



James Fisher and Sons
PUBLIC LIMITED COMPANY

Interim Report 2006



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2006 highlights

Revenue, pre-tax profit, earnings per share and cash flow are well ahead of the comparable period in 2005.

Strong growth, particularly organic growth, in marine support service companies has more than replaced the discontinued cable ship profit with better quality marine service income. 57% of the growth is organic with the remaining 43% from acquisitions, principally Monyana and Fendercare.

Financial Highlights	%	2006	2005
■ Revenue	+29%	£57.0m	£44.1m
■ Profit for half year from continuing operations	+55%	£7.3m	£4.7m
■ Basic earnings per share from total operations	+66%	18.68p	11.28p
■ Adjusted basic earnings per share from continuing operations	+54%	14.87p	9.63p
■ Financial gearing		34%	57%
■ Interim dividend proposed	+12%	3.47p	3.10p
■ Group operating cash flow over £7m			



Tim Harris CBE
Chairman

Chairman's Statement

"The encouraging first half result and current trading confirm that we have a number of well managed marine service companies which enjoy strong, niche market positions in industries such as oil, port development, nuclear decommissioning and defence, which are either growing strongly or have the potential for significant future growth."

Overview

James Fisher and Sons has enjoyed a strong first half by any measure – revenue, profit, earnings per share and cash flow – and produced a result well ahead of the comparable period in 2005. Strong growth, particularly organic growth, in our marine support service companies has more than replaced the discontinued cable ship profit with better quality marine service income. The sale of our last remaining cable ship, *Oceanic Princess*, for \$18.25 million in June at a profit of £1.76 million over the carrying value in last year's balance sheet, concludes our involvement in that business.

Strategy

The following table demonstrates the success of the group strategy in using its strong cash flow to expand its marine service operations, which now account for over two thirds of operating profit, by building on its core expertise of practical engineering and operational skills in the marine sector.

The growth in marine services has been achieved both organically and by the acquisition of over 15 small-to-medium sized privately held, entrepreneurially run businesses costing in total £52.3 million. A particularly pleasing feature of the 2006 first half result is that 57% of the growth is organic with the remaining 43% from acquisitions, principally the Monyana group in December 2005.

With gearing at only 34% at 30 June 2006, against 57% last year and the cable ship issue resolved, the group is well placed to continue aggressively its successful marine service strategy by supporting its organic growth with further acquisitions.

Offshore Oil Services

Divisional result £3.5 million (2005 – £1.9 million)
This division benefited from strong underlying markets and the acquisition of the Monyana group which together enabled a 59% growth in revenue and 87% in profits, with a margin

Segmental profit from operations before separately disclosed items

	2002	2003	2004	2005 1st half 2006	
	£m	£m	£m	£m	£m
Marine Support Services					
offshore oil	*	*	2.9	4.0	3.5
specialist technical	*	*	0.9	2.7	2.4
defence	*	*	2.7	2.1	1.2
	1.8	4.8	6.5	8.8	7.1
Marine Oil Services	4.7	6.1	6.9	6.7	3.4
Cable Ship (discontinued 2005)	7.9	4.3	3.9	4.5	–
	14.4	15.2	17.3	20.0	10.5

* not available

improvement of 4.6%. 50% of the profit improvement was due to organic growth. We are increasingly using our strong Aberdeen and Stavanger market presence to expand by following our customers into the new oil exploration markets being developed around the world. This is reflected in our revenue analysis which, for the 2006 first half, was 54% Norwegian North Sea, 29% UK North Sea and 17% other global markets.

The Monyana group acquisition has been successfully integrated and we shall shortly be combining all of our Aberdeen activities on Monyana's eleven acre freehold site at Oldmeldrum. This will enable both marketing and operational synergies to be realised as well as enabling the sale of the former Scan Tech UK freehold site at Bridge of Don. From September 2006 UK activities for Monyana and Scan Tech UK activities will trade under a united Fisher Offshore brand. Similarly, in Stavanger we have acquired a new freehold site for development at

Finnestad/Dusavik to which we shall relocate our Scan Tech AS, Scan Tech Air Supply and Monyana activities. They will trade under the Scan Tech brand which has significant customer recognition in Norway.

We continue to invest in new equipment in this division to ensure that we can meet our customer requirements both in the North Sea and increasingly worldwide.

Specialist Technical Services

Divisional result including joint ventures £2.4 million (2005 – £1.2 million)

Revenue was up 87% and profit doubled in this division with margins also improving. All three of its key components, FenderCare, James Fisher Nuclear and Remote Marine Systems traded well. Although we benefited from three additional months from the FenderCare acquisition in March 2005, organic growth was the main contributor to the improved performance.

