to drive the business forward in established and new markets. The Group's success in delivering its strategic objectives depends on recruiting and retaining the right people in all areas of our business and planning succession in key leadership positions. The failure to attract, retain and develop personnel of the requisite calibre could have an adverse impact on the business.	Our strategy to attract and retain talent includes graduate recruitment, identifying and developing future leaders, regular appraisals, formal and informal training plans, succession planning, and appropriate remuneration incentives including the extension of share schemes to key individuals. We aim to develop talent from within. 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. These strategies are designed to retain and motivate individuals and to ensure their commitment to the success of the business. Staff turnover at senior levels within the Group remains low.	No change.
Health, safety and environment		
The Group's success is dependent on conducting its business safely and in accordance with all applicable regulatory requirements. Our businesses are reliant on ensuring that a good reputation is maintained with their customers. An adverse operational incident or failure to maintain appropriate levels of service delivery would potentially damage the Group's reputation leading to financial and commercial consequences.	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. We have policies and processes to safely and compliantly manage our operations, to protect our employees and others, to react appropriately to operational incidents and to deal quickly and effectively with any safety or service failings.	No change.

Risk description and potential impact	Management and mitigation	Changes in risk profile 2015 - 2016
Financial risk		
The Group is exposed to a variety of financial risks which could adversely affect the financial performance of the Company. The risks include 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.	The Group maintains relationships with a small key group of banks and reviews its funding mix and requirements at each Board meeting. The Board discusses macro-economic issues and their potential impact on each of these risks. The Group enters into bilateral facilities to spread its maturity profile and aims to maximise the term of its revolving credit facilities. The Group's centralised finance function oversees all key strategic finance matters and is responsible for treasury, tax, foreign exchange and funding requirements. This includes the 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. The Group also seeks to secure payment in hard currency to mitigate exchange rate risk.	This risk is unchanged. The strengthening of the US Dollar compared to the UK Pound had a beneficial effect in 2016. Uncertainty in financial markets, unrelated to Group operations, is the risk most likely to affect the Group.
Energy markets		
The Group has significant operations across the energy sector and serves a broad range of oil and gas, nuclear and renewables customers. A marked change in circumstances in individual market sectors, energy prices or change in government regulation or policy may lead to reduced activity which can affect demand for the Group's products and services and impact financial performance.	The Group has exposure across the energy sector and to a broad range of end markets and differing geographies. This together with the maintenance of close relationships with key customers and suppliers helps to mitigate the potential impact of market risks in the energy sector. 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.	No change.
Operations in emerging markets		
The Group has increasing activities in overseas emerging markets and key growth economies which are often undertaken in association with local joint venture partners. This together with legislative restrictions, embargoes, sanctions and exchange controls all has the potential for increasing the Group's financial and governance risk exposure. Any significant failure to comply with laws or regulations could lead to liabilities and penalties.	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.	No change.
Cyber security		
Attempts to cause harm to the Group and its businesses via digital channels could lead to theft, fraud, interruption to business and damage to our reputation.	The Group's IT systems are defended through the use of software protection and processes which are regularly reviewed and tested. These defenses include gateways, firewalls and threat detectors. IT security information and updates are reviewed on a regular basis. Group IT systems were subjected to penetration tests in 2016 which confirmed they are secure. Accounting and banking controls are regularly appraised to ensure they are appropriate, up to date and comply with recommended practice.	There have been no major security breaches or fraud in 2016. Risk is unchanged.

Corporate responsibility

Introduction

James Fisher is committed to good governance and the principles of honesty, integrity and fairness, which, in the Company's view, are the key elements for building a sustainable and profitable business. Corporate responsibility remains central to the delivery of our business strategy. This report will explain how we applied the principles of good governance throughout the year in key areas and outlines the processes and controls we use to manage the Group's approach to business ethics, environmental, health and social responsibilities. Our Board of Directors sets the strategic and financial objectives for the Group and in doing so requires and seeks to ensure that the Group maintains high ethical standards of behaviour throughout its businesses. The Group has well established policies on business ethics, anti-bribery and corruption, whistleblowing and diversity which support our approach to corporate responsibility. The effectiveness of these policies and procedures is regularly monitored and reviewed to ensure that they align with our Group strategy. We require all our people to conduct themselves to the highest level of ethical conduct in their business activities and to comply with relevant laws, regulations and standards of market practice in all jurisdictions where the Group operates. We do not permit bribery, illegal or corrupt business practices and our whistleblowing procedure allows employees to raise any malpractice concerns they may have in an appropriate forum without fear of recourse.

Our people

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. In order to develop this further, the Group has broadened its management development and graduate recruitment programmes, which focus on recruiting talented graduates and developing skills and experience to produce potential future managers. The Company has also established a dedicated Learning and Development team who deliver in-house training to employees throughout the Group on a wide variety of personal development topics, tailored to each business to give the employees targeted, bespoke training which will advance their development.

By supporting our people we help them to grow and develop their skills and long-term career aspirations, which in turn rewards the Group by securing the dedication and motivation of those employees. Keeping our people inspired remains one of our highest priorities and so we focus on creating an environment where performance is rewarded, people are respected for their contributions, diversity and inclusion is encouraged and where integrity is upheld in all aspects of our work. The Group remains committed to providing equal opportunities free of discrimination and to developing and retaining talent to maximise business growth and performance.

The Company also recognises the need to provide flexible working practices to support the needs of employees to maintain a successful work-life balance. In support of this the Company operates a flexible working policy.

Our people are informed on matters affecting their employment and business developments in the Group through management briefings and newsletters, the Company's website, the Group's intranet resource and by the distribution of Preliminary and Interim Announcements and press releases. Copies of the Annual Report and Accounts are also made available to the operating businesses and this communication process enables employees to gain an understanding of the Group's objectives and performance and how they have contributed to those results.

We operate in a competitive marketplace and the Board recognises the importance of rewarding employees appropriately for the value they bring to the business. It aims to offer rewards that attract and retain key talent.

The Company also enables its employees to share in its successes through share ownership. At 31 December 2016, 293 employees were participants of the James Fisher Sharesave Scheme (2015: 290).

Our commitment to equal opportunities and diversity

It is the Company's policy to ensure that all employees and potential employees are treated fairly regardless of their race, beliefs, gender identity, age, marital status, sexual orientation or disability. We aim to ensure that people from any background or of any gender identity have equal access to employment, training and career progression opportunities. We strive to select individuals on merit and do not consider that targets or quotas are appropriate.

The Board recognises that having a diverse workforce allows the Group to better meet the differing requirements of our global customer base. Our strategy is to identify current and/or future potential successors to senior management roles throughout the Group and gender diversity is encouraged by the Board.

Set out below is a breakdown of the average number of persons by gender and category throughout the Group:

	2016		2015	
	Male	**Female**	Male	Female
Main Board Directors	**6**	**1**	6	1
Senior Managers	**47**	**9**	41	9
Employees	**2,152**	**560**	2,151	539

All of our employees are treated with respect and dignity. Harassment of any kind is not tolerated. It is our policy and practice to give full and fair consideration to job applicants with disabilities. If an employee became disabled during the course of their employment, wherever practicable, the Group would make every effort to ensure that arrangements and adjustments are made and that, where required, appropriate training is provided to allow them to continue their employment.

Health and safety

The Group is fully committed to delivering the highest standards of safety to its employees and to visitors to the Group's premises. We continue to strive towards our ultimate aim of having no accidents or injuries and we have a proactive safety culture across the Group which promotes compliance and ensures continuous improvement. We have a strong focus on employee training, regulatory compliance and accident reduction, all of which are monitored and reported on across the Group. Accountability remains 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. This is also in accordance with our decentralised management approach. This is overseen by Nick Henry, the Chief Executive Officer, who has overall responsibility for health and safety. The review of health and safety performance is high on the agenda at each Board and business board meeting and remains a top priority for our Group.

The Group Health and Safety Committee (GHSC), chaired by Nick Henry, meets on a quarterly basis to discuss all health and safety issues including incidents, mitigating actions and training requirements. The GHSC ensures that recordable safety incidents are reported to the Board and each Group operating company is maintaining high standards of health and safety in its business. Through the GHSC, the Group shares best practice and lessons learnt following any health and safety incidents, including near misses, to mitigate the risk of recurrence.

The Group's 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) in the reporting of recordable incidents.

A reportable incident under RIDDOR is a work-related injury which results in a person's incapacitation for more than seven days. The number of reportable incidents across the Group in 2016 was 5 (2015: 5).

The Group also records lost time accidents (LTAs) to monitor performance and trends. An LTA is where a worker is incapacitated for three or more consecutive days, not including the day of incident. In 2016 the Group incurred 6 LTAs (2015: 5).

The Group monitors its overall RIDDOR reportable frequency rate, defined as the number of LTAs per one hundred thousand hours of work. In 2016, the Group's RIDDOR reportable frequency rate was 0.1 (2015: 0.1).

How we manage our environmental impact

The Group is committed to operating its businesses in an environmentally responsible manner and recognises that its operations have an impact on the environment. The Group is committed to working within the appropriate regulatory frameworks 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.

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)

	2016	2015
CO_2 equivalent from electricity consumption in facilities	**3.0**	2.7
CO_2 from combustion of fuel at facilities and road vehicles	**2.9**	2.6
CO_2 from combustion of fuel in vessels	**83.9**	65.0
Total emissions (CO_2)	**89.8**	70.3

Emissions from the combustion of bunkers on our Tankships business amounted to 93% of the Group's total emissions (2015: 93%). However one 4,000 metric ton vessel can carry 150 times the volume of fuel transported by a single road tanker, which significantly reduces congestion and emissions to air. In 2016, the Group's electricity consumption increased primarily due to the acquisition of Hughes and Lexmar. Emissions from fuel combustion in vessels increased principally as a result of growth in vessel charters for the renewables market.

The Group's carbon intensity ratio calculated against the Group's revenue (which increased by 6%) remained flat at 0.02% (2015: 0.02%). Our Tankships division operates a Ship Energy Efficiency Management Plan to regulate shipping energy efficiency and to control its marine GHG emissions. Waste management and recycling of materials is encouraged across the Group and in an effort to reduce our carbon emissions from travelling to and from meetings, the use of video conferencing and similar facilities is widely used throughout the Group.

Human rights

James Fisher 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.

Our ethical business principles

As a Group we aim to act responsibly and ethically in all of our business dealings. Through our ethics policy we aim to instill 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. As well as protecting the reputation of the Group and safeguarding the investment of our shareholders, the business ethics policy aims to protect the interests of every employee by ensuring legal and regulatory compliance as well as promoting responsible behaviour across the Group.

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.

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.

Customers

Our customers are extremely important to us. The Group aims to provide superior customer service through value added solutions combined with high quality products. First class customer service and innovation are critical to our success.

We appreciate that every customer has different needs and expectations and we have developed long lasting relationships with customers and suppliers over many years to help customers find the solutions they need. We have followed a customer-led strategy with regards to expansion into the international markets and we are proud to be a trusted partner of many major corporations, government agencies and customers around the world. We understand that a continued commitment to our existing and future customers is fundamental to our success and so we strive to work hard to understand our customers' needs and to continue delivering customer satisfaction.

Suppliers

Our businesses have developed their own long-term relationships with suppliers based upon best practice, legal requirements and Group policies and procedures. Group companies promote social responsibility, trade compliance and anti-corruption within their own supplier base and key suppliers are vetted to ensure that they adhere to all relevant laws, our policies and codes of conduct and, where appropriate, operate within internationally recognised quality, health and safety and management systems.

Giving back to the community

The Group continues to encourage its businesses to support local communities within their operational areas and during the year our people have given their time and money to a wide range of charitable giving and fund raising activities.

Charitable causes supported in 2016 included: Macmillan Cancer Support, the Movember Foundation, the Lawhill Maritime Centre in South Africa, Cancer Research, the British Heart Foundation, the Royal Marine Benevolent Fund, Martin's House Children's Hospice, Act 4 Africa and the Cumbria Flood Appeal.

The Sir John Fisher Foundation (SJFF) is a charitable trust established in 1979 by Sir John and Lady Fisher and supports 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 surrounding area. The Trustees of SJFF retain a significant shareholding in the Company and support charitable causes in relation to maritime, medical and disability, education, music, arts and community projects. In 2016 the Foundation made grants or commitments to charitable causes of £2.3m (2015: £1.7m).

New lifeboat for Workington Royal National Lifeboat Institution (RNLI)

The Workington RNLI Station is based at the Prince of Wales Dock in Workington and covers the dangerous seas off the West Cumbrian coast. The conditions can be particularly hazardous due to the large tidal range, strong onshore winds and the limited number of safe ports at which the crew can dock. Workington is the only RNLI station to have an all-weather lifeboat, which they launch by a davit system over the dock wall.

Their current vessel, the Sir John Fisher, was purchased with a donation from SJFF and since its naming ceremony in 1994 has saved 73 lives and brought 324 people safely ashore. Although still in excellent condition, its class has now been superseded by the Shannon class lifeboat and in 2016 SJFF contributed £0.5m towards the £2.1m cost of a new vessel.

The vessel, designed entirely in-house by RNLI naval architects and under construction in Poole, is an all-weather lifeboat with an operational radius of 150 nautical miles, allowing the crew to reach casualties a further 20 nautical miles out to sea. It can also operate in shallow waters and can be intentionally beached, permitting a broader range of rescue mission whilst coping with the roughest of weather conditions off the West Cumbrian coast.

The new vessel will be delivered in 2017.

Trustees from Sir John Fisher Foundation with RNLI Workington lifeboat crew.

Chairman

Charles Rice
Chairman of the Board and Nominations Committee +

Appointed: Joined the Board in April 2004 and was appointed as Non-Executive Chairman on 1 August 2012.

Skills and experience: Charles has wide experience in commercial shipping having held a number of commercial and operational roles with Overseas Containers Limited. During the 1990s he was responsible for the development of P&O's Trans European logistics and services division and was appointed as a main board Director of The Peninsular and Oriental Steam Navigation Company (P&O) in 2001.

External appointments: Following a number of other directorships, Charles is currently Chairman of the Transport Research Foundation.

Executive Directors

Nick Henry
Chief Executive Officer

Appointed: Joined James Fisher in February 2003 as Managing Director of James Fisher Tankships Limited and was appointed Chief Executive Officer in December 2004.

Skills and experience: 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.

Stuart Kilpatrick
Group Finance Director

Appointed: Joined the Group in July 2010 and was appointed to the Board as Group Finance Director in December 2010.

Skills and experience: Stuart is a member of the Institute of Chartered Accountants of England and Wales and qualified with BDO Binder Hamlyn. Stuart 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.

Non-Executive Directors

Malcolm Paul
Senior Non-Executive Director and Chairman of the Audit and Remuneration Committees *#+

Appointed: Joined the Board in February 2011.

Skills and experience: 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 international environmental company.

Aedamar Comiskey
Non-Executive Director *#+

Appointed: Joined the Board in November 2014.

Skills and experience: Aedamar has been a partner at Linklaters LLP since 2001 and is a member of the firm's International Board. Aedamar specialises in international and domestic mergers and acquisitions, joint ventures and fundraisings and is very involved in expanding Linklaters' business in Latin America. Before joining Linklaters, Aedamar worked for two years as a consultant with Accenture in Dublin, Chicago and Belfast.

External appointments: None.

David Moorhouse CBE
Non-Executive Director *#+

Appointed: Joined the Board in August 2013.

Skills and experience: 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: Chairman of Braemer Shipping plc; Non-Executive Director of OAO Sovcomflot; Life member of the UK's Foundation for Science and Technology.

Michael Salter
Non-Executive Director *#+

Appointed: Joined the Board in August 2013.

Skills and experience: 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: Non-Executive Director of SAR Gruppen AS.

** Audit Committee # Remuneration Committee + Nominations Committee*

Introduction from the Chairman

I am pleased to present the 2016 Corporate governance report on behalf of the Board. The Board remains committed to high standards of corporate governance and to ensure that values and behaviours are consistent across the Group. This report together with the Audit Committee and Directors' remuneration reports are intended to give shareholders a clear and meaningful explanation of how the Board and its Committees discharge their corporate governance responsibilities and how the principles of good governance as set out in the Financial Reporting Council's UK Corporate Governance Code (September 2014) (the Code), which is the version of the Code which applies to the Company for 2016, have been applied throughout the Group. Our statement of compliance with the Code is set out below. A copy of the Code can be found at the Financial Reporting Council's (FRC) website: https://www.frc.org.uk.

I would encourage all shareholders to attend our Annual General Meeting (AGM) on 4 May 2017 as it provides an excellent opportunity to meet the Executive and Non-Executive Directors.

Charles Rice
Chairman

28 February 2017

Statement of compliance

The Board confirms that, without exception, the Company complied with all relevant provisions of the Code throughout the year ended 31 December 2016. The following disclosures provide a detailed description of how the Company has complied with the principles set out in the Code in the 2016 financial year.

A. Leadership

A.1 Role of the Board

The Board is responsible for providing effective leadership to the Company. It does this by setting 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.

The Board has a schedule of matters it reserves for its own decision making such as decisions relating to:

- strategy and management;
- structure and capital;
- financial reporting and controls;
- internal controls;
- capital expenditure;
- approval of material contracts;
- communication with shareholders;
- Board membership and appointments;
- corporate governance matters;
- approval of Group policies; and
- approval of the Group and Company financial statements.

The schedule is reviewed annually and approved by the Board.

The Board meets regularly, with six scheduled meetings having been held during the year. The Directors' attendance records at those meetings and Board Committee meetings held during the year are shown in the table below:

Attendance at Board and Committee meetings

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Number of Meetings	6	4	3	2
Charles Rice	6	–	–	2
Nick Henry	6	–	–	–
Stuart Kilpatrick	6	–	–	–
Malcolm Paul	6	4	3	2
Aedamar Comiskey	4	3	3	2
David Moorhouse	6	4	3	2
Michael Salter	6	4	3	2

Board and Committees

Operation of the Board

All Directors participate in discussing strategy, performance and financial and risk management of the Company. Strategy, acquisition and disposal of businesses and major capital investments are agreed between the Chairman, the Chief Executive Officer and Group Finance Director prior to review and approval by the Board. Meetings of the Board are structured to allow open discussion.

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. 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 2016, visits included JF Marine Services Limited and JF Nuclear Limited and the Non-Executive Directors also received presentations from management on key strategic plans including relating to individual businesses and markets.

During the year, the Board has considered a wide range of matters including safety, operations, corporate governance, strategy, forecasts and long-term objectives, acquisitions, financing, taxation, risk management, internal controls, the Group's principal risks, management and succession planning and Board composition as well as shareholder announcements. The Board has a regular programme of six meetings and a schedule which identifies matters to be discussed at each meeting. The January and July meetings are primarily focused on review of corporate governance matters. The other quarterly meetings each have a broad based business agenda, which covers the items noted above.

Committees

The Board has delegated certain responsibilities to the following Board committees:

- Audit Committee;
- Remuneration Committee; and
- Nominations Committee.

Each Committee has formal written terms of reference which are reviewed annually and available on the Company's website.

Audit Committee

The Audit Committee assists the Board in its oversight and monitoring of financial reporting, risk management and internal controls. The Committee members are Malcolm Paul, Aedamar Comiskey, David Moorhouse and Michael Salter. The Committee is chaired by Malcolm Paul. The Audit Committee report on pages 34 to 37 describes in detail the Committee's role and activities.

In 2016, the Audit Committee led a competitive tender process for the appointment of the Company's external auditor. Further details of the audit tender process are provided in the Audit Committee report on page 37.

Remuneration Committee

The Remuneration Committee reports to the Board and its members are appointed by the Board. The Committee members are Malcolm Paul, Aedamar Comiskey, David Moorhouse and Michael Salter. The Committee is chaired by Malcolm Paul. The Committee's terms of reference include:

- To determine and agree with the Board the remuneration policy for Executive Directors and other senior executives;
- To review the appropriateness and relevance of the Group's remuneration policy; and
- To ensure that the provisions of the Code relating to remuneration are fulfilled.

The Chairman attends the Committee's meetings by invitation and is not present when his own terms and conditions are discussed. During the year the Committee had three scheduled meetings. The work of the Committee including the chairman's overview is described in the Directors' remuneration report on pages 38 to 52.

Nominations Committee

The Nominations Committee reports to the Board and its members are appointed by the Board. The Committee members are Charles Rice, Malcolm Paul, Aedamar Comiskey, David Moorhouse and Michael Salter. The Committee is chaired by Charles Rice. The Committee's terms of reference include:

- To regularly review the structure, size and composition of the Board (including skills, knowledge, diversity and experience) and recommend changes;
- Succession planning for Directors and senior executives; and
- Identifying and nominating for approval to the Board, candidates to fill vacancies when they arise.

The Committee adopts a formal, rigorous and transparent procedure for the appointment of new Directors to the Board, working together with external advisors. The Board recognises the importance of diversity and has agreed that a target be adopted that by 31 December 2018, at least two of seven Board members be female. The Committee had two meetings in 2016 and its work included reviewing the composition of the Board and succession planning.

Executive Committee

In addition to three formal Committees, the Board has appointed an Executive Committee consisting of the Chairman and the Executive Directors, which has written terms of reference and reports to the Board. The Board also appoints from time to time sub-committees consisting of at least two Directors in order to finalise and approve those matters that have been approved in principle by the Board.

Subject to the Company's Articles, the Executive Committee is empowered to take such actions as considered necessary 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. The Executive Committee reports into the Board via the Chairman. The Executive Directors meet with the Chairman at least monthly. The Executive Directors also meet at least monthly with the Group's central senior executive team and also meet with the managing directors of the principal businesses on at least a quarterly basis to deal with operational issues, review risks and to develop and implement strategy.

A.2 Division of responsibilities

The roles of Chairman and Chief Executive are separate, set out in writing, clearly defined, and approved by the Board.

A.3 Chairman

The Chairman's role is to lead the Board and ensure the Board operates effectively in all aspects. The Chairman sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues. On his appointment in August 2012, the Board considered Charles Rice to be independent in character and judgement in accordance with the Code.

The Chief Executive Officer's role is to have the day to day responsibility of running the Group including leadership of senior management in executing the Company's strategy and managing the operational requirements of the Group's businesses. The Board has considered and is satisfied that the roles of Chairman and Chief Executive Officer operate effectively.

A.4 Non-Executive Directors

The Board considers the Non-Executive Directors combine broad business and commercial experience to bring independent and objective judgement to bear and to challenge constructively the Executive Directors on issues of strategy, performance, resource and standards of conduct. The balance between Non-Executive and Executive Directors enables the Board to provide clear and effective leadership and maintain the highest standards of integrity across the Group's business activities.

Each Non-Executive Director is expected to commit sufficient time to allow for attendance at Board and Committee meetings and for keeping in touch with the senior management team, shareholders and other stakeholders. Malcolm Paul, the Senior Independent Director, also acts as a sounding board for the Chairman and an intermediary for Non-Executive Directors where necessary. During the year, there were no unresolved concerns regarding the running of the Company.

The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters and to ensure that Board procedures are followed and applicable rules and regulations are complied with. The Company Secretary also advises the Directors on any important changes in legislation, regulation and best practice. In addition, all Directors have access to independent professional advice as necessary.

B. Board Effectiveness

B.1 Composition of the Board

There are currently seven Directors on the Board comprising the Non-Executive Chairman, the Chief Executive Officer, the Group Finance Director and four other Non-Executive Directors. The names and biographical details of the members of the Board are set out on page 27. More than half the Board, excluding the Chairman, are Non-Executive Directors, and the Board is satisfied that all of these were independent throughout the year.

During the year, Charles Rice met with the Non-Executive Directors without the Executive Directors present on more than one occasion and Malcolm Paul, the Senior Independent Director, met with the other Non-Executive Directors without the Chairman present on more than one occasion.

The Board functions effectively and efficiently and is considered to be of an appropriate size in view of the scale of the Company and the diversity of its businesses. 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.

B.2 Appointments to the Board

Appointments to the Board are overseen by the Nominations Committee. Please refer to the Nominations Committee responsibilities set out above.

B.3 Commitment

Following the Board evaluation process, detailed further below, the Board is satisfied that each of the Directors is able to devote sufficient time to the Company to discharge their responsibilities effectively.

Contracts and letters of appointment with Directors are made available at the Annual General Meeting or on request. Executive Directors are encouraged to take up non-executive positions in other companies or organisations. Nick Henry, the Chief Executive Officer, is a member of the Supervisory Board of the UK Chamber of Shipping. Appointment to such positions is subject to the approval of the Board which considers, amongst other things, the time commitment required.

B.4 Development

On appointment, new Directors are given a detailed induction to the Group's business, together with an on-going programme of visits to the Group's major sites and meetings with senior management. On-going training and development for Directors is available as appropriate and is reviewed 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.

B.5 Information and support

All members of the Board are supplied with appropriate, clear and accurate information in a timely manner covering matters which are to be considered at forthcoming Board or Committee meetings.

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 Company Secretary who is responsible for advising the Board on all governance matters and ensuring that Board procedures are complied with.

The appointment and removal of the Company Secretary is a matter requiring Board approval.

B.6 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. This year the Board determined that an external facilitation of the annual review of performance (which was undertaken in 2015) was not necessary.

The 2016 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 its effectiveness, risk management and control and communications with stakeholders. The results of the evaluation were collated by the Company Secretary and reported to the Board via the Chairman with recommendations for further consideration and action as appropriate.

The 2016 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 and demonstrate commitment to the role.

B.7 Re-election

The Company's Articles of Association require Directors to submit themselves for re-election by shareholders at least once every three years. However, consistent with its practice in recent years the Board has decided that all Directors will stand for re-election or election at each AGM in accordance with the Code.

