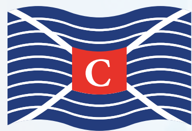
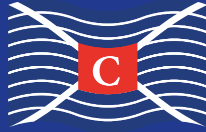
WeGoBeyond



Clarkson PLC

Interim Report 2017



Clarksons is the world's leading provider of integrated shipping services.

Through our 'best in class' service offer we bring unique industry connections and expertise to our ever-wider and increasingly diverse client base across all sectors of the shipping and offshore industries, providing unrivalled professionalism and support in the markets in which they operate.

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Please visit
www.clarksons.com
for more information

As we see signs of a rebalancing across some shipping markets, we are optimistic in our ability to capitalise on the upturn in the markets when it occurs, whilst maintaining the strength of the underlying business.

We have continued to grow our transactional flow by providing our clients with a complete, full-service offering.

Our solid cash position means that we are able to invest in the business for future growth.

Our commitment to innovation and client service has ensured that our clients continue to turn to us.

Group performance

as at 30 June

Alternative performance measures (APMs)

Clarksons uses APMs as key financial indicators to assess the underlying performance of the Group. Management considers the APMs used by the Group to better reflect business performance and provide useful information. Our APMs include underlying profit before taxation and underlying earnings per share. Explanations of the term 'underlying' and related calculations are included within the Chief Executive Officer's review.

Revenue

£156.8m

2016: £147.2m

Underlying profit before taxation

£24.5m

2016: £21.8m

Reported profit before taxation

£21.9m

2016: £17.5m

Underlying earnings per share

57.5p

2016: 52.9p

Reported earnings per share

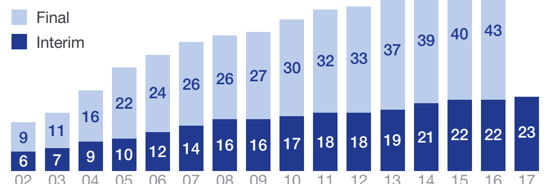
50.8p

2016: 41.7p

Dividend per share

23p

2016: 22p



James Hughes-Hallett
Chairman

Our unique position at the heart of the industry and the hard work that the Clarksons team continues to deliver has ensured that the Group has once again produced robust results.

The shipping sector is naturally both cyclical and volatile, and although we have continued to experience some challenging market conditions in the first half of 2017, very early signs of recovery in some of the major shipping markets are emerging. Our unique position at the heart of the industry and the hard work that the Clarksons team continues to deliver has ensured that the Group has once again produced robust results.

During the first six months of 2017, underlying profit before taxation was up 12% to £24.5m (2016: £21.8m) and reported profit before taxation was up 25% to £21.9m (2016: £17.5m). In June 2017, Clarksons repaid the final tranche of outstanding loan notes, repaying all debt and simplifying our balance sheet, which remains very healthy.

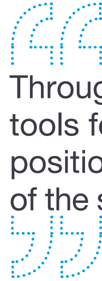
We have maintained our investment in our people during the period and are continuously developing and expanding our offering to clients to ensure that they receive an unrivalled product breadth and global insights that enable them to make the best-informed decisions. This commitment to innovation and client service has ensured that our clients continue to turn to Clarksons during this challenging time for the sector.

Whilst we do not expect a major upturn across the sector in the near term, our robust performance in the first six months of the year gives us confidence that we are best positioned for the upturn when it occurs and to take advantage of any increased activity in the capital markets.

James Hughes-Hallett
Chairman

11 August 2017

Andi Case
Chief Executive Officer



Through continued investment in tools for trade, we have successfully positioned the business at the heart of the shipping and offshore markets.

By keeping to its strategy, Clarksons has delivered a strong first half performance despite continued headwinds in the global shipping markets and broader global macro-economic environment. The Company's transactional flow has increased once again, reinforcing its position as the market leader.

Although ongoing low freight rate levels remain across our markets, evidenced by the ClarkSea Index where the average for the first half of 2017 of 10,081 is only up 2% compared to the same period in 2016, indications of a recalibration in some areas are appearing, with the Baltic Dry Index averaging 979 across the first half of 2017, up 100% on the 2016 level. Both indicators, however, remain significantly below even the average since the events of 2009.

Through continued investment in tools for trade, we have successfully positioned the business at the heart of the shipping and offshore markets and we have continued to increase transactional volume whilst remaining cash generative and highly profitable.

We remain focused on our long-term strategy for growth of delivering best in class service to our clients and diversifying within our core markets to offer a unique product breadth, deep sector knowledge and global reach.