Chairman's Statement continued

The FenderCare group performed exceptionally well. It is well placed in two markets – oil and port development – both of which are extremely strong at present. FenderCare is expanding further worldwide, based on its widely recognised specialist skills and have recently upgraded operations in Singapore and opened a new base in the Middle East, one of the world's fastest growing markets.

James Fisher Nuclear had a better six months. The nuclear decommissioning market, although of real potential, is still suffering from uncertainty particularly over the future of the British Nuclear Group but also concerning the decommissioning bidding process itself which, like everything else in the nuclear business, has been radically revised with uncertain results. However, we enjoy a niche decommissioning skill in remote handling and attractive industrial premises at Egremont, close to the Sellafield site. James Fisher Nuclear has recently teamed with a number of complementary, like-minded companies to form a joint company called Cumbria Nuclear Solutions Limited. This has started to bid for some of the larger contracts which, individually, we previously did not have the capacity to take on.

Remote Marine Systems again performed well in the first half. It enjoys a strong market niche in the North Sea, for the design and production of electrical penetrators for oil wells. In the usual James Fisher way we are now encouraging a more extensive international marketing effort with some success to date.

Defence

Divisional result including joint venture £1.2 million (2005 – £1.1 million)

Revenue in this division grew by 5% but this was not reflected in the profit because of increased bidding costs. The position has not changed materially over the last six months – we continue to track and bid for a number of significant contracts, both submarine rescue and surface ship related, the gestations for which are quite long-term. The “bread and butter”, regular, smaller work is producing a reasonable result but we have yet to win a transforming contract. The Foreland joint venture company, which operates the Ministry of Defence's six military roll-on roll-off vessels, continues to operate well and produced an improved result demonstrating the potential in the defence arena, given the right combination of skills and patience.

Marine Oil Services

Divisional result £3.4 million (2005 – £3.4 million)

The result was effectively the same as last year with revenue, profit and margin virtually unchanged. The return on capital improved by almost 1% to 13.5%, virtually tax free under the tonnage tax regime, and reflecting the chartered nature of the new tonnage, *Cumbrian Fisher*, *Clyde Fisher* and *Shannon Fisher* against the owned tonnage of the three older ships, *Lough Fisher*, *Tees Fisher* and *Wear Fisher* which we operated in the first half of 2005, then sold.

We have recently taken delivery of the last in the current round of newbuildings, *Solway Fisher*, and will benefit from her contribution in the second half. The Buncefield fire in December 2005 had an adverse effect on one contract for the 6,000 tonne ships because it disrupted the planned distribution of clean petroleum products around the coast, temporarily reducing the contract requirement for that class of vessel. The Marine Oil Services division is now contributing a virtually tax free return on capital of 13.5% and a strong cash flow which supports the expansion of our other fast growing marine service divisions. It also provides and underpins many of our marine service skills and represents an important part of our "core" activities.


Directors and Employees

Ian Serjent, our Marine and Technical Services Director, retired from the Board at this year's AGM after more than thirty years with the Group. In many ways Ian was the embodiment of James Fisher's "practical engineering and operational skills" and I would like to thank him for his great contribution to the Group's success. The pension fund deficit reported under IFRS in the balance sheet declined from £16.9 million at 30 June 2005 to £5.9 million at 30 June 2006. This reduction was partly the result of management action in phasing out the final salary scheme to existing members and making special cash contributions to the two James Fisher Schemes totalling £3.0 million in the last twelve months. However, improved investment returns and more importantly a rise in longer term interest rates also played a significant role.

I would like to thank all of our employees and seafarers for their effort in producing a most encouraging result in the first half. James Fisher intentionally operates a flat management structure which places delegated responsibility on managers. The aim is to challenge and encourage individual initiative. I would particularly like to recognise and thank all of those who have risen to the challenge and put the group in a position to do even better. In the same way, I would like to thank all the founding shareholders of the businesses we have acquired who, in the Fishers way, have remained with us in such an enthusiastic manner.

Outlook

James Fisher's aim is to be the UK's leading marine service group and in recent years has followed a clear strategy to achieve it. The encouraging first half result and current trading confirm that we have a number of well managed marine service companies which enjoy strong, niche market positions in industries such as oil, port development, nuclear decommissioning and defence, which are either growing strongly or have the potential for significant future growth. With the cable ship issue resolved, the pension exposure effectively controlled and financial gearing at only 34%, the group is now well set to make its next strategic move and to continue to grow profits strongly for its shareholders.