C. Accountability

C.1 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. In making this assessment, the Board took into account its own knowledge of the Group, the markets in which the Group operates, its strategy and performance in the year, a detailed review of the content of the Annual Report and Accounts and other periodic financial statements and announcements, together with the recommendation of the Audit Committee. Key considerations included ensuring that there was consistency between the accounts and the narrative provided in the front half of the Annual Report, and there was an appropriate balance between the reporting of weaknesses, difficulties and challenges, as well as successes, in an open and honest manner.

The going concern assessment and the viability statement are set out on pages 56 and 57; and the Strategic report on pages 6 and 7 sets out an explanation of the Company's business model and the strategy for delivering the Company's objectives.

C.2 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.

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 FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published in September 2014, 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.

The Board has carried out a robust assessment of the principal risks facing the Group including those that would threaten its business model, future performance, solvency or liquidity. Details of those principal risks and the Group's approach to mitigating them are set out in the Strategic report on pages 20 to 22.

As part of its internal control procedures, the Group has 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 Company Secretary in confidence.

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. This policy is reviewed annually by the Board and is available on the Group's website.

C.3 Audit Committee and auditor

For further information on the Company's compliance with the Code provisions relating to the Audit Committee and the Company's auditor, please refer to the Audit Committee report on pages 34 to 37.

D. Remuneration

For further information on the Company's compliance with the Code provisions relating to the level and components of remuneration and remuneration procedure, please refer to the Directors' remuneration report on pages 38 to 52.

E. Relations with shareholders

The Company communicates with shareholders through the Annual Report and Accounts, Half Year Report, preliminary announcements, interim management statements, investor days and the Company website. The Board takes the opportunity at the AGM to meet and communicate with private and institutional shareholders and welcomes their involvement. In addition, the Company invites regular direct communication with its shareholders as part of the Company's investor relations programme.

Non-attributable feedback on the investor presentations given by the Company to shareholders is circulated to the Board. The Chairman periodically consults with major shareholders in order to develop a balanced understanding of any issues and concerns and the Senior Independent Director is available to attend meetings with major shareholders if requested. In addition if at any meetings of the Executive Directors with investors a governance or strategy matter is raised, it is relayed back to the Board.

The Board is therefore of the view that appropriate steps have been taken to ensure all Board members, in particular the Non-Executive Directors, develop an understanding of the views of the major shareholders.

Introduction by Malcolm Paul, Chairman of the Audit Committee

I am pleased to introduce the report of the Audit Committee for the year ended 31 December 2016.

The Committee assists 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 2012 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 provide an insight into the matters considered by the Committee during the year and therefore to provide assurance to 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 2017 in accordance with the FRC Guidance on Audit Committees, April 2016.

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 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.

I am pleased by the way the members of the Audit Committee have worked together during the year focusing their attention 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, including where necessary alternative performance measures, in the light of ever changing legislation and changes in corporate governance. We have considered the impact of the UKs referendum result on the Group's standing and have reviewed and endorse the Group's approach to tax transparency. The Committee has also led a competitive tender process for the renewal of external audit services.

We are conscious of the changes that will shortly arise from the adoption of IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases when these accounting standards become effective and are monitoring the Group's approach to ensure effective compliance and disclosure in the future.

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.

Malcolm Paul
Chairman of the Audit Committee

Audit Committee composition

The Committee is chaired by Malcolm Paul and consists exclusively of four independent Non-Executive Directors whose biographical details are set out on page 27. The Board is satisfied that Malcolm Paul, a chartered accountant, who was formerly finance director of a FTSE 250 company, has significant recent and relevant financial experience. The other members are Aedamar Comiskey, David Moorhouse and Michael Salter and, based on the members' broad commercial, professional and technical experience, the Audit Committee as a whole is considered to have competence relevant to the sector in which the Group operates. Committee attendance is shown on page 29.

The Committee had three scheduled meetings during the year in February, August and November on dates to coincide with the financial reporting cycle. The Group Chairman, Chief Executive Officer, Group Finance Director, the Company Secretary and senior members of the finance team attend each meeting by invitation together with representatives of the auditor, including the reporting partner, and the Head of Internal Audit. This year additional Committee meetings were held during the audit tender process.

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, David Bills, 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.

Main responsibilities of the Committee

The Audit Committee's main duties and responsibilities are to:

- monitor the integrity of the Group's financial statements including a review of the significant financial reporting judgements contained therein;
- assess the independence and objectivity of the auditor and make recommendations to the Board for the auditor's appointment, re-appointment and removal;
- approve the auditor's remuneration including non-audit fees, terms of engagement and provision of non-audit services;
- review the Group's internal financial controls and systems for risk management and internal control;
- monitor and review the effectiveness of the internal audit function;
- monitor the Company's policies for handling allegations from whistleblowers; and
- hold a broad remit to review and comment upon market communications including public announcements and analysts' presentations.

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 Half Year and Annual Report and Accounts with particular focus on:

- whether suitable accounting policies have been adopted and properly applied;
- the clarity of disclosures, 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, in February, considered the findings of the statutory audit work, including comments on the draft Annual Report and Accounts. The August meeting received a review by the auditor of the Half Year results and 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.

Integrity of financial reporting

The Committee reviewed the integrity of the Half Year and Annual Report and Accounts of the Company. This included the review and discussion of papers prepared by management and took account of the views of the auditor. The key areas reviewed in the 2016 financial year are set out below.

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. During the year, the Committee specifically considered the financial impact on the Group accounts following the early termination of a major overseas contract including receiving reports from both senior management and the auditor and are satisfied that appropriate disclosure is made in the financial statements.

Goodwill valuation

The Committee considered the Group's carrying value of goodwill and impairment reviews based on underlying assumptions, including where appropriate the impact of the decline in oil and gas prices, 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.

Revenue recognition including long-term contracts

Long-term contracts often span a financial year end and as a result judgements have to be made on the stage of completion of these contracts to fairly present revenue and profit recognition. The Group uses established and consistent accounting policies to account for long-term contracts. The Committee received reports on a number of contracts and critically examined the recognition of revenue and profit on significant long-term projects to ensure both were recognised in the correct accounting period and that judgements made by management were reasonable. Where appropriate, matters arising were discussed with senior management and the Committee concluded that the financial statements recognised revenue in accordance with the Group's accounting policies.

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 auditor and the Committee concluded that acquisitions had been accounted for in accordance with the Group's accounting policies.

The Committee was satisfied that each of the matters set out above was adequately addressed by the Executive Directors and senior management, appropriately tested and reviewed by the auditor and the judgements and disclosures made in the Half Year and Annual Report and Accounts were appropriate.

Going concern

The Committee reviewed the appropriateness of the going concern assumption 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 57 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.

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 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 internal control failings and whistleblowing complaints are referred to the Committee for review and oversight to ensure that appropriate and timely actions are identified and completed. In 2016 there were no material instances of internal control failure (2015: 0) and no whistleblowing reports (2015: 1).

The responsibilities and processes for risk management are described in more detail on page 20.

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 2016 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.

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 the Committee reviews annually and recommends to the Board for approval.

In 2016, KPMG carried out taxation services and corporate advisory work including due diligence reports and tax advice on acquisitions. Non-audit fees paid to KPMG for this work represented 23% of the audit fee in 2016 and 19% of total fees paid.

With effect from 1 January 2017, EU Audit Regulations and standards published by the FRC in June 2016 prohibit the auditor from undertaking certain non-audit services, including advising on taxation, and limit the value of permitted non-audit services to a cap not to exceed 70% of the prior year audit fee. The auditor will not be engaged by the Company on prohibited matters and fees for permitted work must be pre-approved by the Committee. With effect from 1 January 2017 the Company has engaged new tax advisers.

Audit tender

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 previously announced that it planned to undertake a competitive tender for audit services given that KPMG were first appointed to audit the Company in 2008.

The tender process commenced in August 2016 with four firms invited to participate including three members of the Big Four and one mid-tier firm. The list of firms was selected based on their experience, industry skills and knowledge, their ability to perform audit to a high standard and with knowledge of any pre-existing business relationships that might affect their independence.

Prior to submitting their tender, the firms were given access to significant data regarding the Group and met with the chairman of the Audit Committee and with senior management within the Group's finance function. An Audit Tender Sub Committee was appointed comprising the chairman of the Audit Committee together with another Committee member, the Group Chairman, the Group Chief Executive, the Group Finance Director and the Group Financial Controller to consider the tenders submitted and, as a result, three firms were invited to an interview at which all Sub Committee members were present. Following these presentations and after due consideration by the full Audit Committee two firms were recommended to the Board, with an expressed preference for the appointment of one.

The Board accepted the recommendation of the Audit Committee which was based on the submitted tender, the interview and the Committee's experience of the quality of past performance and intend, subject to shareholder approval at the AGM, to propose the re-appointment of KPMG LLP as auditor for the financial year beginning 1 January 2017 under a new audit reporting partner, Mike Barradell.

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 is managed by experienced professionals assisted by senior financial managers from within the Group who undertake their work in accordance with an annual programme approved by the Committee. 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 2016, 15 internal audits were undertaken of which 12 were in the UK and 3 overseas (2015: 13). 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 2016 review, the Committee recommended and the Board concluded that the Group's internal audit process was appropriate and effective.

Malcolm Paul
Chairman of the Audit Committee

28 February 2017

Annual statement

Introduction by Malcolm Paul, Chairman of the Remuneration Committee

On behalf of the Board, and the Remuneration Committee, which I chair, I am pleased to present the Directors' remuneration report for the year ended 31 December 2016.

Pay and performance in 2016

James Fisher delivered a strong performance in 2016. The key performance measures for the 2016 financial year were as follows:

- Underlying profit before tax £45.8m (2015: £41.2m); and
- Underlying diluted earnings per share 76.3p (2015: 68.5p).

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

The Executive Directors' potential maximum level of bonus in 2016 was100% 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 2016 were achieved and this element of bonus was awarded in full. Personal objectives were also met. As a result a bonus of 100% of base salary was approved for Nick Henry and for Stuart Kilpatrick, of which 70% will be paid in cash and 30% in shares, which will be deferred for three years.

Awards under the LTIP granted in 2014 will vest in part on 6 April 2017 having achieved 47.1% of the maximum earnings per share performance target over the three year performance period ended 31 December 2016. Awards under the ESOS granted in April 2014, which are subject to relative total shareholder return (TSR) targets over the three year performance period ending 9 April 2017 are estimated to vest at 44.7% based on the calculations as at 31 December 2016. Further detail of the targets and achievement against them is set out in the Annual report on remuneration on pages 47 and 48.

2017 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 0.7% and 6.4% for 2017. Following a nil increase last year and reflecting the strong performance by the Executive Directors and the Group in 2016, the Executive Directors have been awarded a 4.4% increase to base salaries for 2017.

All other elements of the Executive Directors' remuneration packages will remain unchanged from 2016. 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 adjusted 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 relative TSR.

The Executive Directors and the Chairman have reviewed the Non-Executive Director fee levels and the Remuneration Committee has reviewed the fee for the Chairman. For 2017, increases will be made to the Chairman's fee, the Non-Executive Directors' base Board fee, the Audit and Remuneration Committee Chair fee and the Senior Independent Director's fee. These increases reflect the increased complexity and time commitment required. Further details are set out in the Annual report on remuneration.

Remuneration policy for 2017

The Company's remuneration policy was approved by shareholders at the AGM in April 2015 and the Committee considers it to still be appropriate. Therefore, we will not be asking shareholders to vote on the policy at the 2017 AGM.

In summary, 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 clawback and malus provisions and, post-vesting, Executive Directors are required to retain the net of tax shares awarded until they have satisfied the Company's share ownership guidelines.

The Committee considers that the remuneration policy is 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.

Shareholder feedback

The Company will continue to engage and communicate with shareholders regarding the Company's remuneration policy and the Committee considers all feedback received as part of its annual policy review process. I hope you will join me in supporting the resolutions in respect of this year's Directors' remuneration report at the AGM on 4 May 2017.

Malcolm Paul
Chairman of the Remuneration Committee

28 February 2017

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 fairness, competitiveness and equity, 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. While the Remuneration Committee considers pay and conditions across the workforce when reviewing and setting the Executive Director remuneration policy, the Committee does not consult with employees on this matter at the current time.

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.

Directors' remuneration policy

The table below summarises the components of reward for Executive Directors of James Fisher and Sons plc that will govern the Company's intentions as regards future payments. The remuneration policy (Policy) set out in this report was approved by shareholders at the AGM held on 30 April 2015 and it is intended that it will continue to apply until the 2018 AGM. Any commitments made by the Company prior to the approval and implementation of the Policy which were consistent with the policy in force at the time, can be honoured, even if they would not be consistent with the Policy prevailing when the commitment is fulfilled.

Element	Purpose and 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.	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.	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% of salary payable in cash. Bonus in excess of 70% of salary is subject to deferral into shares, normally for a period of 3 years. Dividend equivalent payments may be awarded (in cash or shares). The cash and deferred elements of bonuses are subject to provisions which enable the Committee to recover the cash paid (clawback) or to lapse the associated deferred shares (malus) in the event of: (i) misstatement of results for the financial year to which the bonus relates, or (ii) an error in determining the cash bonus or the number of shares comprising a deferred share award, within 3 years of the payment of the cash bonus, or gross misconduct.	Up to 100% of base salary.	Majority of the bonus potential is based on a financial target derived from the annual plan; Minority of the bonus potential is based on individual achievement and personal objectives.

Element	Purpose and link to strategy	Operation	Maximum	Performance targets
LTIP	To align the interests of the Executive Directors with the Group's long-term performance, strategy and the interests of shareholders.	Annual grant of share awards. Non-pensionable. Dividend equivalent payments may be awarded (in cash or shares). LTIP awards are subject to clawback or malus in the event of: (i) misstatement of results; or (ii) an error in determining the share award, or gross misconduct.	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 post-tax shares vesting under the LTIP until the guidelines are met.	200% of base salary for the Chief Executive Officer. 100% of base salary for other Executive Directors.	Not applicable.
Sharesave (previously SRSOS)	To encourage share ownership and align the interests of all-employees and shareholders.	An all-employee share plan.	As per prevailing HMRC limits.	Not applicable.
Non-Executive Directors	To provide fees to reflect the time commitment and responsibilities of each role in line with those provided by similarly sized companies.	Fixed annual fee, paid quarterly 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 aggregate 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 both the delivery of financial and personal objectives.

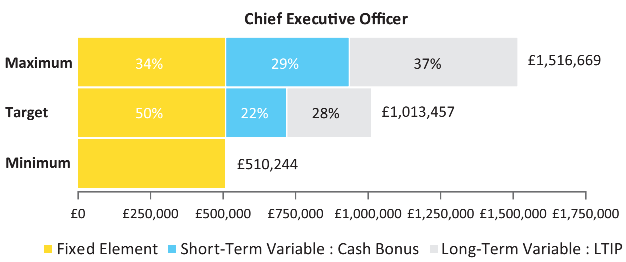
(2) TSR and EPS performance conditions are selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders.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

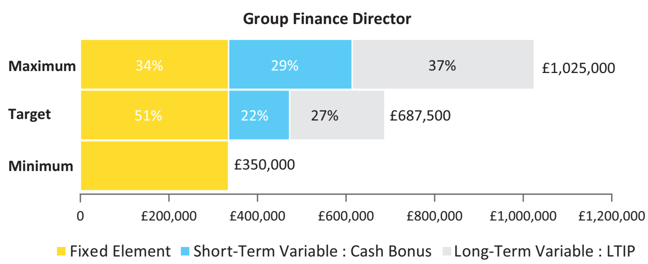
(3) The Committee operates its share plans in accordance with the plan rules and the Listing Rules and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plans (e.g. treatment of awards for leavers, change of control,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

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

(5) In approving the Directors' remuneration policy, authority was 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.

Potential value of 2017 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 2017 and the estimated value of benefits for 2017);

(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 share price appreciation or dividend reinvestment has been assumed.

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. Awards which do not lapse on cessation of employment may either vest at that time or on the normal vesting date. These awards will usually be subject to time pro-rating to reflect the unexpired portion of the performance period concerned. Awards that are subject to performance conditions will usually only vest to the extent that these conditions are satisfied; and
- Executive Directors will also be entitled to a payment in respect of accrued but untaken annual holiday entitlements on termination.

'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 or change of control. No compensation is paid for summary dismissal, save for any statutory entitlements.

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

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, the Executive Directors held no such 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
Charles Rice	1 April 2004	1 January 2017
Malcolm Paul	1 February 2011	1 January 2017
Aedamar Comiskey	1 November 2014	1 January 2017
David Moorhouse	1 August 2013	1 January 2017
Michael Salter	1 August 2013	1 January 2017

Chairman

Fifty per cent of the fee paid to Charles Rice, net of deductions, is used to buy ordinary shares in the Company and these shares must be held throughout his period in office. The shares are purchased in accordance with a trading plan agreed with Investec Bank plc dated 7 March 2013.

Annual report on remuneration

Remuneration Committee

The Committee was chaired by Malcolm Paul during 2016. The Committee also comprised three other independent Non-Executive Directors: Aedamar Comiskey, David Moorhouse and Michael Salter.

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 2014 UK Corporate Governance Code 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.

The Committee met three times during the year and details of attendance at Committee meetings are set out on page 29. During the year the Committee has considered the appropriateness and relevance of the remuneration policy, the Executive Directors' remuneration packages, including base salaries, the grant of share-based incentive awards, the vesting of share-based incentive awards subject to performance conditions being met and the amount and basis of performance related bonuses. Charles Rice also attended Committee meetings, when invited by the chairman of the Committee, and was consulted on matters relating to the Executive Directors who reported to him.

Advisers to the Remuneration Committee

New Bridge Street is the principal independent adviser to the Committee. During the year the Committee reviewed market information on Directors' remuneration published by New Bridge Street and a number of other sources and received advice from New Bridge Street on all matters under consideration by the Committee including remuneration, updates on best practice, legislative requirements and market practice. New Bridge Street's appointment as adviser to the Committee is reviewed annually by the Committee. It is a signatory to the Remuneration Consultants' Code of Conduct, which requires its advice to be impartial and it has confirmed to the Committee its compliance with the Code. The Committee is satisfied that the advice provided on remuneration is objective and independent. New Bridge Street's fees for this work amounted to £3,900.

Implementation of the remuneration policy for 2017

Executive Directors

Executive Directors' remuneration for 2017 is determined in accordance with the policy. Base salaries will be increased by 4.4% with benefits and pension remaining at the same level. With effect from 1 January 2017, Nick Henry's base salary was increased to £447,300 and Stuart Kilpatrick's base salary was increased to £300,000. The maximum bonus opportunity is 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 2017 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 2017 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 the date of award 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.

Non-Executive Directors

For 2017 the Non-Executive Directors' fees have been increased as set out below to reflect the increased time commitment, work load and responsibility of these roles.

	2017 £	2016 £
Chairman	**237,450**	231,650
Other Non-Executive Director fees:		
Basic fee	**51,000**	49,900
Additional fee for Audit Committee chairman	**12,000**	10,000
Additional fee for the Senior Independent Director and chairman of Remuneration Committee	**8,000**	5,000

Information subject to audit

Total remuneration earned by the Executive Directors

	Nick Henry		Stuart Kilpatrick	
	2016 £000	2015 £000	2016 £000	2015 £000
Base salary	**429**	429	**287**	287
Benefits	**14**	14	**11**	11
Pension	**49**	49	**37**	37
Bonus in cash	**300**	97	**201**	65
Bonus in deferred shares	**129**	–	**86**	–
Total short-term remuneration	**921**	589	**622**	400
LTIP – performance	**145**	281	**97**	191
LTIP – share appreciation	**12**	37	**8**	25
LTIP – total	**157**	318	**105**	216
ESOS	**26**	–	**18**	–
Total remuneration	**1,104**	907	**745**	616

Benefits

	2016			2015		
	Cash allowance in lieu of car £000	Medical insurance £000	Total £000	Cash allowance in lieu of car £000	Medical insurance £000	Total £000
Nick Henry	**13**	**1**	**14**	13	1	14
Stuart Kilpatrick	**10**	**1**	**11**	10	1	11
	23	**2**	**25**	23	2	25

Pensions

Pension contributions equivalent to up to 15% of base salary may be paid into personal pension plans, the Company pension scheme or taken as a separate cash allowance, subject to income tax.

	2016			2015		
	Paid as cash allowance £000	Paid as pension contribution £000	Total £000	Paid as cash allowance £000	Paid as pension contribution £000	Total £000
Nick Henry	**49**	**–**	**49**	49	–	49
Stuart Kilpatrick	**18**	**16**	**34**	–	37	37
	67	**16**	**83**	49	37	86

Annual bonus awards for 2016

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

(i) Financial objectives

Performance measure	Performance target	Assessment against targets
Adjusted profit before tax	Minimum threshold £41.5m Maximum £45.5m	Threshold starts at 0% and increases to 100% of this element of the bonus at maximum target performance.

(ii) Personal objectives

	Personal objectives
Nick Henry	– Set, communicate and lead key management priorities; – Deliver balanced growth via organic development and acquisitions; – Develop management structure including succession planning; – Monitor and manage Group risk profile; – Strengthen management training and graduate development programmes.
Stuart Kilpatrick	– Strengthen and improve quality of financial reporting; – Improve internal audit process and risk management; – Manage M&A process and due diligence; – Develop and maintain good relationships with banks, advisors and investors.

Alongside the headline objectives noted above, each executive is given specific objectives for the year. In 2016 these included: conclude certain key customer contracts (e.g. Indian submarine rescue contract; Galloper wind farm contract); develop JFD geographical structure and management; continue the development of renewables activity; certain management succession initiatives; and other commercially sensitive items. Both Executive Directors were assessed to have performed well against these objectives and to have achieved a strong overall result for the year, leading the Committee to award 100% of the personal objectives element of the bonus.

Vesting of 2014 LTIP awards

The LTIP values included in the table below relate to awards granted on 18 March 2014 which vest on 6 April 2017 dependent on EPS performance over the three year period ended 31 December 2016. Under the performance target which uses a sliding scale, one third of the award vests where growth of diluted earnings per share of RPI plus 9% is achieved over the three year performance period, to full vesting where growth of RPI plus 18% is achieved.

Performance target	Base EPS	EPS at 31 December 2016	EPS growth	Threshold RPI +9%	Maximum RPI +18%
Underlying diluted EPS	65.6p	76.3p	16.3%	14.4%	23.4%

As a result of meeting the above performance conditions, the gross value of LTIP share awards that will vest on 6 April 2017 are as follows:

	Share price at date of grant(3)	Share price at 31 December 2016(3)	Proportion to vest	Shares to vest	Performance element(1) £000	Share appreciation element(2) £000	Total £000
Nick Henry	1,489p	1,611p	47.1%	9,729	145	12	157
Stuart Kilpatrick	1,489p	1,611p	47.1%	6,525	97	8	105

(1) The performance element represents the face value of awards that will vest on 6 April 2017.

(2) The share appreciation element represents the value due to the change in share price from the date of award to 31 December 2016.

(3) The share price at grant is based on a ten day average immediately prior to the date of grant and the share price at 31 December 2016 is based on a three month average.

Vesting of 2014 ESOS awards

The ESOS values included in the table below relate to awards granted on 10 April 2014, which are estimated to vest in part on 10 April 2017 dependent on TSR performance over the three year period ended 9 April 2017. The vesting percentage has been estimated based on performance up to 31 December 2016. For the 2014 ESOS, the comparator group comprises the constituents of the FTSE 250 (excluding investment trusts).

Performance target	TSR at 31 December 2016	Median	Upper quartile	Vesting
TSR	17.7%	12.8%	40.5%	44.7%

Subject to meeting the performance condition referred to above, the gross value of the ESOS options that are expected to vest on 10 April 2017 is as follows:

	Share price at date of grant(1)	Share price at 31 December 2016(1)	Shares granted	Proportion vesting	Shares vested	Total £000(2)
Nick Henry	1,409p	1,611p	29,099	44.7%	12,999	26.3
Stuart Kilpatrick	1,409p	1,611p	19,517	44.7%	8,718	17.6

(1) The share price at grant is based on a three day average immediately prior to the date of grant and the share price at 31 December 2016 is based on a 3 month average.

(2) Increase in value of shares from grant to vesting of 202p per share multiplied by number of shares vesting.

Share awards granted in 2016

	Proportion of salary	Maximum shares awarded	Share price at date of grant(1)	Exercise price at grant
LTIPs granted on 21 March 2016				
Nick Henry	125%	48,950	1094p	–
Stuart Kilpatrick	125%	32,832	1094p	–

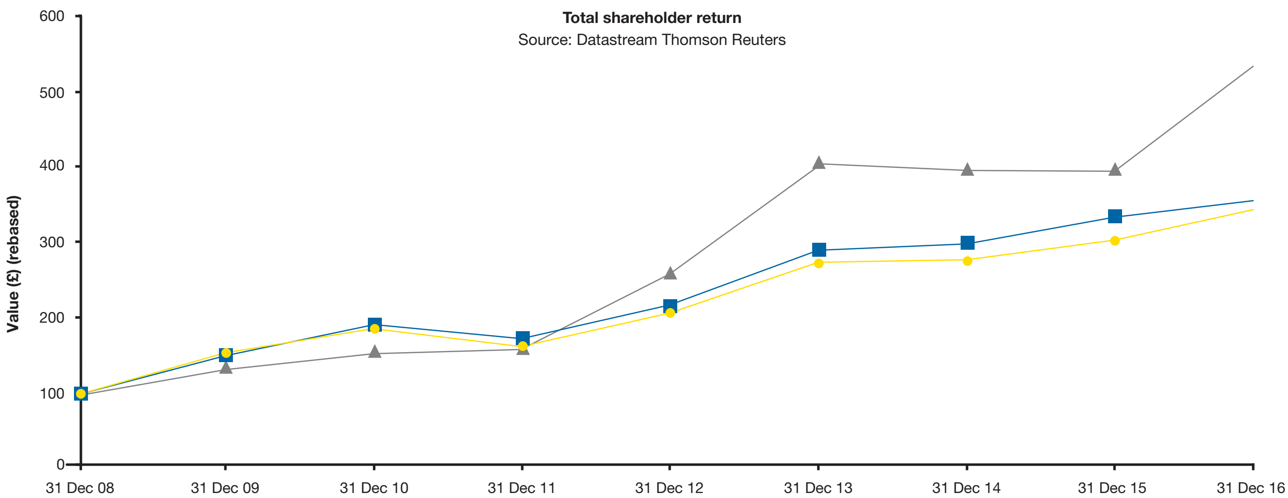
(1) The share price at date of grant is based on a five day average prior to the date of grant.