Tim Harris
Chairman

Independent review report to James Fisher and Sons Public Limited Company

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 which comprises Group Income Statement, Group Statement of Recognised Income and Expense, Group Balance Sheet and Group Cash Flow Statement, and the related notes 1 to 14. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review, we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
Manchester

29 August 2006

Group Income Statement

For the six months ended 30 June 2006

	Note	Unaudited six months ended 30 June 2006			Unaudited six months ended 30 June 2005			Audited Year ended 31 December 2005
		Before separately disclosed items £000	Separately disclosed items note 5 £000	Total £000	Before separately disclosed items £000	Separately disclosed items note 5 £000	Total £000	Total £000
Continuing operations								
Group revenue		57,010		57,010	44,128		44,128	91,411
Cost of sales		(45,515)		(45,515)	(35,631)		(35,631)	(73,931)
Gross profit		11,495		11,495	8,497		8,497	17,480
Administrative expenses		(2,793)		(2,793)	(2,518)		(2,518)	(5,413)
Profit from operations before separately disclosed items		8,702		8,702	5,979		5,979	12,067
Pension benefit curtailment		–	–	–	–	–	–	2,000
Loss on ship disposals		–	(24)	(24)	–	(1,449)	(1,449)	(1,617)
Profit from operations		8,702	(24)	8,678	5,979	(1,449)	4,530	12,450
Finance costs								
Finance income (revenue)		159	–	159	180	–	180	304
Finance costs		(1,299)	–	(1,299)	(1,355)	–	(1,355)	(2,591)
Exchange gain/(loss) on loan conversion		–	35	35	–	(93)	(93)	(130)
		(1,140)	35	(1,105)	(1,175)	(93)	(1,268)	(2,417)
Share of post tax results of joint ventures		859	–	859	639	–	639	1,413
Profit on continuing operations before taxation	2	8,421	11	8,432	5,443	(1,542)	3,901	11,446
Taxation (including overseas taxation of £469,000; 2005 £260,000)	10	(1,133)	–	(1,133)	(753)	–	(753)	(754)
Profit on continuing operations		7,288	11	7,299	4,690	(1,542)	3,148	10,692
Discontinued operations								
Profit/(loss) from discontinued operations	4			1,856			2,348	(12,889)
Profit/(loss) attributable to equity holders of the parent				9,155			5,496	(2,197)
Earnings per share (EPS)				pence			pence	pence
Basic EPS from continuing operations	12			14.89			6.46	21.91
Diluted EPS from continuing operations	12			14.76			6.40	21.72
Basic EPS on profit/(loss) from total operations	12			18.68			11.28	(4.50)
Diluted EPS on profit/(loss) from total operations	12			18.52			11.17	(4.50)
Adjusted earnings per share								
Basic EPS from continuing operations	12			14.87			9.63	21.84
Diluted EPS from continuing operations	12			14.74			9.54	21.64
Dividends								
Paid or approved by shareholders in the period								
Final dividend				5.69			4.95	4.95
Interim dividend				–			–	3.10
				5.69			4.95	8.05
Proposed but not accrued								
Final dividend				–			–	5.69
Interim dividend				3.47			3.10	–
				3.47			3.10	5.69

Group Statement of Recognised Income and Expense

For the six months ended 30 June 2006

	Note	Unaudited six months ended 30 June 2006 £000	Unaudited six months ended 30 June 2005 £000	Audited Year ended 31 December 2005 £000
Income and expense recognised directly in equity				
Exchange differences on translation of foreign operations:				
Currency translation differences		(130)	81	26
Net investment hedge		147	(104)	9
Fair value of gains/(losses) on cash flow hedges		17	(23)	35
Share of fair value (losses)/gains of cash flow hedges in joint venture		52	(163)	(134)
Actuarial gains/(losses) on defined benefit schemes	7	(17)	(67)	169
		5,331	(4,070)	(4,531)
		5,383	(4,323)	(4,461)
Transfers to the income statement				
On cash flow hedges		(4)	(40)	36
Tax on items taken directly to equity	10	(1,054)	780	123
Net income/(expense) recognised directly in equity		4,325	(3,583)	(4,302)
Profit/(loss) for the period		9,155	5,496	(2,197)
Total recognised income/(expense) for the period	13	13,480	1,913	(6,499)

All recognised income/(expense) is attributable to the equity holders of the parent.

Group Balance Sheet

At 30 June 2006

	Note	Unaudited 30 June 2006 £000	Unaudited 30 June 2005 £000	Audited 31 December 2005 £000
Assets				
Non current assets				
Goodwill		36,205	30,649	36,168
Property, plant and equipment		66,236	102,042	67,081
Investment in joint ventures		3,406	2,576	2,587
Available for sale financial assets		1,368	1,157	1,368
Deferred tax assets		187	1,825	1,197
		107,402	138,249	108,401
Current assets				
Inventories		6,673	5,745	5,797
Trade and other receivables		23,913	20,642	21,026
Derivative financial instruments		77	–	–
Cash and short term deposits	9	10,098	5,875	9,725
		40,761	32,262	36,548
Non-current assets classified as held for sale	4	–	1,189	7,959
Total Assets		148,163	171,700	152,908
Equity and liabilities				
Capital and reserves				
Called up share capital	13	12,373	12,345	12,345
Share premium	13	24,081	23,960	23,960
Treasury shares	13	(1,154)	(1,116)	(1,184)
Other reserves	13	226	(221)	178
Retained earnings	13	48,666	48,050	38,030
Total equity		84,192	83,018	73,329
Non current liabilities				
Other payables		963	33	593
Retirement benefit obligations	7	5,912	16,870	13,536
Derivative financial instruments		–	–	18
Cumulative preference shares		100	100	100
Interest-bearing loans and borrowings		30,640	41,256	42,695
		37,615	58,259	56,942
Current liabilities				
Trade and other payables		16,936	17,101	14,802
Current tax		1,616	1,601	1,370
Derivative financial instruments		30	183	102
Interest-bearing loans and borrowings		7,774	11,538	6,363
		26,356	30,423	22,637
Total liabilities		63,971	88,682	79,579
Total equity and liabilities		148,163	171,700	152,908

Group Cash Flow Statement

For the six months ended 30 June 2006

Note	Unaudited six months ended 30 June 2006 £000	Unaudited six months ended to 30 June 2005 £000	Audited Year ended 31 December 2005 £000
Group profit from operations	8,678	4,530	12,450
Adjustments to reconcile Group operating profit to net cash inflows from operating activities			
Profit/(loss) from discontinued operations	1,858	2,351	(12,886)
Adjustments for:			
Depreciation	2,773	3,983	7,670
Profit on sale of property, plant and equipment	(185)	(17)	(51)
Pension benefit curtailment	–	–	(2,000)
Impairment of non-current assets	–	–	10,885
(Profit)/loss on ship disposals	(1,737)	1,449	11,565
Increase in trade and other receivables	(3,035)	(3,548)	(3,014)
(Increase)/decrease in inventories	(910)	471	258
Increase/(decrease) in trade and other payables	2,584	24	(1,291)
Additional defined benefit pension scheme contributions	(2,418)	(88)	(1,994)
Share based compensation	263	201	432
Cash generated from operations	7,871	9,356	22,024
Income tax payments	(539)	(781)	(1,404)
Cash flows from operating activities	7,332	8,575	20,620
Investing activities			
Dividends from joint venture undertakings	–	–	1,068
Proceeds from the sale of property, plant and equipment	9,897	1,015	12,995
Interest received	163	175	321
Acquisition of subsidiaries, net of cash acquired	(27)	(10,862)	(22,077)
Acquisition of property, plant and equipment	(2,119)	(4,187)	(7,357)
Acquisition of available for sale financial asset	–	–	(211)
Cash flows from/(used in) investing activities	7,914	(13,859)	(15,261)
Financing activities			
Proceeds from the issue of share capital	149	190	190
Preference dividend paid	(2)	(2)	(4)
Interest paid	(1,371)	(1,386)	(2,871)
Proceeds from other non-current borrowings	309	9,332	20,524
Purchase less sales of own shares by ESOP	(233)	–	7
Repayment of borrowings	(10,918)	(4,582)	(19,547)
Dividends paid	(2,796)	(2,412)	(3,927)
Cash flows (used in)/from financing activities	(14,862)	1,140	(5,628)
Net increase/(decrease) in cash and cash equivalents	384	(4,144)	(269)
Cash and cash equivalents at beginning of period	9,725	10,045	10,045
Net foreign exchange difference	(11)	(26)	(51)
Cash and cash equivalents at end of period	9	5,875	9,725

Notes to the Interim Financial Statements

General information

The Group's interim result consolidates the results of the company and its subsidiary companies made up to 30 June 2006.

The interim financial information is presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The company is a limited liability company incorporated and domiciled in England & Wales and whose shares are listed on the London Stock Exchange.

The interim report was approved for issue by the Board of Directors on 29 August 2006.

Basis of preparation

The financial information contained in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. It does not therefore include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2005. The financial information for the preceding year is based on the statutory accounts for the year ended 31 December 2005. These accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies.

Significant accounting policies

The interim report has been prepared using accounting policies consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

Seasonality of operations

Although some of the Group's operations may sometimes be affected by seasonal factors such as general weather conditions, the Directors do not feel that this has a material effect on the performance of the Group when comparing the interim results to those achieved in the second half of the year.

Notes to the Interim Financial Statements continued

2 Segmental Information

Primary reporting format business segments

The following tables present revenue and profit information regarding the Group's business segments for the six months ended 30 June 2006 and 2005 and the year ended 31 December 2005.