Vesting of the 2016 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 2018. 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 2016. 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.

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 eight years



This graph shows the value, by 31 December 2016, of £100 invested in James Fisher & 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.

James Fisher and Sons plc   FTSE 250   FTSE Small Cap

Remuneration of highest paid Executive Director compared with growth in underlying diluted earnings per share(1)

	2016	2015	2014	2013	2012	2011	2010	2009
Annual change in underlying diluted EPS (pence)	**11%**	(7)%	13%	18%	15%	16%	13%	5%
Salary, pensions and benefits (£000)	**492**	492	471	439	355	399	381	380
Annual performance bonus (£000)	**429**	97	287	263	210	268	256	77
Short-term remuneration (£000)	**921**	589	758	702	565	667	637	457
Share schemes (£000)	**340**	318	728	691	781	534	124	90
CEO total remuneration (£000)	**1,104**	907	1,486	1,393	1,346	1,201	761	547
Actual bonus as a percentage of the maximum	**100%**	23%	100%	100%	100%	100%	100%	30%
LTIP vesting as a percentage of the maximum	**47.1%**	100%	100%	100%	100%	100%	100%	100%
ESOS vesting as a percentage of the maximum	**44.7%**	–	100%	100%	100%	40%	–	60%

(1) 2009 – 2011 represent the remuneration of former Executive Chairman, Tim Harris. 2012 – 2016 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 2015 and the year ended 31 December 2016 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.

	2016	2015	% change
Salary			
Chief Executive Officer (£000)	**429**	429	–
UK employee average (£000)	**35**	35	–
Benefits			
Chief Executive Officer (£000)	**14**	14	–
UK employee average (£000)	**1**	1	–
Annual bonus			
Chief Executive Officer (£000)	**429**	97	442
UK employee average (£000)	**3**	1	346
Average number of UK employees	**1,662**	1,588	5

Relative importance of remuneration (unaudited)

	2016 £m	2015 £m	Change £m
Total employee remuneration	**119**	110	9
Total dividends paid	**12**	11	1

Interests in shares

The interests of Directors and their connected persons in ordinary shares as at 31 December 2016, including any interests in share options and shares provisionally awarded under the LTIP, ESOS and Sharesave are as follows:

	Beneficial number	LTIP number	Non-vested share options ESOS number	Sharesave number	Vested but unexercised share options ESOS number	Exercised during the year number
Charles Rice	24,310	–	–	–	–	–
Nick Henry	191,022	115,039	29,099	2,491	198,124	29,615
Stuart Kilpatrick	38,045	77,159	19,517	–	65,082	–
Malcolm Paul	5,000	–	–	–	–	–

Executive Directors' interest in options over shares

	At 31 December 2016 number	Exercise price	Date from which exercisable	Expiry date
Nick Henry	17,647	596p	02.04.10	02.04.17
	26,314	354p	20.03.12	20.03.19
	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
	2,491	602p	01.06.17	30.11.17
	29,099	1,409p	10.04.17	10.04.24
	229,714			
Stuart Kilpatrick	32,808	522p	30.03.14	30.03.21
	32,274	567p	09.03.15	09.03.22
	19,517	1,409p	10.04.17	10.04.24
	84,599			
Total	314,313			

All options relate to the 2005 ESOS scheme other than 2,491 share options held by Nick Henry under the Sharesave scheme. The 2005 ESOS expired in April 2015 and was not renewed. The last awards were made on 10 April 2014.

Options over 29,615 shares were exercised by Nick Henry during the year and gains made of £173,544 (2015: £nil). As at 28 February 2017, being the last practical date prior to the publication of this report, there were no changes to Directors' options under the ESOS and Sharesave schemes.

Executive Directors' interest in LTIP share awards

	1 January 2016 number	Granted during year number	Vesting during year number	31 December 2016 number	Vesting date
Nick Henry	27,205	–	(27,205)	–	8 April 2016
	20,656	–	–	20,656	6 April 2017
	45,433	–	–	45,433	6 April 2018
	–	48,950	–	48,950	6 April 2019
	93,294	48,950	(27,205)	115,039	
Stuart Kilpatrick	18,500	–	(18,500)	–	8 April 2016
	13,854	–	–	13,854	6 April 2017
	30,473	–	–	30,473	6 April 2018
	–	32,832	–	32,832	6 April 2019
	62,827	32,832	(18,500)	77,159	
Total	156,121	81,782	(45,705)	192,198	

The scheme is unapproved for HM Revenue and Customs purposes. As at 28 February 2017, being the last practical date prior to the publication of this report, there were no changes to the Executive Directors' interest in LTIP 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 38,823 ordinary shares on the open market (2015: 120,000) and at 31 December 2016 the Trust held 45,368 (2015: 148,275) ordinary shares.

Share price during the financial year

The middle market price of one ordinary share in the Company during the financial year ranged from 935p to 1699p and at 31 December 2016 was 1560p.

Non-Executive Directors' remuneration

	Total fees	
	2016 £000	2015 £000
Charles Rice	**232**	232
Malcolm Paul	**65**	65
Aedamar Comiskey	**50**	50
David Moorhouse	**50**	50
Michael Salter	**50**	50

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 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. The following table sets out actual voting at the 2016 AGM in respect of the Directors' remuneration report for the year ended 31 December 2015.

Resolution	Votes for	% for	Votes against	% against	Total votes cast	Votes withheld (abstentions)
To approve the Annual Statement by the chairman of the Remuneration Committee and the Annual Report on Directors' remuneration report	35,818,578	99.84	58,569	0.16	35,877,147	27,013

Malcolm Paul
Chairman of the Remuneration Committee

28 February 2017

The Directors submit their report together with the audited financial statements of the Group for the year ended 31 December 2016.

The Annual Report and Accounts have been drawn up and presented in accordance with the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013) and the Financial Conduct Authority's Listing Rules. The liabilities of the Directors in connection with this report are subject to the limitations and restrictions provided by such law.

The Strategic report together with Board of Directors, Corporate governance report, the Audit Committee report and the Directors' remuneration report all form part of the Directors' report. The Directors' report and Strategic report comprises the 'management report' for the purposes of the Financial Services Authority's Disclosure and Transparency Rules.

Principal activities, development and performance

The Strategic report on pages 1 to 26 includes a description and review of the Group's principal activities and provides an indication of the likely future trends and factors that might affect the Group's development and performance. The report also details the principal risks and uncertainties facing the Company and the Group's approach to mitigating such risks.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will be held at 11.00am on 4 May 2017 at the Abbey House Hotel, Abbey Road, Barrow-in-Furness, Cumbria, LA13 0PA. The Notice of AGM is set out on pages 108 to 113.

Results and dividends

The Group's profit after tax for the financial year was £38.1m (2015: £40.7m). The results are shown fully in the consolidated financial statements on pages 62 to 65 and summarised in the Financial review on pages 16 to 18. The Directors recommend a final dividend of 17.6p per share (2015: 16.0p) making a total dividend of 26.15p per share for the year (2015: 23.80p). Subject to approval at the AGM, the final dividend will be paid on 9 May 2017 to ordinary shareholders who are on the register on 7 April 2017.

Post balance sheet events

There have been no post balance sheet events since 31 December 2016.

Share capital

The structure and details of the Company's share capital is set out in note 26 on page 95. As at 28 February 2017 the total number of ordinary shares in issue was 50,172,548.

Substantial shareholders

At 17 February 2017 the Company had been notified of the following interests of 3% or more in its issued ordinary shares:

	Ordinary shares	
Shareholder	Number	%
Rowland Frederick Hart Jackson (non-beneficial)	8,703,093	17.35
Schroder Investment Management	4,982,612	9.93
Therapia Investments Limited	3,732,220	7.44
Baillie Gifford & Co Limited	2,582,577	5.15
Montanaro Asset Management	2,297,600	4.58
Standard Life Investments	2,182,541	4.35
Aberdeen Asset Management Limited	1,978,056	3.94
BlackRock Investment Mgt (UK)	1,773,732	3.54
Fidelity Worldwide Investment (FIL)	1,538,236	3.07
	29,770,667	59.35
Total number of ordinary shares in issue	50,172,548	100

Ordinary shares

The Company's issued ordinary shares are fully paid and rank equally in all respects. Subject to rights attaching to existing shares, any share may be issued with such rights or restrictions as the Company may by advisory resolution determine, or if the Company has not so determined, as the Directors may determine. In addition to those rights conferred by law the holders of ordinary shares of 25p each are entitled to receive dividends when declared, the Company's Reports and Accounts, to attend and speak at general meetings of the Company, to appoint proxies and to exercise voting rights. These rights and obligations are set out in the Company's Articles of Association (Articles). Other than those specific provisions set out in the Articles, there are no restrictions on the transfer of ordinary shares in the Company or on the exercise of voting rights attached to them except that:

- certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws and market requirements relating to close periods); and
- pursuant to the Listing Rules, whereby certain employees of the Company require the approval of the Company to deal in the Company's shares.

Deadlines for exercising voting rights and appointing a proxy or proxies to vote on the resolutions to be considered at the Company's forthcoming AGM are specified in the notes to the Notice of AGM on pages 108 to 113.

Preference shares

The total number of preference shares in issue is 100,000, all of which are held by Therapia Investments Limited. The 3.5% cumulative preference shares of £1 each carry a fixed cumulative dividend of 3.5% per annum, payable in priority to any dividend on the ordinary shares and payable half yearly in arrears on 30 June and 31 December. The preference shares carry one vote for every £1 in nominal amount. On a winding up of the Company the preference shareholders have a right to receive, in preference to payments to ordinary shareholders, repayment of the capital paid up on such shares plus any accrued dividend.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities or on voting rights.

Shares held by the Employee Share Trust

As at 31 December 2016, the James Fisher and Sons plc Employee Share Trust, held 45,368 ordinary shares (2015: 148,275) of the Company in trust against future Company obligations for share incentive schemes referred to in this report. During the year, the Trust purchased 38,823 ordinary shares on the open market (2015: 120,000). The rights attaching to these shares are controlled by independent trustees, who may take into account any recommendation by the Company.

Powers of Directors

The powers of the Directors are determined by the Company's Articles, the Companies Act 2006 and the directions given by the Company in general meeting. The Directors are authorised to issue and allot ordinary shares, to dis-apply statutory pre-emption rights and to make market purchases of the Company's shares. The Directors will be seeking to renew the authorities granted to them in prior years at the forthcoming AGM. Any shares purchased may be cancelled or held as treasury shares.

Purchase of own shares

At the AGM held on 28 April 2016, the Company was given authority to purchase up to 2,508,207 of its ordinary shares until the date of its next AGM. No purchases were made during the year by the Company.

Directors

The biographical details, together with their skills and experience, of our Directors who served on the Board for the financial year ended 31 December 2016 are set out on page 27.

Directors' interests

The beneficial interests of the Directors' in the share capital of the Company are:

	Holdings of ordinary shares of 25p each	
	At 31 December 2016 Number	At 31 December 2015 Number
Charles Rice	**24,310**	22,016
Nick Henry	**191,022**	158,917
Stuart Kilpatrick	**38,045**	28,210
Malcolm Paul	**5,000**	5,000

(1) Between 31 December 2016 and 28 February 2017, there were no changes to the Directors' shareholdings;

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

Appointment, retirement and re-election of Directors

A Director may be appointed by an ordinary resolution of shareholders in general meeting following nomination by the Board or a member (or members) entitled to vote at such meeting, or following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires or is elected at the next AGM. A Director may be removed by the Company in certain circumstances set out in the Articles (for example bankruptcy or resignation), or by an ordinary resolution of the Company in general meeting. Our Articles provide that any Director who has held office for more than three years since his last appointment must offer himself or herself up for re-election at the AGM and at least one-third of the Board is subject to re-election at each AGM. However, having regard to the recommendation contained in the Code that all Directors should be subject to annual election by shareholders, all of our Directors will retire at the 2016 AGM and stand for re-election.

Directors' and officers' liability insurance

The Company maintains directors' and officers' liability insurance for the Directors and officers of the Company and its subsidiaries 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. Copies of the Company's Articles may be obtained from the Company Secretary and are available for inspection at the Company's registered office during normal business hours.

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.

Stuart Kilpatrick, Group Finance Director, is a trustee of the Group's Shore Staff Pension Scheme. This role could give rise to a situation where there is a conflict of interest and after due consideration, the Board approved him to act as a trustee. Were a conflict to arise, Stuart Kilpatrick is required to excuse himself from participating in the relevant trustee discussion and decision making process.

Additional information for shareholders

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

Emissions reporting

The information required to be included in this Directors' report pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 in respect of greenhouse gas emissions is included in the Corporate responsibility report on page 25.

Employment of people with disabilities

People with disabilities are given full and fair consideration, having regard to their particular aptitudes and abilities, when applying for vacancies. 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. For those employees who become disabled during the course of their employment, the Group will provide support, whether through re-training or re-deployment, so that they will continue to be employed, wherever practicable, in the same job, or if this is not practicable, every effort will be made to find suitable alternative employment.

Employment policies

The Chief Executive Officer is the Board member responsible for employee matters and he is assisted by the Group Head of Human Resources. The Group values the diverse backgrounds of all its people and works to create an open atmosphere of trust, honesty and respect. Harassment or discrimination, including that involving race, colour, religion, gender, age, disability, sexual orientation or any other similarly protected status, is not acceptable. The Group is committed to providing equal employment opportunities for all of its people and all job applicants based on abilities of the employee and the needs of the business Group-wide. It is Group policy to comply with all applicable laws governing employment practices and not to discriminate on the basis of any unlawful criteria. Employment arrangements are intended to be fair, equitable and consistent with the skills and abilities of the employee and the needs of the business. The Group also actively encourages the training of its employees through participation in industry training schemes. Additionally, both in-house and external training is provided for staff. The Group's diversity policy is reviewed annually and approved by the Board and is available on the Company's website.

Employee involvement

Developing and maintaining employee engagement with the Company is important. The Group communicates with its employees on matters of concern to them as employees and on the financial and economic factors affecting the performance of the Company principally through regular presentations by senior management and by means of publication of a Company newsletter. Where decisions are being made which are likely to affect employees' interests, such employees or their representatives are consulted so that their views can be taken into account. The Group also operates a number of option schemes and long-term incentive plans to encourage employees to participate in the ownership of the Company.

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.

Except as provided above, the Company is not party to any agreements which take effect, alter or terminate in the event of a change of control of the Company. Furthermore 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.

Financial instruments, research and development

Information on the Group's financial risk management objectives and policies, including its exposure to price risk, credit risk, liquidity risk and cash flow risk can be found in note 25 on page 89. The Group is committed to continue investing in research and development. Details of the Group's expenditure on research and development is set out in notes 4, on page 70, and 13, on page 75.

Information required by UK listing rule 9.8.4

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

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 21 to 22. The Group's primary sources of funding are bilateral facilities with a small core group of banks. These bilateral facilities totalled £175m at 31 December 2016 (2015: £185.0m). Compliance with banking covenants is tested half yearly for the ratio of net debt: EBITDA, interest cover and fixed charge 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 £49.7m (2015: £67.4m) of undrawn committed facilities as at 31 December 2016. 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.

Viability statement

The Directors have assessed the Group's viability over a three year period to 31 December 2019.

The Directors have determined that this is 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 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.

The review also includes a robust assessment of the principal risks facing the Group as set out on pages 21 and 22, and the potential impact on its business model, future performance, solvency and liquidity over the period. The potential consequence of Brexit and continued global economic uncertainty and the Group's ability to mitigate the impact of any of these risks was a particular focus in 2016.

The Directors have also taken account of the diverse markets and geographies in which the Group's businesses operate, and their ability to react quickly to change, to help minimise the effect of the principal risks effecting the Group.

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 2019.

Auditor

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

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

A resolution for the re-appointment of KPMG LLP as auditor of the Company will be proposed at the forthcoming AGM.

The Directors are satisfied that the auditor continues to remain independent of the Group. The Audit Committee reports on the independence of the external auditor on page 36.

Directors' responsibility statement

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements each financial year 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 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 Company and of their profit or loss for that period. In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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 the Strategic report, Directors' report, Directors' remuneration report and Corporate governance report 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.

Directors' responsibility statement in respect of the annual financial report

We confirm that to the best of our 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 the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We 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.

N P Henry
Chief Executive Officer

S C Kilpatrick
Group Finance Director

On behalf of the Board of Directors

28 February 2017

To the members of James Fisher and Sons plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of James Fisher and Sons plc for the year ended 31 December 2016 set out on pages 62 to 106. 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 2016 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;
- 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.

2 Overview

Overview

Materiality: Group financial statements as a whole	£2.1m (2015: £2.0m) (4.7% (2015: 4.3%) of Group profit before tax)
Coverage	91% (2015: 94%) of Group profit before tax

Recurring risks		**vs 2015**
	Operating in overseas jurisdictions with uncertain legislation	◄►
	Revenue	▲
	Goodwill	◄►
	Accounting for acquisitions	◄►

3 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement, in decreasing order of audit significance that had the greatest effect on our audit were as follows:

Operating in overseas jurisdictions with uncertain legislation, Risk vs 2015: ◄►

Refer to page 35 (Audit Committee report)

The risk: The Group is multinational and is developing its operations in a number of emerging markets. Operating in these territories presents increased contractual, operational and financial risks due to the need to comply with potentially uncertain regulatory and legislative environments, including legislation relating to tax. 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. Further, during the prior year the principal customer of one of the Group's overseas subsidiaries terminated its contract thereby creating uncertainty around the timing and value of settlement.

Our response: Our audit procedures included using our own local specialists where appropriate to analyse and challenge the assumptions used to determine provisions for legal and tax matters based on their knowledge and experience of local regulations and practices. We considered the exposure to 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 significant legal matters. We inspected reports returned by overseas locations to identify actual and potential non-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 matters were identified we made enquiries of the Group's legal counsel. We inspected correspondence, where available, with the local tax authorities and using our experience of local practices and court interpretations we assessed the assumptions made by the Group in arriving at any potential tax provisions and terms of relevant contracts where there are material local indirect taxes. In relation to the termination a settlement has yet to be agreed with the customer. We have reviewed all correspondence with the customer and consulted with the Group's lawyers as to the likely outcome. In light of the above procedures we have assessed whether the accounting treatment adopted by management as at 31 December 2016 is appropriate and the disclosures included are adequate.

Revenue £466.0m (2015: £437.9m), Risk vs 2015: ▲

Refer to page 36 (Audit Committee report), page 97 (accounting policy) and page 70 (financial disclosures)

The risk: The Group commenced a number of significant new contracts during the year. 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 either an output measure, such as deliverables completed or 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 contractually agreed.

Our response: Our audit procedures included testing the Group's internal controls over revenue. We inspected the terms of significant sales contracts to assess whether they were consistent with management's revenue supporting schedules. We also tested on a sample basis the inclusion of revenue transactions in the appropriate financial period. When assessing the stage of completion on contracts we agreed amounts recognised to confirmatory evidence on a sample basis. This included the agreement of actual costs incurred to invoice and the assessment of any judgements applied in the projection of total contract costs through consideration of the Group's historical experience of costs on similar contracts. Management assessed the stage of completion of one of these significant contracts with reference to output measures and in this instance we reviewed the specific output measures used by management. We also considered the adequacy of the Group's revenue disclosures including the accounting policy, key judgements and estimates.

Goodwill £165.0m (2015: £140.4m), Risk vs 2015: ◄ ►

Refer to page 35 (Audit Committee report), page 97 (accounting policy) and page 74 (financial disclosures)

The risk: There is a risk of irrecoverability of the Group's goodwill balance due to varying levels of demand in certain markets. An impairment assessment of goodwill is carried out annually by the Group by assessing the value in use of groups of cash generating units (CGUs) which requires significant assumptions about future developments. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas that our audit concentrated on.

Our response: In this area our audit procedures included testing the robustness of the Group's discounted cash flow model. This included comparison of the key assumptions to external data as well as our own assessments in relation to key inputs such as gross margin assumptions, cost inflation, long-term taxation rates and discount rates based on our knowledge of the industry. We used external data and our own valuation specialists when assessing the discount rate applied. We compared the Group's market capitalisation to the valuation derived from the forecasts used in the impairment calculations to assess their reasonableness. We further critically assessed the sensitivities applied by the Group by running our own sensitivity analysis on what we consider to be the key assumptions. We also assessed 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.

Accounting for acquisitions, Risk vs 2015: ◄ ►

Refer to page 36 (Audit Committee report), page 97 (accounting policies) and page 86 (financial disclosures)

The risk: The Group remains highly acquisitive and has acquired four businesses during the year. The Group has assessed the fair value of assets and liabilities acquired, except separately identifiable intangible assets, and estimated the fair value of contingent consideration payable. Certain balances can be determined based on estimates and assumptions about the future performance of the acquired businesses. As there is a significant level of judgement involved in estimating the fair value of the contingent consideration, we consider this to be a significant audit risk. There is also risk that the Group has not appropriately re-measured the provisional acquisition accounting notably in respect of contingent considerations payable on previous acquisitions made.

Our response: With respect to contingent consideration our work was focused on the forecast results of businesses acquired, which is the basis on which the estimate of contingent consideration is determined. The assumptions underlying those forecasts were compared with historical trading performance, results since the acquisition date, the order book at year end and the Group's planned development of the businesses. We also reviewed the Group's recalculation of contingent consideration payable and the adequacy of the Group's disclosures in relation to contingent consideration.

4 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 £2.1m (2015: £2.0m), determined with reference to a benchmark of Group profit before tax of £44.9m (2015: £46.2m), of which it represents 4.7% (2015: 4.3%).

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1m (2015: £0.1m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 140 (2015: 124) reporting components, we subjected 40 (2015: 46) to audits for Group reporting purposes.

We conducted reviews of financial information (including enquiry) at a further 6 (2015: 16) non-significant components on the basis of other qualitative and quantitative factors based on our audit judgement. These components were not individually financially significant enough to require an audit for Group reporting purposes; however, they were covered in our audit scope in order to provide further coverage over the Group's results.

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	**40** (2015: 46)	**91%** (2015: 85%)	**85%** (2015: 84%)	**86%** (2015: 86%)
Reviews of financial information (including enquiry)	**6** (2015: 16)	**3%** (2015: 9%)	**6%** (2015: 10%)	**2%** (2015: 7%)
Total	**46** (2015: 62)	**94%** (2015: 94%)	**91%** (2015: 94%)	**88%** (2015: 93%)

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 £0.5m (2015: £0.1m to £0.5m), having regard to the mix of size and risk profile of the Group across the components. The work on 22 (2015: 29) of the 46 (2015: 62) components was performed by component auditors and the rest 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 meetings, 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.

5 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the Strategic report and the Directors' report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, the reports have been prepared in accordance with the Companies Act 2006.

6 We have nothing to report on the disclosures of principal risks

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

- the Directors' statement of viability on page 57, concerning the principal risks, their management, and, based on that, the Directors' assessment and expectations of the Group's continuing in operation over the 3 years to 31 December 2019; or
- the disclosures in note 1 of the financial statements concerning the use of the going concern basis of accounting.

7 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our 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 Audit Committee report does not appropriately address matters communicated by us to the Audit Committee.

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.