Six months ended
30 June 2006

	Offshore Oil Services	Specialist Technical Services	Continuing Operations Defence	Marine Oil Services	Total	Discontinued Operations Cable Ships
	£000	£000	£000	£000	£000	£000
Revenue						
Group revenue	11,315	19,176	5,557	22,722	58,770	–
Inter segment sales	–	(1,619)	(141)	–	(1,760)	–
Segmental revenue	11,315	17,557	5,416	22,722	57,010	–
Result						
Segmental result before separately disclosed items	3,460	2,275	495	3,450	9,680	97
Common costs					(978)	
Profit from operations before separately disclosed items and joint ventures					8,702	
(Loss)/profit on ship disposals					(24)	1,761
Profit from operations before joint ventures					8,678	1,858
Finance income (revenue)					159	–
Finance costs					(1,299)	–
Exchange gain on loan conversion					35	–
					(1,105)	–
Share of post tax results of joint ventures		116	743		859	
Profit before tax					8,432	1,858
Taxation					(1,133)	(2)
Profit attributable to equity holders					7,299	1,856

2 Segmental Information (cont'd)

Six months ended
30 June 2005

	Continuing Operations				Total £000	Discontinued Operations Cable Ships £000
	Offshore Oil Services £000	Specialist Technical Services £000	Defence £000	Marine Oil Services £000		
Revenue						
Group revenue	7,103	10,343	5,181	22,480	45,107	4,821
Inter segment sales	–	(968)	(11)	–	(979)	–
Segmental revenue	7,103	9,375	5,170	22,480	44,128	4,821
Result						
Segmental result before separately disclosed items	1,850	1,130	515	3,440	6,935	2,351
Common costs					(956)	
Profit from operations before separately disclosed items and joint ventures					5,979	
Loss on ship disposals					(1,449)	–
Profit from operations before joint ventures					4,530	2,351
Finance income (revenue)					180	–
Finance costs					(1,355)	–
Exchange loss on loan conversion					(93)	–
					(1,268)	–
Share of post tax results of joint ventures		57	582		639	–
Profit before tax					3,901	2,351
Taxation					(753)	(3)
Profit attributable to equity holders					3,148	2,348

Notes to the Interim Financial Statements continued

2 Segmental Information (cont'd)

Year ended 31 December 2005	Continuing Operations				Total £000	Discontinued Operations Cable Ships £000
	Offshore Oil Services £000	Specialist Technical Services £000	Defence £000	Marine Oil Services £000		
Revenue						
Group revenue	14,936	25,898	9,679	44,903	95,416	9,019
Inter segment sales	(37)	(3,622)	(346)	–	(4,005)	–
Segmental revenue	14,899	22,276	9,333	44,903	91,411	9,019
Result						
Segmental result before separately disclosed items	4,017	2,551	782	6,733	14,083	4,552
Common costs					(2,016)	
Profit from operations before separately disclosed items and joint ventures					12,067	
Pension benefit curtailment					2,000	–
Impairment of non-current assets					–	(10,885)
Recognition of rentals due on sold ships					–	3,395
Loss on ship disposals					(1,617)	(9,948)
Profit/(loss) from operations before joint ventures					12,450	(12,886)
Finance income (revenue)					304	–
Finance costs					(2,591)	–
Exchange loss on loan conversion					(130)	–
					(2,417)	–
Share of post tax results of joint ventures		79	1,334		1,413	
Profit/(loss) before tax					11,446	(12,886)
Taxation					(754)	(3)
Profit/(loss) attributable to equity holders					10,692	(12,889)

3 Changes in estimates

There have been no material effects on the results of the interim period as a result of changes in estimates reported in prior financial years.

There have been no material changes in contingent liabilities during the current interim period.

The liabilities reported in respect of the defined benefit pension plans are based on the valuations carried out at the last balance sheet date, 31 December 2005 and have been reviewed and updated by a qualified actuary.

4 Discontinued operations

Discontinued operations relate to the withdrawal of the Group from cable laying activities announced in 2005. Following the disposal in 2005 of the cable ship *CS Oceanic Pearl*, the remaining vessel, *CS Oceanic Princess*, was reclassified as an asset held for sale in December 2005. This vessel was disposed of in June 2006.

The results of discontinued operations are presented below:

	Unaudited six months ended 30 June 2006 £000	Unaudited six months ended 30 June 2005 £000	Audited Year ended 31 December 2005 £000
Revenue	–	4,821	9,019
Cost of sales	97	(2,470)	(4,467)
Gross profit	97	2,351	4,552
Profit/(loss) on ship disposals	1,761	–	(9,948)
Recognition of rentals due on sold ship	–	–	3,395
Profit/(loss) from operations	1,858	2,351	(2,001)
Impairment of non-current assets	–	–	(10,885)
Profit/(loss) before tax from discontinued operations	1,858	2,351	(12,886)
Taxation	(2)	(3)	(3)
Net profit/(loss) attributable to discontinued operations	1,856	2,348	(12,889)

Non current assets held for sale

At 31 December 2005 this related to the carrying value of the *CS Oceanic Princess* following the Group's decision to withdraw from Cable Laying activities.

At 30 June 2005 this item comprised the carrying value of the *Tees Fisher* and *Wear Fisher* which were disposed of in August 2005.