Under the Listing Rules we are required to review:

- the Directors' statements, set out on pages 56 and 57, in relation to going concern and longer-term viability; and
- the part of the Corporate governance statement on page 28 relating to the Company's compliance with the eleven provisions of the 2014 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' responsibilities statement set out on pages 57 and 58, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

David Bills (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 St Peters Square
Manchester
M2 3AE

28 February 2017

Consolidated income statement

for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 Before separately disclosed items £000	Year ended 31 December 2016 Separately disclosed items (Note 5) £000	Year ended 31 December 2016 Total £000	Year ended 31 December 2015 Before separately disclosed items £000	Year ended 31 December 2015 Separately disclosed items (Note 5) £000	Year ended 31 December 2015 Total £000
Group revenue	3	465,969	–	465,969	437,930	–	437,930
Cost of sales		(324,239)	–	(324,239)	(307,208)	–	(307,208)
Gross profit		141,730	–	141,730	130,722	–	130,722
Administrative expenses		(92,363)	(2,278)	(94,641)	(85,219)	–	(85,219)
Share of post tax results of joint ventures	15	1,414	–	1,414	87	–	87
Acquisition related income and (expense)	5	–	1,456	1,456	–	5,926	5,926
Operating profit	3	50,781	(822)	49,959	45,590	5,926	51,516
Loss on disposal of business	5	–	–	–	–	(959)	(959)
Net finance expense	7	(5,026)	–	(5,026)	(4,343)	–	(4,343)
Profit before taxation		45,755	(822)	44,933	41,247	4,967	46,214
Income tax	8	(7,053)	267	(6,786)	(5,903)	396	(5,507)
Profit for the year		38,702	(555)	38,147	35,344	5,363	40,707
Attributable to:							
Owners of the Company		38,508	1,245	39,753	34,522	5,363	39,885
Non-controlling interests		194	(1,800)	(1,606)	822	–	822
		38,702	(555)	38,147	35,344	5,363	40,707
Earnings per share				pence			pence
Basic	10			79.4			79.7
Diluted	10			78.7			79.2

Consolidated statement of other comprehensive income

for the year ended 31 December 2016

	Notes	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Profit for the year		38,147	40,707
Items that will not be classified to the income statement			
Remeasurement loss on defined benefit pension schemes	20	(3,054)	(8,596)
Actuarial gain in defined benefit pension schemes	20	–	813
Tax on items that will not be reclassified		(124)	1,635
		(3,178)	(6,148)
Items that may be reclassified to the income statement			
Exchange differences on foreign currency net investments		16,771	(4,587)
Effective portion of changes in fair value of cash flow hedges	25	(3,249)	836
Effective portion of changes in fair value of cash flow hedges in joint ventures	15	(139)	354
Net changes in fair value of cash flow hedges transferred to income statement		551	77
Deferred tax on items that may be reclassified	8	432	(220)
		14,366	(3,540)
Total comprehensive income for the year		49,335	31,019
Owners of the Company		50,725	30,067
Non-controlling interests		(1,390)	952
		49,335	31,019

Consolidated and Company statement of financial position

at 31 December 2016

		Group		Company	
	Notes	31 December 2016 £000	31 December 2015 £000	31 December 2016 £000	31 December 2015 £000
Non-current assets					
Goodwill	12	165,047	140,414	–	–
Other intangible assets	13	15,453	16,041	–	–
Property, plant and equipment	14	131,026	127,594	5,583	6,333
Investment in joint ventures	15	6,424	6,250	–	–
Investments in subsidiaries	16	–	–	363,048	302,594
Available for sale financial assets	16	1,377	1,478	1,368	1,368
Deferred tax assets	9	2,852	3,189	4,333	4,277
		322,179	294,966	374,332	314,572
Current assets					
Inventories	17	54,092	47,436	–	–
Trade and other receivables	18	157,384	141,736	7,893	8,254
Cash and cash equivalents		21,848	22,962	7,396	7,629
		233,324	212,134	15,289	15,883
Current liabilities					
Trade and other payables	19	(129,332)	(126,827)	(26,557)	(14,081)
Current tax		(8,426)	(7,190)	(697)	(336)
Loans and borrowings	23	(3,086)	(106)	(18,536)	(2,881)
		(140,844)	(134,123)	(45,790)	(17,298)
Net current assets		92,480	78,011	(30,501)	(1,415)
Total assets less current liabilities		414,659	372,977	343,831	313,157
Non-current liabilities					
Other liabilities	19	(4,962)	(8,728)	–	–
Retirement benefit obligations	20	(26,770)	(26,956)	(19,613)	(19,090)
Cumulative preference shares	26	(100)	(100)	(100)	(100)
Loans and borrowings	23	(124,380)	(116,645)	(124,280)	(116,550)
Deferred tax liabilities	9	(111)	(153)	–	–
		(156,323)	(152,582)	(143,993)	(135,740)
Net assets		258,336	220,395	199,838	177,417
Equity					
Called up share capital	26	12,543	12,541	12,543	12,541
Share premium		25,573	25,525	25,573	25,525
Treasury shares		(554)	(1,613)	(554)	(1,613)
Other reserves		2,797	(11,354)	(4,575)	(2,290)
Retained earnings		216,979	192,908	166,851	143,254
Equity attributable to owners of the Company		257,338	218,007	199,838	177,417
Non-controlling interests		998	2,388	–	–
Total equity		258,336	220,395	199,838	177,417

The consolidated financial statements were approved by the Board of Directors on 28 February 2017 and signed on its behalf by:

N P Henry
Chief Executive Officer

Company number 211475

Consolidated and Company cash flow statement

for the year ended 31 December 2016

		Group		Company	
	Notes	31 December 2016 £000	31 December 2015 £000	31 December 2016 £000	31 December 2015 £000
Profit before tax		44,933	46,214	38,535	39,388
Adjustments to reconcile profit before tax to net cash flows					
Depreciation and amortisation		25,821	24,442	910	850
Acquisition costs charged		727	1,355	–	–
Profit on disposal of fixed assets		(556)	(417)	–	–
Provision for contract cessation		2,278	959	–	–
Adjustment to provision for contingent consideration		(3,384)	(8,491)	–	–
Net finance expense		5,026	4,343	(45)	692
Share of post tax results of joint ventures		(1,414)	(87)	–	–
Share based payments		1,144	214	801	(45)
Increase in inventories		(54)	(6,073)	–	–
(Increase)/decrease in trade and other receivables		(5,675)	(19,911)	4,296	(1,193)
(Decrease)/increase in trade and other payables		(13,291)	3,095	9,270	(7,684)
Defined benefit pension cash contributions less service cost		(4,233)	(3,494)	(3,259)	(2,316)
Cash generated from operations		51,322	42,149	50,508	29,692
Cash outflow from acquisition costs		(631)	(1,325)	–	–
Income tax (payments)/receipts		(6,930)	(8,828)	(741)	2,661
Cash flow from operating activities		43,761	31,996	49,767	32,353
Investing activities					
Dividends from joint venture undertakings		700	1,089	–	–
Proceeds from the disposal of property, plant and equipment		1,678	2,120	–	–
Proceeds from the disposal of investments		144	–	–	–
Finance income		180	236	4,166	3,197
Acquisition of subsidiaries, net of cash acquired	22	(19,093)	(25,933)	(7,292)	(2,351)
Proceeds from the sale of business		–	88	–	–
Acquisition of property, plant and equipment		(13,859)	(19,597)	(160)	(863)
Development expenditure		(2,672)	(2,704)	–	–
Cash flows used in investing activities		(32,922)	(44,701)	(3,286)	(17)
Financing activities					
Proceeds from the issue of share capital		50	303	50	303
Finance costs		(4,115)	(3,603)	(3,049)	(3,413)
Net loans advanced to subsidiaries		–	–	(53,606)	(21,984)
Purchase of own shares by Employee Share Ownership Trust		(556)	(2,590)	(556)	(4,036)
Capital element of finance lease repayments		(174)	(102)	–	–
Proceeds from other non-current borrowings		2,363	35,807	22,831	15,423
Dividends paid	11	(12,303)	(11,364)	(12,303)	(11,364)
Cash flows from financing activities		(14,735)	18,451	(46,633)	(25,071)
Net (decrease)/increase in cash and cash equivalents	24	(3,896)	5,745	(152)	7,265
Cash and cash equivalents at 1 January		22,962	17,719	7,629	402
Net foreign exchange differences		2,782	(502)	(81)	(38)
Cash and cash equivalents at 31 December		21,848	22,962	7,396	7,629

Consolidated statement of changes in equity

for the year ended 31 December 2016

	Capital		Attributable to equity holders of parent					
	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Treasury shares £000	Total shareholders equity £000	Non-controlling interests £000	Total equity £000
At 1 January 2015	12,525	25,238	174,663	(7,684)	(1,988)	202,754	1,436	204,190
Total comprehensive income	–	–	33,737	(3,670)	–	30,067	952	31,019
Contributions by and distributions to owners:								
Ordinary dividends paid	–	–	(11,364)	–	–	(11,364)	–	(11,364)
Share based payments	–	–	214	–	–	214	–	214
Tax effect of share based payments	–	–	70	–	–	70	–	70
Purchase of shares by ESOT	–	–	–	–	(4,220)	(4,220)	–	(4,220)
Sale of shares by ESOT	–	–	–	–	183	183	–	183
Arising on the issue of shares	16	287	–	–	–	303	–	303
	16	287	(11,080)	–	(4,037)	(14,814)	–	(14,814)
Transfer	–	–	(4,412)	–	4,412	–	–	–
Balance at 31 December 2015	12,541	25,525	192,908	(11,354)	(1,613)	218,007	2,388	220,395
Total comprehensive income	**–**	**–**	**36,574**	**14,151**	**–**	**50,725**	**(1,390)**	**49,335**
Contributions by and distributions to owners:								
Ordinary dividends paid	**–**	**–**	**(12,303)**	**–**	**–**	**(12,303)**	**–**	**(12,303)**
Share based payments	**–**	**–**	**1,144**	**–**	**–**	**1,144**	**–**	**1,144**
Tax effect of share based payments	**–**	**–**	**271**	**–**	**–**	**271**	**–**	**271**
Purchase of shares by ESOT	**–**	**–**	**–**	**–**	**(1,102)**	**(1,102)**	**–**	**(1,102)**
Sale of shares by ESOT	**–**	**–**	**–**	**–**	**546**	**546**	**–**	**546**
Arising on the issue of shares	**2**	**48**	**–**	**–**	**–**	**50**	**–**	**50**
	2	**48**	**(10,888)**	**–**	**(556)**	**(11,394)**	**–**	**(11,394)**
Transfer	**–**	**–**	**(1,615)**	**–**	**1,615**	**–**	**–**	**–**
At 31 December 2016	**12,543**	**25,573**	**216,979**	**2,797**	**(554)**	**257,338**	**998**	**258,336**

Other reserve movements

Other reserves	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2015	(5,335)	(2,349)	(7,684)
Other comprehensive income for the period	(4,717)	1,047	(3,670)
At 31 December 2015	(10,052)	(1,302)	(11,354)
Other comprehensive income for the period	**16,556**	**(2,405)**	**14,151**
At 31 December 2016	**6,504**	**(3,707)**	**2,797**

Company statement of changes in equity

for the year ended 31 December 2016

	Capital					
	Share capital £000	Share premium £000	Retained earnings £000	Hedging reserves £000	Treasury shares £000	Total equity £000
At 1 January 2015	12,525	25,238	120,948	(3,043)	(1,988)	153,680
Total comprehensive income	–	–	37,797	753	–	38,550
Contributions by and distributions to owners:						
Ordinary dividends paid	–	–	(11,364)	–	–	(11,364)
Share based compensation	–	–	214	–	–	214
Tax effect of share based compensation	–	–	71	–	–	71
Purchase of shares by ESOT	–	–	–	–	(4,220)	(4,220)
Sale of shares by ESOT	–	–	–	–	183	183
Arising on the issue of shares	16	287	–	–	–	303
Transactions with shareholders	16	287	(11,079)	–	(4,037)	(14,813)
Transfer on disposal of shares	–	–	(4,412)	–	4,412	–
At 31 December 2015	12,541	25,525	143,254	(2,290)	(1,613)	177,417
Total comprehensive income	**–**	**–**	**36,100**	**(2,285)**	**–**	**33,815**
Contributions by and distributions to owners:						
Ordinary dividends paid	**–**	**–**	**(12,303)**	**–**	**–**	**(12,303)**
Share based compensation	**–**	**–**	**1,144**	**–**	**–**	**1,144**
Tax effect of share based compensation	**–**	**–**	**271**	**–**	**–**	**271**
Purchase of shares by ESOT	**–**	**–**	**–**	**–**	**(1,102)**	**(1,102)**
Sale of shares by ESOT	**–**	**–**	**–**	**–**	**546**	**546**
Arising on the issue of shares	**2**	**48**	**–**	**–**	**–**	**50**
	2	**48**	**(10,888)**	**–**	**(556)**	**(11,394)**
Transfer on disposal of shares	**–**	**–**	**(1,615)**	**–**	**1,615**	**–**
At 31 December 2016	**12,543**	**25,573**	**166,851**	**(4,575)**	**(554)**	**199,838**

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 referred to as the Group), for the year ended 31 December 2016. The Company's shares are listed on the London Stock Exchange. The Company and consolidated financial statements were approved for publication by the Directors on 28 February 2017.

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 £39.8m (2015: £39.6m). The Group and Company financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) 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 2016 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)) financial measures which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and, as such, these measures are important and should be considered alongside the IFRS measures. The adjustments are separately disclosed and are usually items that are significant in size or non-recurring in nature. The following non-GAAP measures are referred to in this Annual Report and Accounts.

2.1 Underlying operating profit and underlying profit before taxation

Underlying operating profit is defined as operating profit before amortisation or impairment of acquired intangible assets, acquisition expenses, adjustments to deferred consideration (together, acquisition related income and expense), the costs of a material restructuring, asset impairment or rationalisation of operations and the profit or loss relating to the sale of businesses. Amortisation of acquired intangible assets and acquisition expenses are recurring in nature where business combinations are part of a Group's strategy. As acquisition expenses fluctuate with activity and to provide a better comparison to businesses that are not acquisitive, the Directors consider that both of these items should be separately disclosed to give a better understanding of operating performance. The Directors believe that the underlying operating profit is an important measure of the operational performance of the Group. Underlying profit before taxation is defined as underlying operating profit less net finance expense.

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 adjusted for dividends from joint venture undertakings.

Underlying operating profit and underlying profit before taxation	**2016 £000**	2015 £000
Operating profit	**49,959**	51,516
Separately disclosed items before taxation	**822**	(5,926)
Underlying operating profit	**50,781**	45,590
Net finance expense	**(5,026)**	(4,343)
Underlying profit before taxation	**45,755**	41,247

2 Alternative performance measures continued

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

	2016 £000	2015 £000
Capital employed:		
Net assets	258,336	220,395
Less cash and short-term deposits	(21,848)	(22,962)
Plus borrowings	127,466	116,645
Capital employed	363,954	314,078
Underlying operating profit	50,781	45,590
Notional tax at the effective tax rate	(7,820)	(6,519)
	42,961	39,071
Average capital employed	331,344	290,224
Return on average capital employed	13.0%	13.5%

3 Segmental information

For management reporting purposes, 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 8 to 11.

The Board assess the performance of the segments based on operating profit as set out in note 2. 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.

Year ended 31 December 2016

	Marine Support £000	Specialist Technical £000	Offshore Oil £000	Tankships £000	Corporate £000	Total £000
Segmental revenue	203,926	152,678	55,490	55,492	–	467,586
Inter-segmental sales	(354)	(893)	(362)	(8)	–	(1,617)
Revenue	203,572	151,785	55,128	55,484	–	465,969
Underlying operating profit	20,956	19,950	4,200	8,188	(2,513)	50,781
Contract cessation costs	(2,278)	–	–	–	–	(2,278)
Acquisition costs	(249)	(312)	(166)	–	–	(727)
Amortisation of acquired intangibles	(400)	(801)	–	–	–	(1,201)
Adjustment to provision for contingent consideration	2,865	519	–	–	–	3,384
Operating profit	20,894	19,356	4,034	8,188	(2,513)	49,959
Net finance expense						(5,026)
Profit before taxation						44,933
Income tax						(6,786)
Profit for the year						38,147
Assets and liabilities						
Segmental assets	208,605	141,792	133,611	33,398	31,673	549,079
Investment in joint ventures	3,744	2,680	–	–	–	6,424
Total assets	212,349	144,472	133,611	33,398	31,673	555,503
Segmental liabilities	(48,440)	(60,335)	(8,363)	(7,160)	(172,869)	(297,167)
	163,909	84,137	125,248	26,238	(141,196)	258,336
Other segmental information						
Capital expenditure	4,622	2,077	5,599	1,413	160	13,871
Depreciation and amortisation	7,437	4,002	10,978	3,166	239	25,822

Year ended 31 December 2015

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

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	
	2016 £000	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000	**2016 £000**	2015 £000
Revenue										
Segmental revenue	**178,560**	174,230	**51,063**	59,984	**105,635**	118,664	**132,328**	88,173	**467,586**	441,051
Inter-segmental sales	**(1,542)**	(2,429)	**(59)**	(226)	**(12)**	(18)	**(4)**	(448)	**(1,617)**	(3,121)
Group revenue	**177,018**	171,801	**51,004**	59,758	**105,623**	118,646	**132,324**	87,725	**465,969**	437,930
Segmental assets	**368,455**	334,841	**60,182**	46,770	**62,452**	80,856	**57,990**	38,383	**549,079**	500,850
Investment in joint ventures	**226**	130	**168**	155	**(191)**	338	**6,221**	5,627	**6,424**	6,250
Segmental liabilities	**(249,559)**	(238,757)	**(7,192)**	(5,232)	**(19,869)**	(30,847)	**(20,547)**	(11,869)	**(297,167)**	(286,705)
	119,122	96,214	**53,158**	41,693	**42,392**	50,347	**43,664**	32,141	**258,336**	220,395

4 Revenue and operating charges

Revenue disclosed in the income statement comprises of goods and services of £335.8m (2015: £312.4m), rental income of £38.7m (2015: £43.0m) and construction contract income of £91.5m (2015: £82.5m).

Operating charges reflected within operating profit include:

	2016 £000	2015 £000
Research and development costs	359	1,456
Net foreign currency losses	2,268	1,383
Cost of inventories recognised as an expense	96,719	99,205
Operating lease rentals:		
property	5,905	4,048
ships	7,933	7,987
other	554	188
	14,392	12,223
Hire of vessels	2,536	14,589
	16,928	26,812

Auditor's remuneration comprises the following:

	2016 £000	2015 £000
Audit of the financial statements of the parent	160	160
Local statutory audits of subsidiaries	465	445
	625	605
Taxation services	110	85
Corporate finance services	36	150
Total fees payable to Group auditor	771	840

5 Separately disclosed items

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

	2016 £000	2015 £000
Administrative expenses:		
Contract cessation costs in Angola	(2,278)	–
Acquisition related income and (expense):		
Costs incurred on acquiring businesses	(727)	(1,355)
Amortisation of acquired intangibles	(1,201)	(1,210)
Adjustment to provision for contingent consideration	3,384	8,491
	1,456	5,926
Loss on disposal of business	–	(959)
Separately disclosed items before taxation	(822)	4,967
Tax on separately disclosed items	267	396
	(555)	5,363

Contract cessation costs relate to a five year Marine Service contract in Angola which was terminated early by the Group's customer and ceased in March 2016. The adjustment to the provision for contingent consideration comprises £2.9m in respect of Subtech and £0.5m in respect of Divex. Contingent consideration has been adjusted based on the most recent business forecasts.

6 Group employee costs

	Group	
(a) Staff costs including Directors' remuneration were as follows:	2016 £000	2015 £000
Wages and salaries	104,332	97,037
Social security costs	9,371	9,351
Pension costs	3,753	3,714
Share based compensation	1,144	214
	118,600	110,316

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

	Group	
	2016 Number	2015 Number
Technical and administrative	**2,480**	2,487
Seafarers	**275**	260
	2,755	2,747

The Directors' remuneration and their interest in shares of the Company are set out in the Directors' remuneration report on pages 38 to 52. The amount charged against operating profit in the year in respect of Director short-term remuneration was £1.3m (2015: £0.9m) in respect of emoluments and £0.1m (2015: £0.1m) in respect of pension contributions to defined contribution schemes.The charge for share based payments in respect of Directors was £0.5m (2015: £0.1m) and aggregate gains under the exercise of options was £0.2m (2015: £nil).

(b) Compensation of key management to the Group	**2016 £000**	2015 £000
Short-term employee benefits	**2,066**	2,023
Share based payments	**621**	113
	2,687	2,136

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

7 Net finance expense

	2016 £000	2015 £000
Finance income:		
Interest receivable on short-term deposits	**205**	239
Finance expense:		
Bank loans and overdrafts	**(3,982)**	(3,577)
Preference dividend	**(3)**	(3)
Finance charges payable under finance leases	**(36)**	(23)
Net interest on pension obligations	**(993)**	(756)
Unwind of discount on contingent consideration	**(217)**	(223)
	(5,231)	(4,582)
Net finance expense	**(5,026)**	(4,343)

8 Taxation

(a) The tax charge is based on profit for the year and comprises:	**2016 £000**	2015 £000
Current tax:		
UK corporation tax	**(4,709)**	(3,804)
Overseas tax	**(4,746)**	(4,209)
Adjustment in respect of prior years:		
UK corporation tax	**336**	753
Overseas tax	**346**	1,217
Total current tax	**(8,773)**	(6,043)
Deferred tax:		
Origination and reversal of temporary differences:		
UK corporation tax	**752**	(666)
Overseas tax	**1,235**	1,202
Total taxation on profit for the year	**(6,786)**	(5,507)

The total tax charge in the income statement includes a further £0.2m (2015: £0.2m) which is stated within the share of post tax results of joint ventures.

8 Taxation continued

(b) Income tax on comprehensive income	Group 2016 £000	Group 2015 £000
Current tax:		
Current tax on foreign exchange losses on internal loans	**(99)**	122
Current tax on contributions to defined benefit pension schemes	**1,055**	760
Current tax relating to share based payments	**125**	372
Deferred tax:		
Deferred tax on actuarial loss on defined benefit pension schemes	**(1,179)**	874
Deferred tax relating to derivatives	**432**	(220)
Deferred tax relating to share based payments	**146**	(302)
	480	1,606

(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:

	2016 £000	2015 £000
Profit before tax	**44,933**	46,214
Tax arising from interests in joint ventures	**166**	218
	45,099	46,432
Tax on profit at UK statutory tax rate of 20.00% (2015: 20.25%)	**9,020**	9,403
Tonnage tax relief on vessel activities	**(990)**	(884)
Expenses not deductible for tax purposes	**417**	554
Over provision in previous years		
Current tax	**(682)**	(1,970)
Deferred tax	**(188)**	(246)
Higher tax rates on overseas income	**437**	497
Research and development relief	**(250)**	(200)
Non-taxable income	**(1,077)**	(1,722)
Impact of change of rate	**(750)**	(19)
Losses not recognised	**508**	210
Other	**507**	102
	6,952	5,725

The effective rate on profit before income tax from continuing operations is 15.1% (2015: 11.9%). The effective income tax rate on the underlying profit before tax is 15.4% (2015: 14.3%).

At 31 December 2016 the Group had unrecognised tax losses of £8.4m (2015: £2.6m). A deferred tax asset has not been recognised in respect of these losses due to the uncertainty relating to their future recovery.

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 17% (effective from 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Group's future current tax charge accordingly.

9 Deferred tax

Deferred tax at 31 December relates to the following:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Deferred tax assets				
Retirement benefits	**3,612**	4,609	**2,504**	2,934
Share based payments	**1,001**	883	**1,001**	883
Derivative financial instruments	**664**	231	**592**	179
Losses carried forward	**2,486**	844	**–**	–
Temporary differences	**–**	–	**353**	281
	7,763	6,567	**4,450**	4,277
Deferred tax liabilities				
Property plant and equipment	**(3,025)**	(3,339)	**17**	–
Intangible assets	**(3,024)**	(3,308)	**–**	–
Other items	**1,027**	3,116	**(134)**	–
	(5,022)	(3,531)	**(117)**	–
Net deferred tax asset	**2,741**	3,036	**4,333**	4,277

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

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

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Balance at 1 January	**3,036**	2,149	**4,277**	5,207
Charged to comprehensive income	**(747)**	654	**(145)**	(86)
Charged to equity	**146**	(302)	**146**	(302)
Credited/(charged) to income statement	**1,987**	536	**55**	(542)
Transfer from current taxation	**(1,870)**	–	**–**	–
Exchange adjustments	**352**	93	**–**	–
Acquisition of subsidiaries	**(163)**	(94)	**–**	–
Balance at 31 December	**2,741**	3,036	**4,333**	4,277

At 31 December 2016 the Group has no recognised deferred tax liability (2015: £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the Company's subsidiaries. A liability has not 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 2016 relates to the following:

	Group 2016 £000	Group 2015 £000
Deferred tax assets	**(1,448)**	(807)
Deferred tax liabilities:		
Property, plant and equipment	**(534)**	80
Intangible assets	**(284)**	183
Other items	**2,149**	8
Deferred tax credit	**(117)**	(536)

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 45,368 (2015: 148,275) 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 2016, 112,108 options (2015: 332,893) 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.

10 Earnings per share continued

Weighted average number of shares	2016 Number of shares	2015 Number of shares
Basic weighted average number of shares	50,096,089	50,040,647
Potential exercise of share based payment schemes	387,067	344,743
Diluted weighted average number of shares	50,483,156	50,385,390

Underlying earnings per share

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

	2016 £000	2015 £000
Profit attributable to owners of the Company	39,753	39,885
Adjustments:		
Separately disclosed items	822	(4,967)
Non-controlling interest in separately disclosed items	(1,800)	–
Tax on separately disclosed items	(267)	(396)
Underlying profit attributable to owners of the Company	38,508	34,522

Earnings per share	pence	pence
Basic earnings per share	79.4	79.7
Diluted earnings per share	78.7	79.2
Underlying basic earnings per share	76.9	69.0
Underlying diluted earnings per share	76.3	68.5

11 Dividends paid and proposed

	2016 pence per share	2015 pence per share	2016 £000	2015 £000
Declared and paid during the year				
Equity dividends on ordinary shares:				
Final dividend for 2015	16.00	14.90	8,026	7,471
Interim dividend for 2016	8.55	7.80	4,290	3,913
Less dividends on own shares held by ESOP			(13)	(20)
			12,303	11,364

A final dividend in respect of the year ended 31 December 2016 of 17.6p per share (2015: 16.0p) is proposed.

12 Goodwill

Group	Marine Support £000	Specialist Technical £000	Offshore Oil £000	Tankships £000	Total £000
At 1 January 2015	32,548	30,309	41,261	10,260	114,378
Acquisitions	25,594	4,592	–	–	30,186
Exchange differences	(2,634)	(332)	(1,183)	–	(4,149)
At 31 December 2015	55,508	34,569	40,078	10,260	140,415
Acquisitions	6,157	6,810	4,752	–	17,719
Exchange differences	4,548	422	1,943	–	6,913
At 31 December 2016	**66,213**	**41,801**	**46,773**	**10,260**	**165,047**

Impairment of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to cash generating units (CGUs) 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 budgets approved by the Board for the next financial year together with projections derived from those budgets for the following four 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. 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 CGUs 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 vary between 1% and 3% which allows for significant growth in project based activities. These growth rates are considered to be conservative and vary dependent on the market conditions in which the CGU operates. Direct costs are expected to increase in line with turnover. Administrative costs are anticipated to increase at 2%.

Payroll inflation reflects the fact that the Group provides specialist services in a competitive market and are influenced by the need to retain skilled staff. As a result the initial growth rates for payroll costs range between 1% in mature businesses to up to 3% for specific posts in businesses located in areas where skilled staff are in short supply.

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 CGUs weighted average cost of capital (WACC) adjusted for risks specific to each CGUs cash flows. The range of pre-tax discount rates used was 7.0% to 7.5% (2015: 6.1% to 7.1%). An effective tax rate of 16.5% (2015: 18.5%) has been assumed as an estimated long-term rate.

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

The key assumptions applied to each CGU were as follows:

	Marine Support	Specialist Technical	Offshore Oil	Tankships
Short-term gross profit growth	3%-6%	5%-8%	2%-9%	1%
Long-term gross profit growth	3%-6%	3%-5%	2%-5%	1%
Short-term direct costs	2%	2%	2%	2%
Long-term direct costs	2%	2%	2%	2%

Sensitivity to impairment

Sensitivity analysis has been performed to determine the impact of a change in a key assumption (e.g. such as an increase in discount rate by 1%) and no impairment issues were identified.

13 Other intangible assets

Group	Development costs £000	Intellectual property £000	Customer relationships £000	Total £000
Cost:				
At 1 January 2015	8,698	3,663	5,621	17,982
Additions	2,678	26	–	2,704
Reclassification	288	(288)	–	–
Acquisitions	–	3,000	1,349	4,349
Disposals	–	(1,428)	–	(1,428)
Exchange differences	–	34	(189)	(155)
At 31 December 2015	11,664	5,007	6,781	23,452
Additions	2,630	42	–	2,672
Disposals	(30)	–	–	(30)
Exchange differences	(44)	42	403	401
At 31 December 2016	**14,220**	**5,091**	**7,184**	**26,495**
Amortisation:				
At 1 January 2015	1,995	878	2,357	5,230
Charge for the period	1,037	154	1,210	2,401
Reclassification	267	(267)	–	–
Disposals	–	(143)	–	(143)
Exchange differences	(67)	(10)	–	(77)
At 31 December 2015	3,232	612	3,567	7,411
Charge for the period	1,782	416	1,201	3,399
Exchange differences	16	27	189	232
At 31 December 2016	**5,030**	**1,055**	**4,957**	**11,042**
Net book value at 31 December 2016	**9,190**	**4,036**	**2,227**	**15,453**
Net book value at 1 January 2016	8,432	4,395	3,214	16,041
Net book value at 1 January 2015	6,703	2,785	3,264	12,752

Customer relationships relate to items acquired through business combinations which are amortised over their 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.

Company

The Company has no intangible assets.

14 Property, plant and equipment

Group	Vessels £000	Assets under construction £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
Cost:					
At 1 January 2015	67,073	4,757	26,946	122,147	220,923
Additions	1,873	6,940	1,973	8,811	19,597
Reclassifications	–	(7,407)	–	7,407	–
Acquisitions	3,882	294	350	12,170	16,696
Disposals	(29)	(247)	(276)	(4,189)	(4,741)
Disposal of subsidiary undertaking	–	–	(176)	–	(176)
Exchange differences	(44)	(263)	(150)	(3,155)	(3,612)
At 31 December 2015	72,755	4,074	28,667	143,191	248,687
Additions	1,865	4,237	826	6,943	13,871
Reclassifications	146	(6,483)	(1,611)	6,227	(1,721)
Acquisitions	–	–	4,503	4,016	8,519
Disposals	(751)	(12)	(499)	(3,457)	(4,719)
Exchange differences	2,410	264	1,003	11,168	14,845
At 31 December 2016	**76,425**	**2,080**	**32,889**	**168,088**	**279,482**
Depreciation and impairment:					
At 1 January 2015	43,565	–	4,881	55,847	104,293
Provided during the year	4,177	–	1,147	16,717	22,041
Utilisation of impairment provision	(482)	–	–	–	(482)
Disposals	(26)	–	(148)	(2,311)	(2,485)
Disposal of subsidiary undertaking	–		(155)	–	(155)
Exchange differences	(49)	–	(38)	(2,033)	(2,120)
At 31 December 2015	47,185	–	5,687	68,220	121,092
Provided during the year	4,568	–	1,304	16,551	22,423
Disposals	(751)	–	(127)	(2,676)	(3,554)
Exchange differences	1,247	–	262	6,986	8,495
At 31 December 2016	**52,249**	**–**	**7,126**	**89,081**	**148,456**
Net book value at 31 December 2016	**24,176**	**2,080**	**25,763**	**79,007**	**131,026**
Net book value at 1 January 2016	25,569	4,074	22,980	74,971	127,594
Net book value at 1 January 2015	23,508	4,757	22,065	66,300	116,630

Included within reclassifications is an amount of £1.7m which relates to property that has been transferred to current assets.

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 2016 was £0.3m (2015: £0.2m). Included in vessels are assets with a cost of £6.6m (2015: £6.4m) and accumulated depreciation of £6.1m (2015: £5.6m) which relate to assets held under operating leases. Included in property, plant and equipment is aggregate interest capitalised of £0.9m (2015: £1.0m).

Company	Vessels £000	Freehold & leasehold property £000	Plant & equipment £000	Total £000
Cost:				
At 1 January 2015	9,163	2,071	2,215	13,449
Additions	337	–	526	863
Disposals	–	–	(139)	(139)
At 31 December 2015	9,500	2,071	2,602	14,173
Additions	–	–	160	160
Disposals	(342)	–	–	(342)
At 31 December 2016	**9,158**	**2,071**	**2,762**	**13,991**
Depreciation:				
At 1 January 2015	5,216	1,054	859	7,129
Provided during the year	396	88	366	850
Disposals	–	–	(139)	(139)
At 31 December 2015	5,612	1,142	1,086	7,840
Provided during the year	445	103	362	910
Disposals	(342)	–	–	(342)
At 31 December 2016	**5,715**	**1,245**	**1,448**	**8,408**
Net book value at 31 December 2016	**3,443**	**826**	**1,314**	**5,583**
Net book value at 1 January 2016	3,888	929	1,516	6,333
Net book value at 1 January 2015	3,947	1,017	1,356	6,320

15 Investment in subsidiaries, associates and joint arrangements

Details of the Group's joint ventures and associated undertakings are set out on page 105. The Group's share of the assets, liabilities and trading results of these joint venture entities at 31 December 2016 which are accounted for under the equity accounting method, are as follows:

	2016 £000	2015 £000
Current assets	**22,189**	24,710
Non-current assets	**21,251**	18,977
Current liabilities	**(18,090)**	(15,543)
Non-current liabilities	**(20,956)**	(23,627)
Loans to associate	**2,030**	1,733
	6,424	6,250
Revenue	**10,496**	13,425
Cost of sales	**(6,198)**	(11,496)
Administrative expenses	**(1,926)**	(920)
Profit from operations	**2,372**	1,009
Net finance expense	**(792)**	(704)
Profit before income tax	**1,580**	305
Taxation	**(166)**	(218)
Profit after tax	**1,414**	87
Non-controlling interests	**–**	13
Net profit attributable to equity holders	**1,414**	100

15 Investment in subsidiaries, associates and joint arrangements continued

	2016 £000	2015 £000
Segmental analysis of profit after taxation:		
Marine Support	838	(453)
Specialist Technical	576	540
	1,414	87
Movement on investment in joint ventures:		
At 1 January	6,250	9,147
Acquisitions	–	676
Disposals	(858)	(3,359)
Profit for the period	1,414	100
Dividends received	(700)	(1,089)
Share of fair value (losses)/gains on cash flow hedges	(139)	354
Exchange adjustments	457	421
At 31 December	6,424	6,250

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

16 Financial assets

Available for sale

Group	2016 £000	2015 £000
At 1 January	1,478	1,478
Impairment	(101)	–
At 31 December	1,377	1,478
Company		
At 1 January and 31 December	1,368	1,368

Available for sale financial assets include a 17.2% (2015: 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 Divex Domeyer GmbH, a company incorporated in Germany which provides in-service support and aftermarket services to the German navy. The Group does not actively participate in the operation and control of that business. The investments listed above are in unquoted entities which are held at initial cost and are subject to an annual impairment review.

Investments

	Subsidiary undertakings		
Company	Shares £000	Loans £000	Total £000
Cost			
At 1 January 2015	159,664	118,781	278,445
Additions/increases	259	101,358	101,617
Repayments	–	(77,023)	(77,023)
At 31 December 2015	159,923	143,116	303,039
Additions/increases	6,848	75,857	82,705
Repayments	–	(22,251)	(22,251)
At 31 December 2016	166,771	196,722	363,493
Amount provided			
At 1 January 2015	445	–	445
At 31 December 2015	445	–	445
At 31 December 2016	445	–	445
Net book value at 31 December 2016	166,326	196,722	363,048
Net book value at 31 December 2015	159,478	143,116	302,594

A list of subsidiary undertakings is included on pages 105 and 106.

17 Inventories

	Group	
	2016 £000	2015 £000
Work in progress	**15,152**	9,088
Raw materials and consumables	**5,885**	6,105
Finished goods	**33,055**	32,243
	54,092	47,436

Inventories are stated net of impairment provisions of £4.2m (2015: £3.1m). During the year £nil (2015: £0.5m) was charged to the income statement to write down inventories to net realisable value.

18 Trade and other receivables

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Trade receivables	**70,367**	69,099	**17**	–
Amounts owed by Group undertakings	**–**	–	**1,591**	1,883
Amounts owed by joint venture undertakings	**2,330**	1,471	**–**	–
Other non-trade receivables	**9,938**	18,724	**5,006**	5,741
Taxation and social security	**–**	–	**407**	–
Prepayments and accrued income	**74,749**	52,442	**872**	630
	157,384	141,736	**7,893**	8,254

Of the above, other non-trade receivables of £0.2m (2015: £nil) are expected to be recovered in more than one year. Retentions relating to construction contracts included in trade receivables are £0.3m (2015: £nil). Included within the trade and other receivables balances is £24.2m (2015: £26.9m) in relation to construction contracts in progress.

19 Trade and other payables

Non-current liabilities

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Provision for contingent consideration	**4,962**	8,155	**–**	–
Accruals and deferred income	**–**	573	**–**	–
	4,962	8,728	**–**	–

Current liabilities

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Trade payables	**32,616**	38,303	**1,569**	2,194
Amounts owed to Group undertakings	**–**	–	**15,011**	5,154
Amounts owed to joint venture undertakings	**241**	289	**–**	–
Taxation and social security	**4,461**	7,597	**192**	366
Other payables	**17,789**	17,240	**6,084**	2,835
Provision for contingent consideration	**4,247**	–	**–**	–
Accruals and deferred income	**69,978**	63,398	**3,701**	3,532
	129,332	126,827	**26,557**	14,081

20 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 2016 by qualified actuaries using assumptions set out in the table below. The Group's obligations in respect of its pension schemes at 31 December 2016 were as follows:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Shore staff	**(10,057)**	(8,630)	**(10,057)**	(8,630)
MNOPF	**(8,464)**	(9,730)	**(6,317)**	(7,366)
MNRPF	**(8,249)**	(8,596)	**(3,239)**	(3,094)
	(26,770)	(26,956)	**(19,613)**	(19,090)

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 2013. It is valued every three years following which deficit contributions and the repayment period are subject to agreement between the Company and the Trustees.

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 2015 and no additional deficit funding was requested by the Trustees. The respective share of the Group and Company in the net retirement benefit obligation of the MNOPF are 3.0% (2015: 3.0%) and 1.4% (2015: 1.4%) 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 2.75% (2015: 4.00%). The disclosures below relate to the Group's share of the assets and liabilities within the MNOPF.

MNRPF

The MNRPF is an industry-wide pension scheme. The most recent actuarial valuation of the MNRPF was at 31 March 2014 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 2.5% and 0.9% respectively. The principal assumption in the MNRPF valuation is the discount rate on the schemes liabilities which was 2.75% (2015: 4.00%).

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:

		2016	2015
Inflation (%)		**3.25**	3.15
Rate of increase of pensions in payment – Shore staff (%)		**3.10**	3.15
Discount rate for scheme liabilities (%)		**2.75**	4.00
Expected rates of return on assets (%)		**2.75**	4.00
Post retirement mortality: (years)			
Shore staff scheme			
Current pensioner at 65	male	**21.1**	21.0
Current pensioner at 65	female	**23.1**	23.0
Future pensioner at 65	male	**22.7**	22.6
Future pensioner at 65	female	**24.9**	24.9

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.

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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 3.1%
Rate of inflation	Increase by 0.25%	Increase by 1.5%
Rate of mortality	Increase in life expectancy of 1 year	Increase by 4.0%

MNOPF

Key measure	Change in assumption	Change in deficit
Discount rate	Decrease of 0.25%	Increase by 0.8%

MNRPF

Key measure	Change in assumption	Change in deficit
Discount rate	Decrease of 0.25%	Increase by 0.3%

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:

As at 31 December 2016

	Group				**Company**			
	Shore staff £000	**MNOPF £000**	**MNRPF £000**	**Total £000**	**Shore staff £000**	**MNOPF £000**	**MNRPF £000**	**Total £000**
Equities	**4,896**	**1,614**	**3,082**	**9,592**	**4,896**	**760**	**1,080**	**6,736**
Gilts/corporate bonds	**–**	**44,019**	**–**	**44,019**	**–**	**20,715**	**–**	**20,715**
Other investments	**49,184**	**45,623**	**23,494**	**118,301**	**49,184**	**21,470**	**8,230**	**78,884**
Cash or liquid assets	**92**	**12,787**	**1,194**	**14,073**	**92**	**6,017**	**418**	**6,527**
Fair value of scheme assets	**54,172**	**104,043**	**27,770**	**185,985**	**54,172**	**48,962**	**9,728**	**112,862**
Present value of scheme liabilities	**(64,229)**	**(112,507)**	**(36,019)**	**(212,755)**	**(64,229)**	**(55,279)**	**(12,967)**	**(132,475)**
Net pension liabilities recognised in the balance sheet	**(10,057)**	**(8,464)**	**(8,249)**	**(26,770)**	**(10,057)**	**(6,317)**	**(3,239)**	**(19,613)**

As at 31 December 2015

	Group				Company			
	Shore staff £000	MNOPF £000	MNRPF £000	Total £000	Shore staff £000	MNOPF £000	MNRPF £000	Total £000
Equities	3,878	2,693	3,166	9,737	3,878	1,267	1,140	6,285
Gilts/corporate bonds	–	25,593	–	25,593	–	12,044	–	12,044
Other investments	45,737	49,669	17,197	112,603	45,737	23,374	6,191	75,302
Cash or liquid assets	1,200	5,907	331	7,438	1,200	2,780	119	4,099
Fair value of scheme assets	50,815	83,862	20,694	155,371	50,815	39,465	7,450	97,730
Present value of scheme liabilities	(59,445)	(93,592)	(29,290)	(182,327)	(59,445)	(46,831)	(10,544)	(116,820)
Net pension liabilities recognised in the balance sheet	(8,630)	(9,730)	(8,596)	(26,956)	(8,630)	(7,366)	(3,094)	(19,090)

20 Retirement benefit obligations continued

(b) Expense recognised in the income statement

Year ended 31 December 2016

	Group				Company			
	Shore staff £000	**MNOPF £000**	**MNRPF £000**	**Total £000**	**Shore staff £000**	**MNOPF £000**	**MNRPF £000**	**Total £000**
Current service cost	**21**	**–**	**–**	**21**	**21**	**–**	**–**	**21**
Expenses	**157**	**–**	**–**	**157**	**157**	**–**	**–**	**157**
Interest cost on benefit obligation	**2,212**	**3,704**	**1,157**	**7,073**	**2,212**	**1,840**	**416**	**4,468**
Return on scheme assets	**(1,896)**	**(3,355)**	**(828)**	**(6,079)**	**(1,896)**	**(1,579)**	**(298)**	**(3,773)**
	494	**349**	**329**	**1,172**	**494**	**261**	**118**	**873**

The actual return on the Shore staff plan assets is £8.4m.

Year ended 31 December 2015

	Group				Company			
	Shore staff £000	MNOPF £000	MNRPF £000	Total £000	Shore staff £000	MNOPF £000	MNRPF £000	Total £000
Current service cost	21	–	–	21	21	–	–	21
Expenses	105	–	–	105	105	–	–	105
Interest cost on benefit obligation	2,325	3,394	–	5,719	2,325	1,710	–	4,035
Return on scheme assets	(1,957)	(3,006)	–	(4,963)	(1,957)	(1,415)	–	(3,372)
	494	388	–	882	494	295	–	789

The actual return on the Shore staff plan assets is £0.6m.

(c) Movements in the net defined benefit liability

Year ended 31 December 2016

	Group				Company			
	Shore staff £000	**MNOPF £000**	**MNRPF £000**	**Total £000**	**Shore staff £000**	**MNOPF £000**	**MNRPF £000**	**Total £000**
As at 1 January 2016	**8,630**	**9,730**	**8,596**	**26,956**	**8,630**	**7,366**	**3,094**	**19,090**
Expense recognised in the income statement	**494**	**349**	**329**	**1,172**	**494**	**261**	**118**	**873**
Contributions paid to scheme	**(1,629)**	**(2,034)**	**(749)**	**(4,412)**	**(1,629)**	**(1,651)**	**–**	**(3,280)**
Remeasurement gains and losses	**2,562**	**419**	**73**	**3,054**	**2,562**	**341**	**27**	**2,930**
	10,057	**8,464**	**8,249**	**26,770**	**10,057**	**6,317**	**3,239**	**19,613**

Year ended 31 December 2015

	Group				Company			
	Shore staff £000	MNOPF £000	MNRPF £000	Total £000	Shore staff £000	MNOPF £000	MNRPF £000	Total £000
As at 1 January 2015	10,522	11,284	–	21,806	10,522	8,611	–	19,133
Expense recognised in the income statement	494	388	–	882	494	295	–	789
Contributions paid to scheme	(1,642)	(1,873)	–	(3,515)	(1,642)	(1,490)	–	(3,132)
Remeasurement gains and losses	(744)	(69)	8,596	7,783	(744)	(50)	3,094	2,300
	8,630	9,730	8,596	26,956	8,630	7,366	3,094	19,090

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

Year ended 31 December 2016

	Group				Company			
	Shore staff £000	**MNOPF £000**	**MNRPF £000**	**Total £000**	**Shore staff £000**	**MNOPF £000**	**MNRPF £000**	**Total £000**
As at 1 January 2016	**59,445**	**93,592**	**29,290**	**182,327**	**59,445**	**46,831**	**10,544**	**116,820**
Current service cost	**21**	**–**	**–**	**21**	**21**	**–**	**–**	**21**
Expenses	**157**	**–**	**–**	**157**	**157**	**–**	**–**	**157**
Interest cost	**2,212**	**3,704**	**1,157**	**7,073**	**2,212**	**1,840**	**417**	**4,469**
Contributions by scheme participants	**5**	**–**	**–**	**5**	**5**	**–**	**–**	**5**
Remeasurement (gain)/loss								
Actuarial loss arising from scheme experience	**(35)**	**16,992**	**6,199**	**23,156**	**(35)**	**8,084**	**2,231**	**10,280**
Actuarial gain arising from changes in financial assumptions	**9,090**	**253**	**122**	**9,465**	**9,090**	**175**	**44**	**9,309**
Net benefits paid out	**(6,666)**	**(2,034)**	**(749)**	**(9,449)**	**(6,666)**	**(1,651)**	**(269)**	**(8,586)**
	64,229	**112,507**	**36,019**	**212,755**	**64,229**	**55,279**	**12,967**	**132,475**

Year ended 31 December 2015

	Group				Company			
	Shore staff £000	MNOPF £000	MNRPF £000	Total £000	Shore staff £000	MNOPF £000	MNRPF £000	Total £000
As at 1 January 2015	64,326	91,438	–	155,764	64,326	46,331	–	110,657
Current service cost	21	–	–	21	21	–	–	21
Expenses	105	–	–	105	105	–	–	105
Interest cost	2,325	3,394	–	5,719	2,325	1,710	–	4,035
Contributions by scheme participants	5	–	–	5	5	–	–	5
Remeasurement loss/(gain)								
Actuarial loss arising from scheme experience	74	700	–	774	74	327	–	401
Actuarial gain arising from changes in demographic assumptions	(853)	–	–	(853)	(853)	–	–	(853)
Actuarial loss arising from changes in financial assumptions	(1,300)	(67)	–	(1,367)	(1,300)	(47)	–	(1,347)
Net benefits paid out	(5,258)	(1,873)	–	(7,131)	(5,258)	(1,490)	–	(6,748)
On recognition	–	–	29,290	29,290	–	–	10,544	10,544
	59,445	93,592	29,290	182,327	59,445	46,831	10,544	116,820

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

Year ended 31 December 2016

	Group				Company			
	Shore staff £000	**MNOPF £000**	**MNRPF £000**	**Total £000**	**Shore staff £000**	**MNOPF £000**	**MNRPF £000**	**Total £000**
As at 1 January 2016	**50,815**	**83,862**	**20,694**	**155,371**	**50,815**	**39,465**	**7,450**	**97,730**
Return on scheme assets recorded in interest	**1,896**	**3,355**	**828**	**6,079**	**1,896**	**1,579**	**298**	**3,773**
Remeasurement loss								
Return on plan assets excluding interest income	**6,493**	**16,826**	**6,248**	**29,567**	**6,493**	**7,918**	**2,249**	**16,660**
Contributions by employer	**1,629**	**2,034**	**749**	**4,412**	**1,629**	**1,651**	**–**	**3,280**
Contributions by scheme participants	**5**	**–**	**–**	**5**	**5**	**–**	**–**	**5**
Net benefits paid out	**(6,666)**	**(2,034)**	**(749)**	**(9,449)**	**(6,666)**	**(1,651)**	**(269)**	**(8,586)**
	54,172	**104,043**	**27,770**	**185,985**	**54,172**	**48,962**	**9,728**	**112,862**

20 Retirement benefit obligations continued

Year ended 31 December 2015

	Group				Company			
	Shore staff £000	MNOPF £000	MNRPF £000	Total £000	Shore staff £000	MNOPF £000	MNRPF £000	Total £000
As at 1 January 2015	53,804	80,154	–	133,958	53,804	37,720	–	91,524
Return on scheme assets recorded in interest	1,957	3,006	–	4,963	1,957	1,415	–	3,372
Remeasurement (gain)/loss								
Return on plan assets excluding interest income	(1,335)	702	–	(633)	(1,335)	330	–	(1,005)
Contributions by employer	1,642	1,873	–	3,515	1,642	1,490	–	3,132
Contributions by scheme participants	5	–	–	5	5	–	–	5
Net benefits paid out	(5,258)	(1,873)	–	(7,131)	(5,258)	(1,490)	–	(6,748)
On recognition	–	–	20,694	20,694	–	–	7,450	7,450
	50,815	83,862	20,694	155,371	50,815	39,465	7,450	97,730

(f) History of experience gains and losses

Shore staff	**2016 £000**	2015 £000	2014 £000	2013 £000	2012 £000
Fair value of scheme assets	**54,172**	50,815	53,804	49,295	47,367
Defined benefit obligation	**(64,229)**	(59,445)	(64,326)	(59,072)	(57,062)
Deficit in scheme	**(10,057)**	(8,630)	(10,522)	(9,777)	(9,695)
Remeasurement gain/(loss)					
Return on plan assets excluding interest income	**6,493**	(1,335)	3,493	1,965	2,262
Remeasurement gain/(loss) on scheme liabilities	**35**	(74)	424	8	–

MNOPF Group	**2016 £000**	2015 £000	2014 £000	2013 £000	2012 £000
Fair value of scheme assets	**104,043**	83,862	80,154	76,802	73,944
Defined benefit obligation	**(112,507)**	(93,592)	(91,438)	(90,262)	(91,372)
Deficit in scheme	**(8,464)**	(9,730)	(11,284)	(13,460)	(17,428)

MNOPF Company	**2016 £000**	2015 £000	2014 £000	2013 £000	2012 £000
Fair value of scheme assets	**48,962**	39,465	37,720	36,143	37,899
Defined benefit obligation	**(55,279)**	(46,831)	(46,331)	(45,927)	(46,843)
Deficit in scheme	**(6,317)**	(7,366)	(8,611)	(9,784)	(8,944)

MNRPF Group	**2016 £000**	2015 £000	2014 £000
Fair value of scheme assets	**27,770**	20,694	–
Defined benefit obligation	**(36,019)**	(29,290)	–
Deficit in scheme	**(8,249)**	(8,596)	–

MNRPF Company	**2016 £000**	2015 £000	2014 £000
Fair value of scheme assets	**9,728**	7,450	–
Defined benefit obligation	**(12,967)**	(10,544)	–
Deficit in scheme	**(3,239)**	(3,094)	–

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 £53.5m (2015: £50.5m). The Directors do not consider it to be possible to determine how much of the pension scheme deficit recognised on transition to IFRS and taken directly to equity of £12.8m in the Group and Company is attributable to actuarial gains and losses since inception of those pension schemes. Consequently the Directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the Group and Company statements of comprehensive income before January 2004.