Notes to the Interim Financial Statements continued

4 Discontinued operations (cont'd)

The net cash flows attributable to discontinued operations are:

	Unaudited six months ended 30 June 2006 £000	Unaudited six months ended 30 June 2005 £000	Audited Year ended 31 December 2005 £000
Operating cash flows	2,822	3,549	7,085
Investing cash flows	9,091	(1,111)	8,988
Financing activities	(7,066)	(1,963)	(14,510)
	4,847	475	1,563
Earnings/(loss) per share from discontinued operations (pence):			
	pence	pence	pence
Basic	3.79	4.82	(26.41)
Diluted	3.75	4.77	(26.41)

5 Separately disclosed items

Separately disclosed items consist of:

	Unaudited six months ended 30 June 2006 £000	Unaudited six months ended 30 June 2005 £000	Audited Year ended 31 December 2005 £000
Pension benefit curtailment	–	–	2,000
Loss on ship disposals	(24)	(1,449)	(1,617)
Exchange gain/(loss) on loan conversion	35	(93)	(130)
	11	(1,542)	253

The exchange differences on loans arise on foreign currency financing loans in the UK in relation to the disposed ship.

Loss on ship disposals in the six months ended 30 June 2006 relates to additional costs connected with the ships disposed of in 2005.

The pension benefit curtailment arises from the closure of the Group's defined benefit pension scheme to existing members in 2010 and changes to the contribution rates. Tax arising on this item amounted to £0.216m. There is no tax effect relating to the other items included in separately disclosed items.

6 Property plant and equipment

During the six months ended 30 June 2006 the Group acquired assets, including investment in vessels with a cost of £2.160m (2005 £4.373m).

Assets with a net book value of £0.278m (excluding vessels) (2005 £0.110m), were disposed of resulting in a net gain on disposal of £0.185m (2005 £0.017m).

7 Deficit in defined benefit pension schemes

The Group operates two defined benefit schemes and has an obligation to make payments in respect of the funding deficit of the Merchant Navy Officers' Pension Fund. The decrease in the pension liability in the period arises mainly from changes in the actuarial assumptions, in particular an increase of 0.5% in the discount rate used for valuation of the defined benefit schemes administered on behalf of the Group. In addition the company has made special payments totalling £1.6m into the James Fisher & Sons Public Limited Company Pension Fund for Shore Staff, as referred to in the Group's 2005 annual report.

8 Share based payment

In March 2006 awards were granted under the Long Term Incentive Plan (LTIP), and the 2005 Executive Share option scheme (ESOS).

In the case of the LTIP the exercise price of the option is £nil. The options vest if the increase in the company's diluted earnings per ordinary share over the performance period is at least equal to the rate of inflation plus 9%. If the performance target is not met over the three year contractual period for performance the option lapses.

In the case of the ESOS the exercise price is equal to the average middle market price for the three dealing days prior to the date of grant, being £4.68. The options vest depending on the Company's total shareholder return relative to a comparator group of companies selected from the FTSE Small Cap index at the date of grant. If performance over a three year period is in the upper quartile 100% of the options will vest. If performance is at the bottom of the median quartile 40% will vest. The amount vesting will decrease on a straight line basis between the median and upper quartile. If performance is below the median quartile no shares will vest. The options lapse if these conditions are not met during the performance period.

The fair value of options granted during the six months ended 30 June 2006 was estimated at the date of grant using the following assumptions:

	LTIP	ESOS
Dividend yield	2.00%	2.00%
Expected volatility	N/A	24.2%-29.2%
Risk free interest rate	N/A	4.41%
Expected life of option (years)	3	6.5
Share price at date of grant (£)	4.485	4.64
Options granted (number of shares)	66,742	124,573
Estimated fair value of option at date of grant (£)	4.22	1.039

Notes to the Interim Financial Statements continued

9. Reconciliation of Net Debt

	1 January 2006 £000	Acquisitions £000	Cash Flow £000	Other Non Cash £000	Exchange Movement £000	30 June 2006 £000
Cash in hand and at bank	9,725	-	384	-	(11)	10,098
Short term deposits	-	-	-	-	-	-
Cash and cash equivalents	9,725	-	384	-	(11)	10,098
Debt due after 1 year	(42,795)	-	-	12,055	-	(30,740)
Debt due within 1 year	(6,363)	-	10,609	(12,055)	35	(7,774)
	(49,158)	-	10,609	-	35	(38,514)
Net debt	(39,433)	-	10,993	-	24	(28,416)

	1 January 2005 £000	Acquisitions £000	Cash Flow £000	Other Non Cash £000	Exchange Movement £000	30 June 2005 £000
Cash in hand and at bank	8,045	-	(2,144)	-	(26)	5,875
Short term deposits	2,000	-	(2,000)	-	-	-
Cash and cash equivalents	10,045	-	(4,144)	-	(26)	5,875
Debt due after 1 year	(38,572)	-	-	(2,738)	(46)	(41,356)
Debt due within 1 year	(8,179)	(1,300)	(4,750)	2,738	(47)	(11,538)
	(46,751)	(1,300)	(4,750)	-	(93)	(52,894)
Net debt	(36,706)	(1,300)	(8,894)	-	(119)	(47,019)

10 Taxation

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. Any income and profits outside the tonnage tax regime are taxed under the normal tax rules of the relevant tax jurisdiction.