(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 £3.7m (2015: £3.7m). During the year the Company contributed £0.4m (2015: £0.3m) into defined contribution schemes.

21 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 38 to 52. The Company also operates a Sharesave scheme (Sharesave) for eligible employees which is HM Revenue and Customs approved.

Long-Term Incentive Plan (LTIP)

The Company and Group recognises an expense for these benefits provided to employees and the amount charged in respect of equity-settled share based payments was £1.1m (2015: £0.2m). 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 (approved at the 2015 Annual General Meeting) over 358,625 (2015: 321,598) 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	**2016 Number**	**WAEP**	2015 Number	WAEP	**2016 Number**	2015 Number
Outstanding at 1 January	**792,245**	**£7.03**	937,098	£6.42	**321,598**	357,933
Granted during the year	**68,632**	**£12.43**	37,189	£13.98	**148,737**	128,184
Forfeited during the year	**(93,195)**	**£10.96**	(30,572)	£10.90	**(4,331)**	–
Exercised	**(89,560)**	**£6.66**	(151,470)	£4.16	**(107,379)**	(164,519)
Outstanding at 31 December	**678,122**	**£7.09**	792,245	£7.03	**358,625**	321,598
Exercisable at 31 December	**467,210**	**£4.74**	523,306	£4.79	**–**	–

The weighted average share price at the date of exercise for the options exercised was £12.80 (2015: £12.89). For the share options outstanding at 31 December 2016, the weighted average remaining contractual life is 3 years and 4 months (2015: 3 years and 4 months). The weighted average fair value of options granted during the year was £8.83 (2015: £8.64). The range of exercise prices for options outstanding at the end of the year was £3.54- £14.89 (2015: £3.54 – £14.89).

					nil options	
Company	**2016 Number**	**WAEP**	2015 Number	WAEP	**2016 Number**	2015 Number
Outstanding at 1 January	**653,571**	**£6.21**	776,604	£5.79	**192,094**	172,667
Granted during the year	**3,503**	**£12.43**	7,528	£13.98	**96,463**	86,818
Forfeited during the year	**(63,918)**	**£10.40**	(5,518)	£9.88	**–**	–
Exercised	**(64,234)**	**£5.46**	(125,043)	£3.90	**(58,540)**	(67,391)
Outstanding at 31 December	**528,922**	**£5.84**	653,571	£6.21	**230,017**	192,094
Exercisable at 31 December	**467,040**	**£4.74**	522,928	£4.79	**–**	–

The weighted average share price at the date of exercise for the options exercised was £12.57 (2015: £12.78). For the share options outstanding at 31 December 2016, the weighted average remaining contractual life is 3 years and 9 months (2015: 4 years and 5 months). The weighted average fair value of options granted during the year was £11.34 (2015: £10.16). The range of exercise prices for options outstanding at the end of the year was £3.54 – £14.89 (2015: £3.54 – £14.89). The fair value of share based payments has been estimated using the Black-Scholes model for the Sharesave and the earnings per share element of the LTIP. The fair value of share based payments relating to the total shareholder return 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:

	2016	2015
Dividend yield (%)	**1.8%**	1.6%
Expected life of option (years)	**3 – 7.22**	3 – 7.26
Share price at date of grant	**£12.54**	£13.35-£13.98
Expected share price volatility (%)	**30%**	30%
Risk-free interest rate (%)	**0.54%-0.89%**	0.73%-1.10%

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 18 April 2016.

22 Business combinations

Year ended 31 December 2016

On 3 June 2016, the Group acquired the entire share capital of Return to Scene Limited (R2S) for consideration of £1.9m. R2S provides visual asset management photographic capture services, digital media services and forensic services to the oil and gas and security sectors, and is within Offshore Oil.

On 1 August 2016, the Group acquired the entire share capital of Lexmar Engineering Pte Limited and Lexmar Sat Systems Pte Limited (together Lexmar), for an initial cash consideration of SGD17.5m (£9.9m), with further contingent consideration of up to a maximum of SGD9.3m (£5.2m) subject to the successful completion of certain projects. The consideration is based on net cash held by Lexmar at acquisition of SGD9.1m (£5.2m). Founded in Singapore in 1996, Lexmar is a specialist provider of diving equipment and saturated diving systems. The business is complementary to JFD, within our Specialist Technical division.

On 11 August 2016, the Group acquired the entire share capital of Hughes Marine Engineering Limited (Hughes), for an initial cash consideration of £9.0m, with further contingent consideration of up to a maximum of £1.0m subject to certain profit targets being met by 28 February 2017. Hughes was founded in Liverpool in 2005 to provide commercial diving and civil engineering services to underwater projects. The business operates in the marine renewables, power generation, oil and gas, and inshore civil engineering sectors, and operates within Marine Support.

On 26 September 2016, the Group acquired the entire share capital of SWT AS (SWT), for an initial consideration of NOK 30m (£2.9m), with further contingent consideration of NOK 30m subject to certain profit targets being met. Based in Norway, SWT is a leading supplier of bespoke rig cooling solutions to the offshore sector, and is within Offshore Oil.

The Group has yet to assess the value of any intangible assets arising on the above acquisitions and will do so prior to the end of the next half year period.

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

Lexmar	Book value £000	Fair value adjustments £000	Total £000
Property, plant and equipment	4,812	–	4,812
Inventories	677	2,508	3,185
Trade and other receivables	9,329	(3,779)	5,550
Cash and short-term deposits	9,925	–	9,925
Trade and other payables	(13,162)	–	(13,162)
Interest bearing loans and borrowings	(4,749)	–	(4,749)
Fair value of net assets acquired	6,832	(1,271)	5,561
Goodwill			6,810
			12,371
Consideration:			
Cash consideration			9,931
Deferred consideration			2,440
			12,371

Hughes	Book value £000	Fair value adjustments £000	Total £000
Property, plant and equipment	2,958	(16)	2,942
Inventories	11	–	11
Trade and other receivables	7,535	–	7,535
Cash and short-term deposits	2,006	–	2,006
Trade and other payables	(6,622)	(300)	(6,922)
Interest bearing loans and borrowings	(47)	–	(47)
Deferred tax	(229)	60	(169)
Fair value of net assets acquired	5,612	(256)	5,356
Goodwill			4,615
			9,971
Consideration:			
Cash consideration			9,000
Contingent consideration			971
			9,971

Other acquisitions	Book value £000	Fair value adjustments £000	Total £000
Intangible assets	158	(158)	–
Property, plant and equipment	765	–	765
Trade and other receivables	568	–	568
Cash and short-term deposits	72	–	72
Trade and other payables	(736)	–	(736)
Interest bearing loans and borrowings	(48)	–	(48)
Deferred tax	7	–	7
Fair value of net assets acquired	786	(158)	628
Goodwill			4,752
Cash consideration			5,380

The book value of these business combinations has been adjusted for fair value adjustments relating to fixed assets, the write down of irrecoverable debtors and amounts capitalised as intangibles. None of the goodwill is expected to be deductible for income tax purposes. In addition, goodwill generated on remeasurement of prior year acquisitions of £1.5m has been recognised in the current financial year.

Cash flow in respect of business combinations	Lexmar £000	Hughes £000	Other £000	Prior period acquisitions £000	Total £000
Cash paid	9,931	9,000	5,380	6,785	31,096
Cash and short-term deposits on acquisition	(9,925)	(2,006)	(72)	–	(12,003)
Acquisition of business net of cash	6	6,994	5,308	6,785	19,093
Interest bearing borrowings acquired	4,749	47	48	–	4,844
Acquisition costs	260	244	67	60	631
	5,015	7,285	5,423	6,845	24,568

Contribution to Group results

The businesses acquired during the period contributed £2.1m to the Group's profit after tax and £16.7m of revenues. If these businesses had been acquired at the start of the financial year, the contribution to Group profit after tax would have been £2.0m with revenue of £43.5m.

23 Loans and borrowings

	Group		Company	
Non-current liabilities	2016 £000	2015 £000	2016 £000	2015 £000
Bank loans	124,280	116,550	124,280	116,550
Finance leases	100	95	–	–
	124,380	116,645	124,280	116,550

	Group		Company	
Current liabilities	2016 £000	2015 £000	2016 £000	2015 £000
Overdrafts	–	–	18,536	2,881
Bank loans	2,994	–	–	–
Finance leases	92	106	–	–
	3,086	106	18,536	2,881

23 Loans and borrowings continued

Bank loans

Loans analysed by currency are repayable as follows:

Year ended 31 December 2016

	Group			Company		
Currency	**GBP £000**	**USD £000**	**Total £000**	**GBP £000**	**USD £000**	**Total £000**
Due within one year	**2,994**	**–**	**2,994**	**–**	**–**	**–**
Due between two and five years	**104,372**	**19,908**	**124,280**	**104,372**	**19,908**	**124,280**
	107,366	**19,908**	**127,274**	**104,372**	**19,908**	**124,280**

Year ended 31 December 2015

	Group			Company		
Currency	GBP £000	USD £000	Total £000	GBP £000	USD £000	Total £000
Due between one and two years	9,385	7,802	17,187	9,385	7,802	17,187
Due between two and five years	89,525	9,838	99,363	89,525	9,838	99,363
	98,910	17,640	116,550	98,910	17,640	116,550

The interest rates charged during the year ranged from 1.4% to 2.2% (2015: 1.6% to 2.2%). 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 contract

Group

The Group uses finance leases in respect of certain items of plant and equipment. The minimum future lease payments due under finance leases and hire purchase contracts are as follows:

	Group	
	2016 £000	2015 £000
Future minimum payments due:		
Within one year	**105**	129
Within two to five years	**87**	117
After five years	**38**	–
	230	246
Less: finance charges allocated to future periods	**(38)**	(45)
	192	201
Present value of minimum lease payments is analysed as follows:		
Within one year	**92**	106
Within two to five years	**94**	95
After five years	**6**	–
	192	201

Company

The Company does not have any outstanding finance lease commitments.

24 Reconciliation of net debt

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

Group	1 January 2016 £000	Cash flow £000	Other non cash £000	Exchange movement £000	31 December 2016 £000
Cash in hand and at bank	22,962	(3,896)	–	2,782	21,848
Debt due after 1 year	(116,650)	(4,066)	(12)	(3,652)	(124,380)
Debt due within 1 year	–	1,703	(4,765)	68	(2,994)
	(116,650)	(2,363)	(4,777)	(3,584)	(127,374)
Finance leases	(201)	174	(127)	(38)	(192)
Net debt	(93,889)	(6,085)	(4,904)	(840)	(105,718)

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

25 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 2016, the Group had £49.7m (2015: £67.4m) of undrawn committed facilities none of which expire within twelve months.

The Group is required under the terms of its loan agreements to maintain covenant ratios in respect of net debt to earnings before interest, depreciation and amortisation (EBITDA) and net interest costs to earnings before interest (EBIT). The Group met its covenant ratios for the year ended 31 December 2016. 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 £175m (2015: £165m).

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.

	2016 £000	2015 £000
Interest bearing loans and borrowings	127,466	116,751
Less cash and cash equivalents	(21,848)	(22,962)
Net debt	105,618	93,789
Equity attributable to the equity holders of the parent	257,338	218,007
Gearing ratio	41.0%	43.0%

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 24% of Group revenue (2015: 33%). No customer accounted for more than 4% (2015: 7%) 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.

25 Financial instruments continued

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

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Available for sale financial assets	**1,377**	1,478	**1,368**	1,368
Receivables	**141,969**	130,081	**6,117**	7,622
Cash and cash equivalents	**21,848**	22,962	**7,396**	7,629
Interest rate swaps used for hedging:				
Assets	**906**	2	**906**	2
	166,100	154,523	**15,787**	16,621

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			
	2016		2015	
	gross £000	**allowance £000**	gross £000	allowance £000
Not past due	**33,864**	**–**	31,413	–
Past due	**37,987**	**(1,484)**	39,005	(1,319)
	71,851	**(1,484)**	70,418	(1,319)

	Group		Company	
	gross 2016 £000	gross 2015 £000	**gross 2016 £000**	gross 2015 £000
Not yet due	**33,864**	31,413	**–**	–
Overdue 1 to 30 days	**15,228**	16,322	**–**	–
Overdue 31 to 60 days	**7,738**	9,323	**–**	–
Overdue 61 to 90 days	**8,386**	6,406	**–**	–
Overdue more than 90 days	**6,635**	6,954	**–**	–
	71,851	70,418	**–**	–

The movement in the provision for impairment of trade receivables is as follows:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Balance at 1 January	**1,319**	815	**–**	–
Exchange differences	**141**	(2)	**–**	–
On acquisition of subsidiaries	**–**	442	**–**	–
Provided in the year	**712**	549	**–**	–
Recoveries	**(24)**	(103)	**–**	–
Write-offs	**(664)**	(382)	**–**	–
	1,484	1,319	**–**	–

The Group considers that the trade receivables that have not been provided against and are past due by more than 30 days are still collectible 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.

(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 2016, the Group had £49.7m (2015: £67.4m) of undrawn committed bank facilities.

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2016

Group	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1 - 2 years £000	2 - 5 years £000
Non-derivative financial liabilities:					
Unsecured bank loans	127,274	(133,511)	(2,994)	–	(130,517)
Finance lease liabilities	192	(192)	(98)	(94)	–
Trade and other payables	104,716	(104,716)	(104,716)	–	–
Derivative financial liabilities:					
Interest rate swaps used for hedging	(7)	(645)	(340)	(289)	(16)
Outflow on forward exchange contracts used for hedging	4,702	(65,579)	(55,301)	(10,278)	–
	236,877	(304,643)	(163,449)	(10,661)	(130,533)

31 December 2015

Group	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1 - 2 years £000	2 - 5 years £000
Non-derivative financial liabilities:					
Unsecured bank loans	116,550	(125,649)	(11)	(17,396)	(108,242)
Finance lease liabilities	201	(201)	(106)	(95)	–
Trade and other payables	107,540	(107,540)	(107,540)	–	–
Derivative financial liabilities:					
Interest rate swaps used for hedging	(541)	(965)	(301)	(301)	(363)
Outflow on forward exchange contracts used for hedging	(905)	(34,823)	(31,203)	(3,620)	–
	222,845	(269,178)	(139,161)	(21,412)	(108,605)

31 December 2016

Company	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1 - 2 years £000	2 - 5 years £000
Non-derivative financial liabilities:					
Unsecured bank loans	124,280	(130,517)	–	–	(130,517)
Trade and other payables	3,088	(3,088)	(3,088)	–	–
Derivative financial liabilities:					
Interest rate swaps used for hedging	(7)	(645)	(340)	(289)	(16)
Outflow on forward exchange contracts used for hedging	4,702	(65,579)	(55,301)	(10,278)	–
	132,063	(199,829)	(58,729)	(10,567)	(130,533)

31 December 2015

Company	Carrying amount £000	Contractual cash flows £000	Within 1 year £000	1 - 2 years £000	2 - 5 years £000
Non-derivative financial liabilities:					
Unsecured bank loans	116,550	(125,649)	(11)	(17,396)	(108,242)
Trade and other payables	8,887	(8,887)	(8,887)	–	–
Derivative financial liabilities:					
Interest rate swaps used for hedging	(541)	(965)	(301)	(301)	(363)
Outflow on forward exchange contracts used for hedging	(905)	(34,823)	(31,203)	(3,620)	–
	123,991	(170,324)	(40,402)	(21,317)	(108,605)

25 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, Singapore Dollar and Australian Dollar. The Group had no Nigerian Naira (NGN) exposure in 2015 and no Angolan Kwanza (AKZ) exposure in 2016.

The Group's exposure to foreign currency transactional risk in its principal currencies was based on notional amounts:

	31 December 2016						31 December 2015					
	USD 000	**EUR 000**	**NOK 000**	**SGD 000**	**AUD 000**	**NGN m**	USD 000	EUR 000	NOK 000	SGD 000	AUD 000	AKZ m
Trade receivables	**25,903**	**2,034**	**–**	**–**	**–**	**–**	20,981	2,826	–	–	–	3
Cash at bank and in hand	**4,150**	**3,794**	**134**	**150**	**68**	**1,155**	1,113	1,719	41	(179)	98	1,471
Unsecured bank loans	**–**	**–**	**–**	**(5,344)**	**–**	**–**	–	–	–	–	–	–
Trade payables	**(3,260)**	**(3,584)**	**(5,556)**	**(232)**	**(463)**	**–**	(2,083)	(2,826)	(4,142)	(129)	13	(5)
Gross balance sheet exposure	**26,793**	**2,244**	**(5,422)**	**(5,426)**	**(395)**	**1,155**	20,011	1,719	(4,101)	(308)	111	1,469
Forecast sales	**123,437**	**9,870**	**–**	**–**	**–**	**–**	140,977	17,607	–	565	–	–
Forecast purchases	**(44,701)**	**(14,930)**	**(18,025)**	**(10)**	**(2,331)**	**–**	(62,499)	(22,256)	(1,352)	(1,187)	(17)	–
Gross exposure	**105,529**	**(2,816)**	**(23,447)**	**(5,436)**	**(2,726)**	**1,155**	98,489	(2,930)	(5,453)	(930)	94	1,469
Forward exchange contracts	**(68,336)**	**–**	**–**	**–**	**–**	**–**	(51,326)	–	–	–	–	–
Net exposure	**37,193**	**(2,816)**	**(23,447)**	**(5,436)**	**(2,726)**	**1,155**	47,163	(2,930)	(5,453)	(930)	94	1,469

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.

	2016		2015	
Key currency	**Equity £000**	**Income statement £000**	Equity £000	Income statement £000
US Dollar	**(1,922)**	**(2,425)**	(1,874)	(2,668)
Norwegian Kroner	**21**	**156**	31	54
Euro	**(113)**	**82**	(77)	(253)
Singapore Dollar	**(441)**	**(570)**	(331)	(309)
Australian Dollar	**(533)**	**(140)**	(327)	25
	(2,988)	**(2,897)**	(2,578)	(3,151)

(d) Interest rate risk

The Group uses interest rate swaps to convert interest rates on certain borrowings from floating rates to fixed hedge exposure to fluctuations in interest rates. The interest rate profile of the Group's financial assets and liabilities are set out in the table below:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Fixed rate instruments Financial liabilities	**(100)**	(100)	**(100)**	(100)
Variable rate instruments Financial assets	**21,848**	22,962	**7,396**	7,629
Financial liabilities	**(127,274)**	(116,550)	**(142,816)**	(119,431)
	(105,426)	(93,588)	**(135,420)**	(111,802)

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 2016, a general increase of one percentage point would have had the following impact:

	2016 Income statement £000	2015 Income statement £000
Variable rate instruments	(1,054)	(936)
Interest rate swap	310	310
Cash flow sensitivity	(744)	(626)

(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:

		2016		2015	
Group	Note	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Liabilities carried at amortised cost					
Unsecured bank loans	23	(127,274)	(120,714)	(116,550)	(115,962)
Trade and other payables	19	(104,716)	(104,716)	(107,540)	(107,540)
Finance leases	23	(192)	(181)	(201)	(192)
Preference shares	26	(100)	(100)	(100)	(100)
		(232,282)	(225,711)	(224,391)	(223,794)
Company					
Liabilities carried at amortised cost					
Overdrafts	23	(18,537)	(18,537)	(2,881)	(2,881)
Unsecured bank loans	23	(105,743)	(99,284)	(113,669)	(113,081)
Trade and other payables	19	(3,088)	(3,088)	(8,887)	(8,887)
Preference shares	26	(100)	(100)	(100)	(100)
		(127,468)	(121,009)	(125,537)	(124,949)

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).

25 Financial instruments continued

Financial instruments carried at fair value are all level 2 as set out below:

Group	Level 2 2016 £000	Level 2 2015 £000
Financial assets measured at fair value		
Forward exchange contracts – cash flow hedges	**114**	2
Interest rate swaps – cash flow hedges	**792**	–
	906	2
Financial liabilities measured at fair value		
Forward exchange contracts – cash flow hedges	**(4,815)**	(901)
Forward exchange contracts – other derivatives	**–**	(6)
Interest rate swaps – cash flow hedges	**(786)**	(541)
Financial liabilities not measured at fair value		
Unsecured bank loans	**(120,714)**	(115,962)
Finance leases	**(181)**	(192)
	(126,496)	(117,602)
	(125,590)	(117,600)

Company	Level 2 2016 £000	Level 2 2015 £000
Financial assets measured at fair value		
Forward exchange contracts – cash flow hedges	**114**	2
Interest rate swaps – cash flow hedges	**792**	–
	906	2
Financial liabilities measured at fair value		
Forward exchange contracts – cash flow hedges	**(4,815)**	(901)
Forward exchange contracts – other derivatives	**–**	(6)
Interest rate swaps – cash flow hedges	**(786)**	(541)
Financial liabilities not measured at fair value		
Unsecured bank loans	**(99,284)**	(113,081)
	(104,885)	(114,529)
	(103,979)	(114,527)

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 2016 and 31 December 2015 the Group did not have any outstanding fair value hedges.

Cash flow hedges – Group and Company

At 31 December 2016, the Group and Company held forward currency contracts designated to hedge future commitments in US Dollars, Japanese Yen and Swedish Krona. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £000
Sell			
US$ 81,036,004	**January 2017 – June 2018**	**1.3441**	**(4,714)**
JPY 19,900,000	**February 2017 – April 2017**	**132.3144**	**13**
Buy			
SEK 1,000,000	**January 2017 – June 2017**	**11.5599**	**–**

At 31 December 2015, the Group and Company held forward currency contracts designated to hedge future commitments in US Dollars and Euros. The terms of the contracts are as follows:

	Maturity	Exchange rate	Fair value £000
Sell			
US$ 51,325,998	January 2016 – February 2017	1.51	(845)
Buy			
Eur 906,000	January 2016	1.30	(54)

The foreign exchange contracts have been negotiated to match the expected profile of receipts. At 31 December 2016, these hedges were assessed to be highly effective and an unrealised loss of £3.3m (2015: £0.8m) 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				Fair value	
	2016 £000	2015 £000	Maturity	Fixed rate %	**2016 £000**	2015 £000
Sterling interest rate swaps	**31,000**	31,000	30 October 2017 to 30 January 2019	1.03% – 3.71%	**7**	(541)

In 2017, the Group and Company entered into further interest rate swap contracts totalling £75.0m which come into effect in October 2017 for a 5 year term.

26 Share capital

Group and Company

Authorised

66,320,000 ordinary shares of 25p each
100,000 3.5% cumulative preference shares of £1 each

Allotted, called up and fully paid

In thousands of shares	25p Ordinary shares		£1 Cumulative Preference shares	
	2016	2015	**2016**	2015
In issue at 1 January	**50,164**	50,099	**100**	100
Exercise of share options	**8**	65	**–**	–
In issue at 31 December	**50,172**	50,164	**100**	100
	2016 £000	2015 £000	**2016 £000**	2015 £000
Issued share capital	**12,543**	12,541	**100**	100

The preference shareholders are entitled to receive 3.5% per annum on the par value of the shares and the ordinary shareholders receive dividends as declared from time to time by the Directors.

Shares all carry equal voting rights of one vote per share held. 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. Preference shares are treated as a liability in the balance sheet.

Treasury shares	**2016 £000**	2015 £000
45,368 (2015: 148,275) ordinary shares of 25p	554	1,613

The Company has an established Employee Share Trust, the James Fisher and Sons plc Employee Share Trust (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 2016 was £0.7m (2015: £1.7m). The Trust has not waived its right to receive dividends.

In the year ended 31 December 2016, 8,415 (2015: 65,118) ordinary shares with an aggregate nominal value of £2,104 (2015: £16,279) were issued to satisfy awards made under the Company's Executive Share Option Scheme at an option price of 596p (2015: 327p and 468p) per share giving rise to total consideration of £50,151 (2015: £303,111).

During the year, the Trust purchased 38,823 (2015: 120,000) of the Company's ordinary shares in the market at an average cost per share of £13.66 (2015: £10.32) and a total cost of £530,412 (2015: £1,238,397).

27 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	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Within one year	**14,239**	14,257	**3**	194
After one year but not more than five years	**20,719**	19,504	**1,459**	311
After five years	**9,710**	7,563	**519**	523
	44,668	41,324	**1,981**	1,028

Capital commitments

At 31 December, capital commitments for which no provision has been made in these accounts amounted to:

	Group		Company	
	2016 £000	2015 £000	**2016 £000**	2015 £000
	175	928	**–**	–

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 29 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 2017 and 2021.

(d) Subsidiaries of the Group have issued performance and payment guarantees to third parties with a total value of £42.4m (2015: £5.9m).

(e) The Group is liable for further contributions in the future to the MNOPF and MNRPF if additional actuarial deficits arise or if other employers liable for contributions are not able to pay their share. The Group and Company remains jointly and severally liable for any future shortfall in recovery of the 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.

28 Related party transactions

Transactions with related parties

Group

FCM businesses

The Group has interests of between 45% and 50% in several joint ventures providing ship-to-ship transfer services in Northern Europe and Asia through its wholly owned subsidiary, Fendercare 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 (2015: £0.1m). Dividends received or receivable during the period included in the results of the Group are £0.4m (2015: £0.6m).