The tax charge is made up as follows:

	Unaudited six months ended 30 June 2006 £000	Unaudited six months ended 30 June 2005 £000	Audited Year ended 31 December 2005 £000
Current tax:			
UK tonnage tax	(13)	(11)	(24)
UK corporation tax	(580)	(436)	(514)
	(593)	(447)	(538)
Tax (under)/over provided in previous years	(118)	(44)	327
Foreign tax	(469)	(260)	(567)
Total current tax	(1,180)	(751)	(778)
Deferred tax:			
Group deferred tax	45	(5)	21
Total taxation expense included in group income statement	(1,135)	(756)	(757)
Share of joint ventures' current tax	(40)	(36)	(72)

The total tax charge in the income statement is allocated as follows:

	Unaudited six months ended 30 June 2006 £000	Unaudited six months ended 30 June 2005 £000	Audited Year ended 31 December 2005 £000
Taxation expense reported in group income statement	(1,133)	(753)	(754)
Taxation attributable to discontinued activities	(2)	(3)	(3)
Total tax expense	(1,135)	(756)	(757)

Deferred income tax

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

	Unaudited six months ended 30 June 2006 £000	Unaudited six months ended 30 June 2005 £000	Audited Year ended 31 December 2005 £000
Balance at 1 January	1,197	1,391	1,391
Included in statement of recognised income and expense	(1,054)	780	123
Credited/(charged) to income statement	45	(5)	21
Exchange differences	(1)	–	–
Acquired with subsidiaries	–	(341)	(338)
Balance at period end	187	1,825	1,197

Notes to the Interim Financial Statements continued

10 Taxation (cont'd)

At 30 June 2006 the group has no recognised or unrecognised deferred income tax liability (2005 £nil) in respect of taxes that would be payable on the unremitted earnings of certain of the group's subsidiaries and joint ventures. The group has no liability to additional taxation should such amounts be remitted due to the availability of double taxation relief.

11 Share Capital

During the interim period 110,423 ordinary shares of 25p were allotted on the exercise of share options for an aggregate cash consideration of £0.149m.

12 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period, after excluding ordinary shares purchased by the employee share ownership trust and held as treasury shares.

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

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

	Six months ended 30 June 2006 £000	Six months ended 30 June 2005 £000	Year ended 31 December 2005 £000
Profit/(loss) attributable to equity holders	9,155	5,496	(2,197)
(Profit)/loss attributable to discontinued activities	(1,856)	(2,348)	12,889
Profit on continuing activities attributable to equity holders	7,299	3,148	10,692

Weighted average number of shares

	30 June 2006 Number of shares	30 June 2005 Number of shares	31 December 2005 Number of shares
For basic earnings per ordinary share*	49,017,748	48,725,767	48,797,076
Exercise of share options and LTIPs+	427,898	463,183	430,920
For diluted earnings per ordinary share	49,445,646	49,188,950	49,227,996

* Excludes 395,657 (2005 510,237) shares owned by the James Fisher and Sons Public Limited Company Employee Share Ownership Trust.

+ Share options and LTIPs have been excluded from the calculation of diluted earnings per share for the year ended 31 December 2005 as they are antidilutive, but have been included in the calculation of diluted earnings per ordinary share on continuing activities.

12 Earnings per share (cont'd)

	30 June 2006		30 June 2005		31 December 2005	
	£000	p	£000	p	£000	p
Basic earnings/(loss) per share on total operations	9,155	18.68	5,496	11.28	(2,197)	(4.50)
(Profit)/loss attributable to discontinued activities	(1,856)	(3.79)	(2,348)	(4.82)	12,889	26.41
Basic earnings per share on profit on continuing operations	7,299	14.89	3,148	6.46	10,692	21.91
Diluted earnings per share	9,155	18.52	5,496	11.17	(2,197)	(4.50)
Diluted earnings per share on profit on continuing operations	7,299	14.76	3,148	6.40	10,692	21.72

The earnings per ordinary share on continuing operations before separately disclosed items is shown to highlight the underlying earnings trend and is calculated using the number of shares outlined in the table above.

	30 June 2006		30 June 2005		31 December 2005	
	£000	p	£000	p	£000	p
Basic earnings per share on profit on continuing operations	7,299	14.89	3,148	6.46	10,692	21.91
Adjustments:						
Exchange (gain)/loss on loan conversion	(35)	(0.07)	93	0.19	130	0.27
Loss on ship disposals	24	0.05	1,449	2.98	1,617	3.31
Pension benefit curtailment (including tax effect of £216,000)	–	–	–	–	(1,784)	(3.65)
Adjusted basic earnings per share on profit on continuing operations	7,288	14.87	4,690	9.63	10,655	21.84
Diluted earnings per share on profit on continuing operations	7,299	14.76	3,148	6.40	10,692	21.72
Adjustments:						
Exchange (gain)/loss on loan conversion	(35)	(0.07)	93	0.19	130	0.26
Loss on ship disposals	24	0.05	1,449	2.95	1,617	3.28
Pension benefit curtailment (including tax effect of £216,000)	–	–	–	–	(1,784)	(3.62)
Adjusted diluted earnings per share on profit on continuing operations	7,288	14.74	4,690	9.54	10,655	21.64

Notes to the Interim Financial Statements continued

13 Reconciliation of movements in equity For the six months ended 30 June 2006

	Share capital £000	Capital Share premium £000	Retained earnings £000	Reserves Other reserves £000	Treasury shares £000	Total £000
At 1 January 2006	12,345	23,960	38,030	178	(1,184)	73,329
Total recognised income and expense in the period	–	–	13,432	48	–	13,480
Ordinary dividends paid	–	–	(2,796)	–	–	(2,796)
Share-based compensation expense	–	–	263	–	–	263
Arising on the issue of shares	28	121	–	–	–	149
Purchase less sale of shares	–	–	–	–	(233)	(233)
Transfer on disposal of shares	–	–	(263)	–	263	–
At 30 June 2006	12,373	24,081	48,666	226	(1,154)	84,192

Other reserves

	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2006	212	(34)	178
Cash flow hedges:			
Transferred to the income statement	–	(4)	(4)
Fair value gains in the period	–	52	52
Share of fair value losses of joint ventures	–	(17)	(17)
Recognised income in the period including the effect of net investment hedges	17	–	17
At 30 June 2006	229	(3)	226

For the six months ended 30 June 2005

	Share capital £000	Capital Share premium £000	Retained earnings £000	Reserves Other reserves £000	Treasury shares £000	Total £000
At 1 January 2005	12,305	23,810	48,151	72	(1,212)	83,126
Total recognised income and expense in the period	–	–	2,206	(293)	–	1,913
Ordinary dividends paid	–	–	(2,412)	–	–	(2,412)
Share-based compensation expense	–	–	201	–	–	201
Arising on the issue of shares	40	150	–	–	–	190
Transfer on disposal of shares	–	–	(96)	–	96	–
At 30 June 2005	12,345	23,960	48,050	(221)	(1,116)	83,018

13 Reconciliation of movements in equity (cont'd)

Other reserves	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2005	177	(105)	72
Cash flow hedges:			
Transferred to the income statement	–	(40)	(40)
Fair value losses in the period	–	(163)	(163)
Share of fair value losses of joint ventures	–	(67)	(67)
Recognised income in the period including the effect of net investment hedges	(23)	–	(23)
At 30 June 2005	154	(375)	(221)

For the year ended 31 December 2005

	Share capital £000	Capital Share premium £000	Retained earnings £000	Reserves Other reserves £000	Treasury shares £000	Total £000
At 1 January 2005	12,305	23,810	48,151	72	(1,212)	83,126
Total recognised income and expense in the period	–	–	(6,605)	106	–	(6,499)
Ordinary dividends paid	–	–	(3,927)	–	–	(3,927)
Share-based compensation expense	–	–	432	–	–	432
Purchase less sale of shares	–	–	–	–	7	7
Arising on the issue of shares	40	150	–	–	–	190
Transfer on disposal of shares	–	–	(21)	–	21	–
At 31 December 2005	12,345	23,960	38,030	178	(1,184)	73,329

Other reserves

	Translation reserve £000	Hedging reserve £000	Total £000
At 1 January 2005	177	(105)	72
Cash flow hedges:			
Transferred to the income statement	–	36	36
Fair value losses in the period	–	(134)	(134)
Share of fair value gains of joint ventures	–	169	169
Recognised income in the period including the effect of net investment hedges	35	–	35
At 31 December 2005	212	(34)	178

14 Interim Dividend

A dividend for the six months ended 30 June 2006 on the preference shares was declared on 30 June 2006. The interim dividend of 3.47p (2005 3.10p) per 25p ordinary share is payable on 1 November 2006 to those shareholders on the register of the company at the close of business on 6 October 2006. The dividend recognised in the reconciliation of movements in equity in note 13 is the final dividend for 2005 of 5.69p paid on 12 May 2006. The proposed interim dividend has not been recognised in this report.

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