Divex Domeyer

The Group, through JFD Limited has a 50% stake in Divex Domeyer, an entity which provides in-service support and aftermarket services to customers in Germany. Details of equipment sales to this entity are set out in the table below.

Eurotestconsult

The Group, through 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.

James Fisher Angola

Loans totalling £nil (2015: £2.2m) have been advanced by James Fisher Angola Limitada to Bouclier Limitada, a company controlled by the Group's joint venture partner. The loans are unsecured and do not carry interest.

Hughes Sub Surface Engineering

The Group, through Hughes Sub Surface Engineering Limited (HSSE), leases a property from Harsant Pensioner Trustees Limited for an annual rental fee of £36,500. Ian Phillip Hughes is a director of HSSE and a trustee of Harsant.

Details of the transactions carried out with related parties are shown in the table below:

		Services to related parties £000	Sales to related parties £000	Purchases from related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
FCM businesses	**2016**	**–**	**354**	**961**	**3**	**203**
	2015	–	1,848	733	370	289
First Response Marine	**2016**	**–**	**3,439**	**27**	**880**	**–**
	2015	–	2,979	170	828	–
Divex Domeyer	**2016**	**–**	**1,262**	**–**	**1,046**	**–**
	2015	–	228	–	66	–
Eurotestconsult	**2016**	**–**	**1,297**	**38**	**401**	**38**
	2015	–	921	–	207	–

No provision for bad debts has been made in respect of these balances (2015: £nil). No bad debts arose during the period relating to these transactions (2015: £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 2016 was £196.7m (2015: £143.1m). Amounts owed to subsidiary undertakings by the Company at 31 December 2016 totalled £15.0m (2015: £5.1m).

The Company has had no expense in respect of bad or doubtful debts of subsidiary undertakings in the year (2015: £nil).

29 Significant accounting policies

The principal accounting policies, which have been applied consistently throughout the year and the preceding year, are set out below.

29.1 Basis of preparation of the consolidated financial statements

The results of subsidiaries are consolidated for the periods from or to the date on which control has passed. Control exists when the Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investee. Acquisitions are accounted for under the purchase method of accounting from the acquisition date, which is the date on which control is passed to the Group. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in the consolidated financial statements.

Payment for the future services from employees or former owners are expensed. Any payments to employees or former owners in respect of the acquisition of the business are capitalised. This is carefully managed during the acquisition process so that former owners and/or employees do not receive any incentive payments during an earn-out period.

Joint arrangements

A joint arrangement is an arrangement over which the Group and one or more third parties have joint control. These joint arrangements are in turn classified as:

- Joint ventures whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities; and
- Joint operations whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement.

Any investment in joint ventures is carried in the balance sheet at cost plus the Group's post acquisition share in the change in net assets of the joint ventures, less any impairment provision. The income statement reflects the Group's share of the post-tax result of the joint ventures. The Group's share of any changes recognised by the joint venture in other comprehensive income are also recognised in other comprehensive income.

Non-controlling interests

Non-controlling interests represent the proportion of profit or loss and net assets not held by the Group and are presented separately in the income statement and in the consolidated statement of financial position. On the acquisition of non-controlling interests, the difference between the consideration paid and the fair value of the share of net assets acquired is recognised in equity. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

29 Significant accounting policies continued

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.

29.2 Foreign currency

(a) 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;

(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.

(b) 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.

29.3 Financial instruments

(a) Loans and receivables

These comprise non-derivative financial assets such as trade receivables, with fixed or determinable payments, that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, if the time value of money has a significant impact on their value, less any impairment losses. Gains and losses are recognised in the income statement when the loans or receivables are derecognised, impaired or amortised.

If in a subsequent period the factors which indicated the original decision to impair the asset cease to exist, then the previously recognised impairment loss is reversed subject to the revised carrying value of the asset not exceeding its amortised cost at the date the impairment is reversed. Any reversal of an impairment loss is recognised in the income statement.

(b) Available for sale financial assets

Available for sale financial assets are non-derivatives that are included as non-current assets unless intended to be disposed of within twelve months of the balance sheet date. After initial recognition, they are measured at fair value with gains and losses being recognised in the statement of other comprehensive income until the investment is derecognised or deemed to be impaired, at which point the cumulative gain or loss previously reported in equity is included in the income statement in the period in which it arises. Any impairment loss in respect of an available for sale asset is transferred from other comprehensive income to the income statement and any reversal of impairment loss is not recognised in the income statement.

Where investments are held in unlisted equity shares where there is no active market the investment is held at cost and is subject to an annual impairment review.

(c) Derivative financial instruments

Derivative financial instruments are classified as held for trading unless they are designated as hedging instruments. Assets are carried in the statement of financial position at fair value with gains or losses recognised in the income statement unless designated as a hedging instrument.

The Group is exposed to foreign exchange risk arising from currency exposures, primarily relating to the US Dollar, Euro and Norwegian Kroner. It is also exposed to the risk of interest rate changes in its borrowings. The Group uses derivative financial instruments to manage risk, in the form of foreign currency contracts, to manage foreign exchange risk and interest rate swaps to reduce exposure to interest rate movements.

The Group does not hold or issue derivative financial instruments for speculative purposes. All derivatives are initially recognised at fair value on the date that the derivative contract is entered into and are subsequently remeasured at their fair value at the balance sheet date. Fair value is calculated by reference to current forward exchange contracts with similar maturity profiles, and for interest rate swaps determined by reference to market values for similar instruments. The recognition of the gains or losses arising on these movements in fair value depends on whether a derivative is designated as a hedge and if so, the nature of the item being hedged.

The Group recognises two classes of hedges for derivative financial instruments:

- Hedges of highly probable forecast transactions or recognised assets or liabilities (cash flow hedge);
- Hedges of the fair value of recognised assets or liabilities or an unrecognised firm commitment (fair value hedge).

(i) Cash flow hedges

Cash flow hedges can include forward foreign currency contracts if the instrument is related to a foreign currency risk of a firm commitment, it involves the same currency as the hedged item; and it reduces the risk of foreign currency exchange movements on the Group's operations.

Cash flow hedges may also include interest rate swaps where the instrument is related to a recognised asset or a liability and it changes the character of the interest rate by converting a variable rate to a fixed rate.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges are recognised in the consolidated statement of other comprehensive income. Gains or losses arising on any portion deemed to be ineffective are recognised immediately in the income statement.

Where the hedge relates to a firm commitment or forecast transaction which subsequently results in the recognition of an asset or liability, the cumulative gain or loss relating to that item is removed from equity and included in the initial measurement of the asset or liability. Otherwise, the cumulative amount is removed from equity and recognised in the income statement at the same time as the related movements on the hedged transaction.

When the term of the hedging instrument expires or it is sold, or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss included in other comprehensive income is retained in equity until either the related forecast transaction occurs, in which case it is recognised in accordance with the policy stated above, or if the hedged transaction is not expected to take place, it is recognised immediately in the income statement.

(ii) Fair value hedges

Where a derivative is designated as a hedge of the variability in the fair value of an asset or liability it is designated as a fair value hedge. Changes in the fair value of these derivatives are recorded in the income statement at the same time as the related movements in the hedged asset or liability.

(iii) Interest-bearing loans and other borrowings

All interest-bearing loans and other borrowings are initially recorded at fair value, which represents the fair value of the consideration received net of any issue costs associated with other borrowings. Finance charges, including any premiums payable on settlement or redemption of debt instruments including preference shares and the direct costs of issue, are accounted for on an amortised cost basis in the income statement. Charges are calculated using the effective interest method, and are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.

(iv) Other

Changes in the fair value of any derivatives which do not qualify for hedge accounting under any of the criteria outlined above are recognised immediately in the income statement. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined using assumptions based on market conditions at the balance sheet date or discounted cash flow techniques.

(d) Cash and cash equivalents

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.

29 Significant accounting policies continued

29.4 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.

29.5 Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any provision for impairment losses. Refit costs relating to vessels are capitalised when incurred and amortised over their estimated useful economic life of 30 months. Cost comprises expenditure incurred during construction, delivery and modification. Where a substantial period of time is required to bring an asset into use, attributable finance costs are capitalised and included in the cost of the relevant asset.

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.

29.6 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 CGUs goodwill. Recoverable amount is measured as the higher of the CGUs 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.

29.7 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.

29.8 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.

29.9 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.

29.10 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 remeasured using current actuarial assumptions and any gain or loss is recognised in the income statement.

29 Significant accounting policies continued

The interest element of the defined benefit charge is determined by applying the discount rate to the net defined benefit liability at the start of the period and is recognised in the income statement. A liability is recognised in the statement of financial position which represents the present value of the defined benefit obligations at the balance sheet date, less the fair value of the scheme assets and is calculated separately for each scheme.

The defined benefit obligations represent the estimated amount of future benefits that employees have earned in return for their services in current and prior periods, discounted at a rate representing the yield on a high quality corporate bond at the balance sheet date, denominated in the same currency as the obligations, and having the same terms to maturity as the related pension liability, applied to the estimated future cash outflows arising from these obligations. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available from any future refunds from the plan or reductions in future contributions to the plan.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement. Actuarial gains and losses on experience adjustments and changes in actuarial assumptions are recognised in the statement of other comprehensive income.

29.11 Share based payments

Executive savings related share option schemes are operated under which options are granted to employees of the Group. An expense is recognised in the income statement with a corresponding credit to equity in respect of the fair value of employee services rendered in exchange for options granted, which is determined by the fair value of the option at the date of grant. The amount is expensed over a specified period until the options can be exercised (the vesting period).

The fair value of an option is determined by the use of mathematical modelling techniques, including the Black-Scholes option pricing model and the Binomial model. Non-market vesting conditions (such as profitability and growth targets) are excluded from the fair value calculation but included in assumptions about the number of options that are expected to become exercisable.

An estimate is made of the number of options that are expected to become exercisable at each balance sheet date. Any adjustments to the original estimates are recognised in the income statement (and equity) over the remaining vesting period with any element of any adjustments relating to prior periods recognised in the current period. No expense is recognised for awards that do not ultimately vest except for awards where vesting is conditional upon a market condition (such as total shareholder return of the Group relative to an index). These are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

In addition to failure by the employee to exercise an option in accordance with the exercise period allowed by the scheme, an award made to an employee under a share option scheme is deemed to lapse when either the scheme is cancelled by the Company, or when an employee, who continues to qualify for membership of a scheme, ceases to pay contributions to that scheme. In these circumstances the full remaining unexpired cost of the award is expensed in the period in which the option lapses.

Where the exercise of options is satisfied by the issue of shares by the Company the nominal value of any shares issued from the exercise of options is credited to share capital with the balance of the proceeds received, net of transaction costs, credited to share premium.

29.12 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.

29.13 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 James Fisher Employee Share Trust), are designated as treasury shares. The cost of these shares is deducted from equity. No gains or losses are recognised on the purchase, sale, cancellation or issue of treasury shares. Consideration paid or received is recognised directly in equity.

(b) James Fisher Employee Share Trust (ESOT)

Company shares are held in the ESOT. The finance costs and administration costs relating to the ESOT 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.

29.14 Revenue recognition

Revenue, after excluding trade discounts and value added tax, represents the provision of goods and services by the Group in the normal course of business and is recognised when the significant risks and rewards of ownership have passed to the buyer. The transfer of risks and rewards is assumed to pass to the customer on delivery of the goods or completion of the provision of the relevant services. When the Group acts as a lessor, revenue is recognised in the income statement on a straight-line basis over the period of the hire.

(a) Construction contracts

(i) General

Where the outcome of a construction contract can be estimated reliably, revenue and costs relating to it are recognised in accordance with the stage of completion of the contract, in the period in which the work is performed. To assess a construction contract at the outset, total contract costs are established by using supplier quotes for third party costs, internal hours based on experience, the nature of the project and the time taken for similar projects in the past, to which current labour rates are applied. The stage of completion is assessed by reference to an output measure, such as deliverables completed or an input measure, such as physical progress, attributable man hours and costs incurred measured against the expected outcome depending on which is the most appropriate method for the specific type of contract. Construction contract costs are monitored on a monthly basis and total expected costs (incurred costs to date and expected costs to complete) are reviewed against the original cost budget. Progress made is reviewed to assess whether the long-term project is progressing in accordance with the planned level of completion on a regular basis. Any cost overruns resulting in an expected total cost in excess of original budget results in a reduced margin being accounted for on the revenue recognised to date. Revenue from the contract is under the percentage of completion method by reference to the assessed stage of completion of the contract. Pre-determined ratios or percentages are not used in the estimation process.

In determining whether the outcome of a construction contract can be assessed reliably, the Group considers the nature of each contract, the experience of the project manager with this type of contract, whether it is similar to contracts delivered in the past, the customer, the time period over which the contract runs and forms a view of the likely risk in estimating the project outcome.

Contract costs incurred that relate to future activity are deferred and recognised as inventory. When a loss is expected to be incurred on a construction contract it is recognised as an expense immediately in the income statement. When the outcome of a construction contract cannot be estimated reliably no profit is recognised. Revenue is recognised to the extent that it is probable that costs incurred will be recovered.

IFRS 15, Revenue from Contracts with Customers, issued in May 2014 with an effective date of 1 January 2018, was EU endorsed in October 2016. The standard requires the identification of performance obligations in contracts with customers and allocation of the total contractual value to each of the performance obligations identified. Revenue is recognised as each performance obligation is satisfied either at a point in time or over time. The standard will replace IAS 11, Construction Contracts, and IAS 18, Revenue.

In preparation for this, management are in the process of reviewing the significant contracts in the Group to assess the performance obligations within those contracts. Management expect to have an understanding of the financial significance of the adoption of this new standard at the half year in 2017.

(ii) Bid costs

All bid costs incurred relating to contracts for the design, manufacture or operation of assets or the provision of services to third parties are expensed to the income statement as incurred, except for those costs incurred after the point at which the contract award is virtually certain. Directly attributable costs incurred subsequent to this point are included within contract costs and amortised over the life of the initial period of the contract to which they relate.

(b) 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 included in the statement of financial position at 31 December 2016 were £1.4m (31 December 2015: £0.6m).

29.15 Non-current assets held for sale

On classification as held for sale, non-current assets 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.

29.16 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.

30 Significant accounting judgements and estimates

Financial and business risks

The Group's activities expose it to a variety of financial and business risks. Where possible the Group seeks to minimise these risks through its risk management policies.

Impairment of goodwill

Goodwill, which is set out in note 12, of £165.0m (2015: £140.4m) is tested annually for any permanent impairment in accordance with the accounting policy in note 29.4. The value in use of the Group's cash generating units (CGU) requires assumptions about future levels of demand, gross margins and cost inflation. 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 CGUs 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.

Business combinations

Business combinations are set out in note 22 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 acquired, 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, 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.

Revenue

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 transfer of risks and rewards 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 29.8. 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 contracted, 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 22 and in note 25.

Subsidiary undertakings

Name of company	Address	Group percentage of equity capital	Name of company	Address	Group percentage of equity capital
Marine Support					
Clariden Holdings SA	80 Broad Street, Monrovia, Liberia	100%	James Fisher Subsea Excavation Mexico SA de CV	Gabriel Mancera 1041 Del Valle, Benito Juarez, 03100, Ciudad de Mexico, D.F., Mexico	100%
FCEA Ltd	Vanterpool Plaza, 2nd Floor, Wickhams Cay I, Road Town, Tortola, British Virgin Islands	100%	James Fisher Subsea Excavation Pte. Limited	133 Cecil Street, #16-01, Keck Seng Tower, Singapore, 069535	100%
F.C.N. Limited	c/o Trident Trust, Trident Chambers, Road Town, Tortola, British Virgin Islands	100%	James Fisher Subsea Limited	Barrow-in-Furness[1]	100%
Fender Care (Changshu) Ltd	Room 1211, Building 4, Huifeng Times Plaza, No 22 Huanghe Road, Changshu City, Jiangsu, 215500, China	100%	James Fisher Testing Services Limited	Barrow-in-Furness[1]	100%
Fender Care Americas Inc	8100 Washington Ave Suite 1000, Houston TX 77007 1059, United States	100%	JCM Scotload Ltd	Barrow-in-Furness[1]	100%
Fender Care do Brasil Comercio E Servicos Navais LTDA	Rio das Ostras, State of Rio de Janeiro, Rua 01, S/N, plot 113, Square 01, Balneario das Garcas, Brazil, 28890-000	100%	JF (STS) Guernsey Limited	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%
Fender Care Limited	Barrow-in-Furness[1]	100%	Load Test Sdn Bhd	Ground Floor 8, Lorong Universiti B, Section 16, 46350 Petaling Jaya Selangor Darul Ehsan, Malaysia	100%
Fender Care Marine (Asia Pacific) Pte Ltd	6 Pioneer Place, 627705, Singapore	100%	Maritime Engineers (Asia Pacific) Pte Ltd	1 North Bridge Road, #06-15, High Street Centre, Singapore, 179094	100%
Fender Care Marine (Gibraltar) Limited	28 Irish Town, Gibraltar	100%	Maritime Engineers Pty Ltd	96 Marine Terrace, Fremantle WA 6160, Australia	100%
Fender Care Marine Ltd	Barrow-in-Furness[1]	100%	Mojo Maritime Limited	Barrow-in-Furness[1]	100%
Fender Care Marine Products (Asia Pacific) Pte Ltd	6 Pioneer Place, 627705, Singapore	100%	Mojo Maritime SAS	3 rue de France Comte, CS50311, Hauts de Quimpcanpoix, 5103, Cherbourg, France	100%
Fender Care Marine Services Group Limited	Barrow-in-Furness[1]	100%	Mojo Ocean Dynamics Limited	Barrow-in-Furness[1]	100%
Fender Care Marine Sohar LLC	Al Batinah Region, PO Box 37, Sohar, 327	70%	Namibia Subtech Diving and Marine (Pty) Ltd	Shop 48, Second Floor, Old Power Station Complex, Armstrong Street, Windhoek, Namibia	100%
Fender Care Marine Solutions Limited	Barrow-in-Furness[1]	100%	Osiris Marine Services Limited	Barrow-in-Furness[1]	100%
Fender Care Nigeria Limited	34 Awolowo Road, Ikoyi, Lagos, Nigeria	100%	Osiris Underwater Engineering Services Limited	Barrow-in-Furness[1]	100%
Fender Care Norway AS	Kaiveien 4, 9900 Kirkenes, Norway	100%	Prolec Limited	Barrow-in-Furness[1]	100%
Fendercare Australia Pty Ltd	23 Sparks Road, Henderson WA 6166, Australia	100%	Scotload Ltd	Oldmeldrum[2]	100%
Fendercare Marine Ghana Limited	11 Aduemi Close, North Kaneshie, Accra, Ghana	51%	Strainstall Engineering Services Limited	Barrow-in-Furness[1]	100%
Fendercare Marine West Limited	5th Floor, Anderson Square, Sheddon Road, PO Box 866, George Town, KY1-1103, Cayman Islands	100%	Strainstall Group Limited	Barrow-in-Furness[1]	100%*
Fendercare Services Marinhos do Brasil LTDA	Rua 01 s/n Lt 113 Qd 01, Rio das Ostras, RJ Cep, 28.890-00, Brazil	100%	Strainstall Malaysia Sdn Bhd	Ground Floor, 8, Lorong Universiti B, Section 16, 46350 Petaling Jaya Selangor Darul Ehsan, Malaysia	100%
Ground Handling Services Inc	1209 Orange Street, City of Wilmington County of New Castle 19801, United States	100%	Strainstall Middle East Limited	Axiss International Management Ltd, Regatta Office Park, 85 Peninsula Avenue, Windward III, 2nd Floor, George Town, PO Box 31661, KY1-1207, Cayman Islands	100%
Hughes Marine Engineering Limited	Barrow-in-Furness[1]	100%	Strainstall Singapore Pte Ltd	50 Raffles Place, #06-00 Singapore Land Tower, Singapore, 048623	100%
Hughes Marine Equipment Limited	Barrow-in-Furness[1]	100%	Strainstall UK Limited	Barrow-in-Furness[1]	100%
Hughes Sub Surface Engineering Limited	Barrow-in-Furness[1]	100%	Subtech (Pty) Ltd	Warehouse 1, 20 Rustic Close, Briardene, Durban, 4001, South Africa	100%
Imogen Marine Company	Trust Company Complex, Ajeltake Road, Ajeltake Islands, Majuro, Marshall Islands, MH96960	100%	Subtech (Pty) Ltd – Mozambique branch	Rua da Educacao, No.38, Matola, Mozambique	100%
Inastros Navigation Company	Trust Company Complex, Ajeltake Road, Ajeltake Islands, Majuro, Marshall Islands, MH96960	100%	Subtech Diving & Marine Tanzania Limited	The Slipway Road, Msasani Peninsula, Dar Es Salaam, United Republic of Tanzania	100%
Integrated Mooring Solutions Limited	Barrow-in-Furness[1]	100%	Subtech Group Holdings (Pty) Ltd	Warehouse 1, 20 Rustic Close, Briardene, Durban, 4001, South Africa	100%
James Fisher Fender Care Limited	Barrow-in-Furness[1]	100%*	Subtech Marine (Pty) Ltd	PO Box 90757, Shop 48, Old Power Station Complex, Armstrong Street, Windhoek, Namibia	70%
James Fisher Marine Services Limited	Barrow-in-Furness[1]	100%*	Subtech Norte Lda	Rua da Educacao, No.38, Matola, Mozambique	100%
James Fisher MFE Limited	Barrow-in-Furness[1]	100%	Subtech Offshore (GB II) Mauritius	Ocra (Mauritius) Limited, Level 2, Max City Building, Remy Ollier Street, Port Louis, Mauritius	100%
James Fisher MIMIC Limited	Barrow-in-Furness[1]	100%*	Subtech South Africa (Pty) Ltd	Warehouse 1, 20 Rustic Close, Briardene, Durban, 4001, South Africa	100%
James Fisher Personnel SA de CV	Gabriel Mancera 1041 Del Valle, Benito Juarez, 03100, Ciudad de Mexico, D.F., Mexico	100%	Testconsult Limited	Barrow-in-Furness[1]	100%
James Fisher Servicos Empresariais Ltda	Rua 01 No 223, Quadra 02, Lote 146-part, Balneario das Garcas, Brazil	100%	Testconsult Ireland Limited	Clonminam Business Park, Portlaoise, County Laois, Ireland	100%
James Fisher Subsea Excavation Incorporated	21559 Provincial Boulevard, Katy TX 77450, United States	100%	Vision Marine Ltd	80 Broad Street, Monrovia, Liberia	100%
Specialist Technical					
Divex Asia Pacific Pty Ltd	54 Bushland Ridge, Bibra Lake WA 6163, Australia	100%	James Fisher Inspection and Measurement	Barrow-in-Furness[1]	100%
Divex FZE	PO Box 261749, Jebel Ali Free Zone, Dubai, United Arab Emirates	100%	James Fisher Nuclear Limited	Oldmeldrum[2]	100%
Harsh Environment Systems Limited	Barrow-in-Furness[1]	100%	James Fisher Rumic Limited	Barrow-in-Furness[1]	100%*
Hatch Holdings Limited	Barrow-in-Furness[1]	100%	James Fisher Technologies LLC	Units 1 and 2, 1234 Sherman Drive, Longmont CO 80501, Colorado	51%
High Technology Sources Limited	Barrow-in-Furness[1]	100%	JF Nuclear Limited	Barrow-in-Furness[1]	100%
Hyperco Holdings Limited	Oldmeldrum[2]	100%	JFD Limited	Oldmeldrum[2]	100%
Inspection Holdings Limited	Barrow-in-Furness[1]	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%
Integrated Safety Management Limited	Oldmeldrum[2]	100%	Lexmar Engineering Pte Ltd	19 Loyang Lane, Singapore, 508929	100%
James Fisher (Ro-Ro) Limited	Barrow-in-Furness[1]	100%*	Lexmar Sat Systems Pte Ltd	19 Loyang Lane, Singapore, 508929	100%
James Fisher Australia Pty Ltd	Level 7 BGC Centre, 28 The Esplanade, Perth WA 6000, Australia	100%	National Hyperbaric Centre PTE Ltd	190 Middle Road, #17-05, Fortune Centre, Singapore, 188979	100%
James Fisher Defence Italy SRL	Via Giulio Caccini, 100198, Rome, Italy	100%	NDT (Inspection & Testing) Limited	Barrow-in-Furness[1]	100%
James Fisher Defence Limited	Barrow-in-Furness[1]	100%	Raygen Limited	Barrow-in-Furness[1]	100%
James Fisher Defence North America Limited	Suite 808, 1220 North Market Street, Wilmington DE 19801, United States	100%	Remac Limited	Barrow-in-Furness[1]	100%
James Fisher Defence Sweden AB	Rindovagen, Rindo Vastra, 185 41 Vaxholm, Sweden	100%	The National Hyperbaric Centre Limited	Oldmeldrum[2]	100%
James Fisher Singapore Pte Ltd Services Limited	160 Robinson Road, ~17-01 SBF Center, 068914, Singapore	100%			

Subsidiaries and associated undertakings continued

Name of company	Address	Group percentage of equity capital	Name of company	Address	Group percentage of equity capital
Offshore Oil					
Buchan Technical Services Limited	Oldmeldrum[2]	100%*	RMSPumptools FZE	1-153, THUB, Dubai Silicon Oasis, Dubai, United Arab Emirates	100%
James Fisher Air Supply Norway Limited	Barrow-in-Furness[1]	100%	RMSPumptools Limited	Barrow-in-Furness[1]	100%
James Fisher and Sons (Seafloor Dynamex) Limited	Barrow-in-Furness[1]	100%*	Scan Tech AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%
James Fisher Eiendom AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%	Scan Tech Personell AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%
James Fisher Marine Services Malaysia Ltd	Level 1, Lot 7, Block F, Sanguking Commercial Building Jalan Patau-Patau, 87000 Labuan FT, Malaysia	100%	Scan Tech Produkt Personell AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%
James Fisher Marine Services Middle East Limited FZCO	PO Box 371072, Dubai, United Arab Emirates	100%	Scantech Offshore do Brasil Comercio E Servicos Ltda	R 01 223, Lote 146 Quadra 02, Balneario das Garcas, Rio das Ostras, 28.898-268, Brazil	100%
James Fisher Norway AS	Finnestadsvingen 23, 4029 Stavanger, Norway	100%*	Scantech Offshore Limited	Barrow-in-Furness[1]	100%*
James Fisher Offshore Limited	Oldmeldrum[2]	100%*	Scantech Offshore Pty Ltd	23 Sparks Road, Henderson WA 6166, Australia	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%	Scantech Offshore UK Limited	Oldmeldrum[2]	100%
James Fisher Offshore PTE Ltd	160 Robinson Road, #17-01, SBF Center, Singapore, 068914	100%	Solmead Limited	Oldmeldrum[2]	85%
Monyana Engineering Services Limited	Oldmeldrum[2]	100%	Strata Oil Tools Limited	Oldmeldrum[2]	100%
Pump Tools Limited	Oldmeldrum[2]	100%	Solvapli Limited	Oldmeldrum[2]	75%
Return to Scene (Asia) Limited	Barrow-in-Furness[1]	100%	SWT AS	Flyplassvegen 214, 4055 Sola, Norway	100%
Return to Scene Limited	Barrow-in-Furness[1]	100%			
Tankships					
Cattedown Wharves Limited	Barrow-in-Furness[1]	100%	James Fisher (New Zealand) Limited	Level 10, 34 Shortland Street, Auckland 1010, New Zealand	100%*
Everard (Guernsey) Ltd	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%	James Fisher (Shipping Services) Limited	Barrow-in-Furness[1]	100%*
F.T. Everard Shipping Limited	Barrow-in-Furness[1]	100%	James Fisher Everard Limited	Barrow-in-Furness[1]	100%
F.T.Everard & Sons Limited	Barrow-in-Furness[1]	100%*	Onesimus Dorey Ltd	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%*
James Fisher (Crewing Services) Limited	Barrow-in-Furness[1]	100%*	Scottish Navigation Company Limited	Oldmeldrum[2]	100%
James Fisher (Guernsey) Limited	4th Floor, West Wing, Trafalgar Court, Admiral Park, St Peter Port, Guernsey, GY1 2JA	100%			
Holding Companies					
James Fisher (Aberdeen) Limited	Barrow-in-Furness[1]	100%*	JF Australia Holding Pty Ltd	23 Sparks Road, Henderson WA 6166, Australia	100%
James Fisher Holdings UK Limited	Barrow-in-Furness[1]	100%*	JF Nordvik Limited	12 Castle Street, St Helier, Jersey, JE2 3RT	100%*
James Fisher Hong Kong Limited	Level 17, Silvercord Tower 2, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong	100%	JF Overseas Limited	Barrow-in-Furness[1]	100%*
James Fisher Nuclear Holdings Limited	Barrow-in-Furness[1]	100%*	JF (Southern Africa) Ltd	Barrow-in-Furness[1]	100%*
James Fisher Properties Limited	Oldmeldrum[2]	100%*	James Fisher Nigeria Limited	7th Floor, 1 Kingsway Road, Falomo, Ikoyi, Lagos, Lagos State, Nigeria	100%
James Fisher Tankships Holdings 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	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%	Fendercare Marine Omega India Private Limited	JA 1104 - 1106, DLF Tower - A, Jasole Disrtict Centre, New Delhi, 11044, India	50%
Eurotestconsult Limited	Clonminan Industrial Estate, Portlaoise, County Laois, Ireland	50%	James Fisher Angola Limitada	Rua Damiao de Gois No.67, Alvalade, Luanda, Angola	49%
Eurotestconsult UK Limited	Ruby House, 40A Hardwick Grange, Woolston, Warrington, Cheshire, WA1 4RF	50%	James Fisher Angola UK Limited	Barrow-in-Furness[1]	50%
Fender Care Benelux B.V.	Torontostraat 20, 3197 KN , Rotterdam Botlek, Netherlands	50%	Lome Offshore Services Inc	Trust Co Complex, Ajeltake Road, Majouro, Marshall Islands	45%
Fender Care Marine (Malaysia) SDN BHD	5-2 Jalan 109E, Desa Business Park, Taman Desa Off Jalan Klang Lama, 58100 Kuala Lumpur, Wilayah Persekutuan, Malaysia	49%	Offshore Lightering Services Ltd	Trust Co Complex, Ajeltake Road, Majouro, Marshall Islands	45%
Fender Care Marine LLC	Fujairah Port, PO Box 5198, Fujairah, United Arab Emirates	49%**	Silvertide Navigation Inc	80 Broad Street, City of Monrovia, County of Mosterrado, Liberia	45%
Fender Care Marine Omega Middle East FZC	E-LOB Office No. E-69G-20, PO Box 51602, Hamriyah Free Zone - Sharjah, United Arab Emirates	50%	Strainstall Laboratories WLL	PO Box 2255, Dohar, Qatar	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%**	Strainstall Middle East LLC	S4, plot 599-1254, Jebel Ali Industrial Area 1, Dubai, United Arab Emirates	49%**
Fender Care Middle East LLC	PO Box 25896, Shartandhaid, Futarirah Road Route 88, Al Jaffa, Sharjah, United Arab Emirates	49%**	Strainstall Saudi Arabia Limited	PO Box 30124, Riyadh 11372, Saudi Arabia	49%**
Fender Care Viking SDN BHD	Suite 6.01, 6th Floor, Plaza See Hoy Chan Jalan Raja Chulan, 50200, Kuala Lumpur, Malaysia	30%	Strainstall Testing Lab L.L.C	PO Box 111007, Abu Dhabi, UAE	49%**
Fendercare Marine Agency Pte.Ltd	5001, Beach Road, #07-04, Golden Mile Complex, 199588, Singapore	50%	Work Boat Services Inc	Trust Co Complex, Ajeltake Road, Majouro, Marshall Islands	45%
Specialist Technical					
Divex Domeyer GmbH	Konsul-Smidt-Str. 15, 28217, Bremen, Germany	50%	First Response Marine Pte Ltd	16 Benoi Road, 629889, Singapore	50%

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

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Revenue					
Marine Support	**203,572**	192,978	164,150	171,267	157,387
Specialist Technical	**151,785**	129,443	121,461	81,898	60,678
Offshore Oil	**55,128**	62,956	104,880	99,190	83,359
Tankships	**55,484**	52,553	54,308	61,312	61,824
	465,969	437,930	444,799	413,667	363,248
Underlying operating profit					
Marine Support	**20,956**	19,352	14,150	18,262	19,341
Specialist Technical	**19,950**	13,907	13,338	7,755	5,473
Offshore Oil	**4,200**	7,399	22,426	19,690	17,131
Tankships	**8,188**	7,164	4,711	3,989	2,405
Common costs	**(2,513)**	(2,232)	(3,088)	(3,059)	(3,201)
	50,781	45,590	51,537	46,637	41,149
Net finance costs	**(5,026)**	(4,343)	(4,684)	(5,289)	(6,160)
Underlying profit before taxation	**45,755**	41,247	46,853	41,348	34,989
Separately disclosed items	**(822)**	4,967	2,381	4,875	11,388
Profit before taxation	**44,933**	46,214	49,234	46,223	46,377
Taxation	**(6,786)**	(5,507)	(8,751)	(7,475)	(6,312)
Profit after taxation	**38,147**	40,707	40,483	38,748	40,065
Intangible assets	**180,500**	156,455	127,130	113,658	92,633
Property, plant and equipment	**131,026**	127,594	116,629	108,202	103,484
Investment in associates and joint ventures	**7,801**	7,728	10,625	10,845	13,761
Working capital	**86,391**	68,082	49,518	44,831	49,059
Contingent consideration	**(9,209)**	(14,465)	(9,086)	(12,082)	–
Pension obligations	**(26,770)**	(26,956)	(21,806)	(23,141)	(27,061)
Taxation	**(5,685)**	(4,154)	(6,486)	(4,228)	(4,838)
Capital employed	**364,054**	314,284	266,524	238,085	227,038
Net borrowings	**105,718**	93,889	62,334	54,278	63,122
Equity	**258,336**	220,395	204,190	183,807	163,916
	364,054	314,284	266,524	238,085	227,038
	pence	pence	pence	pence	pence
Earnings per share					
Basic	**79.4**	79.7	80.2	76.6	79.1
Diluted	**78.7**	79.2	79.2	75.7	78.5
Underlying basic	**76.9**	69.0	74.9	66.3	55.6
Underlying diluted	**76.3**	68.5	74.0	65.6	55.1
Dividends declared per share	**26.1**	23.8	22.0	20.0	17.7
Other key performance indicators					
Operating margin (%)	**10.9%**	10.4%	11.6%	11.3%	11.3%
Return on capital employed (post tax) (%)	**13.0%**	13.5%	16.5%	16.9%	15.3%
Net gearing (%)	**41.0%**	43.0%	30.7%	29.6%	38.6%
Dividend cover (times)	**2.9**	2.9	3.4	3.3	3.1

Notice is hereby given that the Annual General Meeting (AGM) of James Fisher and Sons plc will be held at the Abbey House Hotel, Abbey Road, Barrow-in-Furness, LA13 0PA on Thursday 4 May 2017 at 11.00am to consider and, if thought fit, to pass Resolutions 1 to 13 inclusive as ordinary resolutions and Resolutions 14 to 17 as special resolutions.

Ordinary Resolutions

Resolution 1

To receive the Annual Accounts and the reports of the Directors' and the auditor thereon for the year ended 31 December 2016.

Resolution 2

To approve the Annual statement by the chairman of the Remuneration Committee and the Annual report on remuneration for the year ended 31 December 2016 as set out on pages 38 and 39 and on pages 45 to 52 (inclusive) in the Annual Report and Accounts.

Resolution 3

To declare a final dividend for the year ended 31 December 2016 of 17.6p per ordinary share.

Resolution 4

To re-elect Mr C J Rice as a Director of the Company.

Resolution 5

To re-elect Mr N P Henry as a Director of the Company.

Resolution 6

To re-elect Mr S C Kilpatrick as a Director of the Company.

Resolution 7

To re-elect Mr M S Paul as a Director of the Company.

Resolution 8

To re-elect Ms A I Comiskey as a Director of the Company.

Resolution 9

To re-elect Mr D G Moorhouse as a Director of the Company.

Resolution 10

To re-elect Mr M J L Salter as a Director of the Company.

Resolution 11

To re-appoint KPMG LLP as auditor of the Company to hold office until the conclusion of the next AGM of the Company.

Resolution 12

To authorise the Audit Committee to determine the auditor's remuneration.

Resolution 13

That the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for, and convert any security into, shares in the Company (Rights) up to an aggregate nominal amount of £4,181,046 provided that this authority shall expire on the date of the next AGM of the Company or, if earlier, on 30 June 2018, save that the Company shall be entitled to make offers or agreements before the expiry of such authority which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired; and, that all authorities previously granted to the Directors to allot shares and grant Rights that remain unexercised at the commencement of this meeting be and are hereby revoked.

Special Resolutions

Resolution 14

That subject to the passing of Resolution 13, the Directors be and are hereby given power to allot equity securities (as defined in section 560 of the Act) of the Company for cash either pursuant to the authority conferred by Resolution 13 and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Act, in either case as if section 561(1) of the Act did not apply to such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer of securities in favour of the holders of ordinary shares on the register of members at such record date as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held or deemed to be held by them on any such record date, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter; and

(b) the allotment (otherwise than pursuant to sub-paragraph (a) above) to any person or persons of equity securities up to an aggregate nominal amount of £627,157,

and shall expire upon the expiry of the general authority conferred by Resolution 13 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Resolution 15

That subject to the passing of Resolution 13, the Directors be and are hereby given power in addition to any authority granted under Resolution 14 to allot equity securities (as defined in section 560 of the Act) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, such authority to be:

(a) limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £627,157; and

(b) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this Notice,

and shall expire upon the expiry of the general authority conferred by Resolution 13 above, save that the Company shall be entitled to make offers or agreements before the expiry of such power which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement as if the power conferred hereby had not expired.

Resolution 16

The Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make one or more market purchases (within the meaning of section 693(4) of the Act) on the London Stock Exchange of up to a maximum aggregate of 2,508,627 ordinary shares of 25p each in the capital of the Company at a price per share (exclusive of expenses) of not less than 25p and not more than 105% of the average of the middle market quotations for such ordinary share as derived from the London Stock Exchange Official List, for the five business days immediately preceding the day of purchase; unless previously renewed, revoked or varied, such authority will expire at the close of the next AGM of the Company, or, if earlier, on 30 June 2018 save that the Company may purchase ordinary shares at any later date where such purchase is pursuant to any contract or contracts made by the Company before the expiry of this authority.

Resolution 17

That any general meeting (other than an AGM) may be called by not less than 14 days' clear notice.

By order of the Board

Michael Hoggan
Company Secretary

28 February 2017

Registered office:
Fisher House, PO Box 4, Barrow-in-Furness,
Cumbria, LA14 1HR

Registered in England number: 211475

Notes

1. Any member who has not elected to receive the Annual Report and Accounts for 2016 may obtain copies by writing to the Company Secretary, Fisher House, PO Box 4, Barrow-in-Furness, Cumbria, LA14 1HR. Members who wish to receive the printed Annual Report and Accounts, free of charge, in future years should write to the Company's Registrars, FREEPOST CAPITA SAS. Please note that delivery using this service can take up to 5 business days.
2. Any member entitled to vote at the above meeting may appoint one or more proxies to attend, speak and vote on a show of hands or on a poll, instead of him. A proxy need not be a member of the Company but must attend the meeting in order to represent a member. A proxy could be the Chairman, another Director of the Company or (if you wish the proxy to speak on your behalf) another person who has agreed to attend and represent a member. Details of how to appoint the Chairman or another person as a proxy using the proxy form are set out in the notes to the proxy form. A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him. Completion of the proxy form will not preclude a member from attending and voting in person, in which case that member's proxy appointment will automatically be terminated. Proxy forms, duly executed (including any authority under which it is executed or a copy of the authority certified notarially), should be returned to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Alternatively you may submit your proxy form online by accessing the shareholder portal at www.capitashareportal.com, logging in and selecting the "proxy voting" link. If you have not previously registered for electronic communications, you will first be asked to register as a new user, for which you will require your investor code (which can be found on your proxy card, share certificate or dividend tax voucher), family name and post code (if resident in the UK). In each case your proxy instruction must be received no later than 11.00am on 2 May 2017. If you are a CREST member, see note 4 below. The deadline for receipt of proxy appointments also applies in relation to amended instructions, and any attempt to amend a proxy appointment after the relevant deadline will be disregarded. Where two or more valid proxy appointments are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others.
3. The right to appoint a proxy cannot be exercised by persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (Nominated Person): they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number – RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
5. Voting by corporate representatives. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. Representatives of shareholders that are corporations will have to produce evidence of their proper appointment when attending the general meeting. Please contact our Registrar if you need any further guidance on this.
6. Copies of the Directors' service contracts, the letters of appointment of the Non-Executive Directors, together with a copy of the Company's Articles of Association will be available for inspection at the Company's registered office during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) until the close of the AGM and are available for inspection at the place of the AGM from 10.30am on the date of the meeting until the close of the meeting.

7. Audit statements. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
8. Members' questions. The Company must cause to be answered at the meeting any question relating to the business being dealt with at the meeting which is put by a member attending the meeting, except where: (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; (b) the answer has already been given on a website in the form of an answer to a question; or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
9. A copy of this Notice, and other information required by section 311A of the Act, can be found at www.james-fisher.com. A member may not use any electronic address provided by the Company in this document or with any proxy appointment form or in any website for communication with the Company for any purpose in relation to the meeting other than as expressly stated in it.
10. Only persons entered on the register of members of the Company at close of business on 2 May 2017 (or, if the meeting is adjourned, at close of business on the date which is two days prior to the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the meeting or adjourned meeting.
11. As at 28 February 2017 (being the latest practical date before the publication of this Notice), the Company's issued share capital consists of 50,172,548 ordinary shares, carrying one vote each, and 100,000 preference shares carrying one vote each. Therefore the total voting rights in the Company are 50,272,548. There are no shares in treasury.
12. As soon as practicable following the AGM, the results of the voting at the meeting and the number of votes cast for and against and the number of votes withheld in respect of each resolution will be announced via a Regulatory Information Service and also placed on the Company's website at www.james-fisher.com.

Explanatory Notes

Resolution 1 – Annual Report

The Companies Act 2006 requires the Directors of a public company to lay its Annual Report before the Company in general meeting, giving shareholders the opportunity to ask questions on the contents. The Annual Report comprises the accounts, the auditor's report, the Directors' report, the Directors' remuneration report and the Strategic report. The Company proposes, as an ordinary resolution, a resolution on its Annual Report in accordance with the UK Corporate Governance Code (Code).

Resolution 2 – Approval of the Annual statement by the chairman of the Remuneration Committee and the Annual report on remuneration

The Company proposes an ordinary resolution to approve the Annual Statement by the chairman of the Remuneration Committee and the Annual report on remuneration for the financial year ended 31 December 2016. The Annual statement and the Annual report on remuneration are set out on pages 38 and 39 and on pages 45 to 52 of the Annual Report. The vote on this Resolution is advisory only and the Directors' entitlement to remuneration is not conditional on its being passed. The Company's auditor, KPMG LLP, has audited those parts of the Directors' remuneration report that are required to be audited.

In accordance with section 439A of the Companies Act 2006 (CA 2006), a separate resolution on the remuneration policy (Policy) part of the Directors' remuneration report must be approved by shareholders at least every three years, unless during that time it is to be changed. The current Policy was approved by shareholders at the 2015 AGM and the Directors do not propose any changes to the Policy this year. The Policy is therefore not required to be approved at this year's AGM.

Resolution 3 – Declaration of final dividend

A final dividend can only be paid after it has been approved by the shareholders in general meeting and may not exceed the amount recommended by the Board. The Directors recommend a final dividend of 17.6p per ordinary share in respect of the financial year ended 31 December 2016. If the meeting approves Resolution 3, the final dividend will be paid on 9 May 2017 to ordinary shareholders who are on the register at the close of business on 7 April 2017. It is proposed to pay the dividend.

Resolutions 4 to 10 – Re-election and election of Directors

The Company's Articles of Association require that one third of the Directors will retire each year and that each Director must stand for re-election at least every three years. However, in accordance with the provision of the Code all Directors will retire from office and offer themselves for re-election at the AGM.

Following performance reviews the Chairman and the Board believe that each of the Directors standing for re-election continue to perform effectively and with commitment to their role including commitment of time for Board and Committee meetings and other duties. The Board also considers that each of the Non-Executive Directors is independent in character and judgement. Each of Resolutions 4 to 10 shall be proposed as ordinary resolutions. Biographical details of each of our Directors appear on page 27 of the Annual Report.

Resolutions 11 and 12 – Re-appointment of auditor/auditor's remuneration

The Company is required to appoint an auditor at each general meeting at which accounts are laid before the Company, to hold office until the conclusion of the next such meeting. These resolutions propose the re-appointment of KPMG LLP as the Company's auditor to hold office from the conclusion of the AGM until the conclusion of the next general meeting at which accounts are laid before the Company, and authorises the Audit Committee to agree the auditor's remuneration.

Resolution 13 – Authority to allot shares

Authority is given to the Directors to allot shares in the Company and to grant rights to subscribe for, and convert any security into shares in the Company up to a total nominal amount of £4,181,046 (16,724,182 ordinary shares) representing approximately 33% of the nominal value of the Company's total issued ordinary share capital as at 28 February 2017 being the latest practical date before publication of this Notice. The authority will expire at the conclusion of the AGM to be held in 2018, or, if earlier, on 30 June 2018 and replaces an authority granted on 28 April 2016 which expires at the conclusion of the forthcoming AGM.

The Directors have no present intention to exercise this authority. At 28 February 2017, the Company does not hold any treasury shares.

Resolutions 14 and 15 – Permission to allot a limited number of shares other than to existing shareholders

Resolution 14, which will be proposed as a special resolution, seeks to renew the authority conferred on the Directors at last year's AGM to issue equity securities of the Company for cash without first offering them to existing shareholders in proportion to their existing shareholdings. Other than in connection with a rights or other similar issue or scrip dividend (where difficulties arise in offering shares to certain overseas shareholders and in relation to fractional entitlements) the authority contained in this resolution will be limited to an aggregate nominal value of £627,157 (representing 2,508,627 ordinary shares) which represents approximately 5% of the Company's issued equity share capital as at 28 February 2017, being the latest practicable date prior to the publication of this Notice.

In line with best practice, the Company has not issued more than 7.5% of its issued share capital on a non-pro rata basis over the last three years and the Directors confirm their intention to follow the best practice set out in the Pre-Emption Group's Statement of Principles which provides that companies should not issue shares for cash representing more than 7.5% of the Company's issued share capital in any rolling three-year period, other than to existing shareholders, without prior consultation with shareholders. The Directors have no present intention to exercise this authority.

Resolution 15 is in addition to Resolution 14 and is also a special resolution. As supported by the Pre-Emption Group's Statement of Principles, as updated in March 2015, Resolution 15 will enable the Directors to allot shares for cash or sell shares out of treasury up to a further nominal amount of £627,157 (representing 2,508,627 ordinary shares) representing approximately 5% of the Company's issued ordinary share capital as at 28 February 2017, being the latest practicable date before the publication of this Notice, without first having to offer them to existing shareholders in proportion to their existing shareholdings. In respect of the authority under Resolution 15, the Board confirms that it will only allot shares or sell shares out of treasury pursuant to this authority where the relevant acquisition or specified capital investment is announced contemporaneously with the allotment, or has taken place in the preceding six-month period and is disclosed in the announcement of the allotment. The Directors have no current intention of exercising this authority. If this authority is used, the Company will publish details of the placing in its next Annual Report and Accounts.

The authorities under Resolutions 14 and 15 will lapse at the conclusion of the AGM to be held in 2018 or on 30 June 2018, whichever is earlier.

Resolution 16 – Authority to purchase own shares

This special resolution, gives the Company authority to purchase in the market up to 2,508,627 of its ordinary shares of 25p each (representing approximately 5% of the Company's total issued ordinary share capital). The minimum and maximum prices at which such shares can be purchased is as stated in the resolution. The authority will expire at the conclusion of the AGM to be held in 2018, or on 30 June 2018, whichever is earlier, and replaces a similar authority granted on 28 April 2016 which expires at the conclusion of the forthcoming AGM.

If any ordinary shares purchased pursuant to this authority are not held by the Company as treasury shares then such shares would be immediately cancelled in which event the number of ordinary shares in issue would be reduced. As at 28 February 2017, being the latest practical date before publication of this Notice, there were options over ordinary shares in the capital of the Company representing 2.07% of the Company's total issued share capital. If the authority to purchase the Company's ordinary shares was exercised in full and those shares were subsequently cancelled, these options would represent 2.18% of the Company's total issued share capital. The Directors have no present intention to exercise this authority and in reaching their decision to purchase ordinary shares will take into account, amongst other things, the Company's cash resources and capital requirements, the effect of any purchase on earnings per share and whether it is in the best interests of shareholders generally.

Resolution 17 – Authority to hold general meetings (other than an AGM) on 14 clear days' notice.

This special resolution renews an authority given at last year's AGM and is required as a result of section 307A of the 2006 Act. The Company is currently able to call general meetings (other than an AGM) on 14 clear days' notice. In order to be able to preserve this ability, shareholders must have approved the calling of meetings on 14 days' notice. Resolution 17, which is proposed as a special resolution, seeks such approval. The approval will be effective until the Company's next AGM, when it is intended that a similar resolution will be proposed.

The shorter notice period would not be used as a matter of routine for general meetings, but only where the flexibility is merited by the business of the meeting and is thought to be to the advantage of shareholders as a whole.

Recommendation

The Directors consider that the proposed resolutions set out in the Notice of AGM are in the best interests of the Company and its shareholders as a whole and they unanimously recommend that you vote in favour of them, as the Directors intend to do in respect of their own holdings of shares in the Company.

Disclaimer

This Annual Report has been prepared for the members of the Company only. The Company, its Directors, employees and agents do not accept or assume responsibility to any other person in connection with this document and any such responsibility or liability is expressly disclaimed. This Annual Report contains certain forward-looking statements that are subject to future matters including, amongst other matters, the economic and business circumstances occurring from time to time in the countries and markets in which the Group operates and the availability of financing to the Group. As such the forward-looking statements involve risk and uncertainty. Accordingly, whilst it is believed the expectations reflected in these statements are reasonable at the date of publication of this Annual Report they may be affected by a wide range of matters which could cause actual results to differ materially from those anticipated. The forward-looking statements will not be updated during the year. Nothing in this Annual Report should be construed as a profit forecast.

Registered Office and Advisers

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Jefferies International Limited
Vintners Place
68 Upper Thames Street
London EC4V 3BJ

Financial Calendar

6 April 2017

Ex dividend date for 2016 final dividend

7 April 2017

Record date

4 May 2017

Annual General Meeting

9 May 2017

Payment of 2016 final dividend

August 2017

Announcement of 2017 Half Year results

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