The first half of the year has seen a significant increase in spot broking revenues following an uptick in transaction volumes and a rise in dry cargo rates. This increase has gone some way to offset the lower revenues from the forward order book brought forward from previous years, as highlighted in the annual report. The financial division has also performed strongly, following its successful second half of 2016. Growth has continued in the research division as Clarksons Research builds on its market-leading position. The port services division traded flat as market activity remains depressed.

Our investment in technology to drive innovation across the business is also transforming the way we service clients. Our proprietary, market-leading technology platforms manage workflow efficiency and collate an immense volume of data to better inform our brokers and clients and uniquely position us amongst our peers. In challenging markets and during periods of uncertainty, the analysis our platforms can deliver is invaluable as clients turn to us for our unrivalled insights and in-depth understanding of global shipping market dynamics.

Results

The Group's underlying results exclude the impact of acquisition related costs, which are shown separately on the face of the income statement due to their nature and size, as management believes this provides further useful information, in addition to statutory measures, to assist users of the interim report to understand the results for the period. First half revenues increased by 7% to £156.8m (2016: £147.2m) and administrative expenses increased by 6% to £128.2m (2016: £121.5m). Underlying profit before taxation was £24.5m (2016: £21.8m), which, after acquisition related costs of £2.6m (2016: £4.3m), resulted in a reported profit before taxation of £21.9m (2016: £17.5m). Underlying earnings per share, before acquisition related costs, was 57.5p (2016: 52.9p). Basic reported earnings per share was 50.8p (2016: 41.7p).

	2017 £m	2016 £m
Underlying profit before taxation	**24.5**	21.8
Acquisition related costs	**(2.6)**	(4.3)
Reported profit before taxation	**21.9**	17.5

Cash and dividends

Clarksons has a strong balance sheet with cash balances at 30 June 2017 of £117.4m (30 June 2016: £106.3m) and a further £5.4m (30 June 2016: £5.4m) in short-term deposit accounts, classified as current investments on the balance sheet. These balances are struck following payment of the final dividend relating to 2016 and the final repayment of loan notes of £23.9m, both having occurred during June 2017. Net cash and available funds, after deducting amounts accrued for performance-related bonuses but including short-term investments, amounted to £71.4m (30 June 2016: £46.7m).

The Board has declared an increased interim dividend of 23p per share (2016: 22p per share) which will be paid on 22 September 2017 to shareholders on the register at the close of business on 8 September 2017.

Outlook

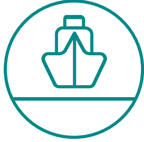
As we see signs of a rebalancing across some of the shipping markets, we are optimistic in our ability to capitalise on the upturn in the markets when it occurs, whilst maintaining the strength of the underlying business. Nevertheless, in the short-term, low activity in the newbuilding market and a predominance of spot over longer-term period business continues to limit forward visibility of revenues.

Our solid cash position means that irrespective of market conditions, we are able to invest in the business for future growth, deliver increasing returns to shareholders and take advantage of strategic opportunities as they arise.

We have invested in hiring key people and believe our market-leading technology and best in class client service positions us strongly as we enter the second half of the year. We are pleased with our performance so far in 2017.

Andi Case
Chief Executive Officer

11 August 2017



Broking

Growing volumes

Through our broking teams' unparalleled insights into global shipping markets, we have benefited from an increase in both transactional volumes and spot broking revenues.

Revenue

£118.0m

2016: £115.5m

Segment underlying profit

£21.0m

2016: £19.3m

Dry cargo

The first half of 2017 saw a 100% year-on-year improvement in the Baltic Dry Index (BDI) and an increase in seaborne volumes as manufacturing industries in China, the US, Japan and Eurozone continued their expansion. The re-emergence of expansion in Chinese manufacturing led the demand for steelmaking raw materials, energy and feedstocks. Expanding housing starts and construction demanded more materials domestically, leaving the export market short which resulted in new highs for commodity prices. China's internal restructuring and decommissioning of uneconomic mining and steel activity further enhanced imports, with coal imports increasing by 24% and iron ore by 9% year-on-year during the first half of the year and soybean imports continued its upward long-term trajectory increasing by 16% year-on-year. The Eurozone seaborne imports reversed its downward trend and increased by 8% in the first quarter year-on-year, while US seaborne imports reached 15% year-on-year growth.

Emerging Asia and specifically those economies benefiting from China's 'One Belt One Road' trade initiative have experienced growth in construction-related materials and coal specifically.

Freight rates peaked in April before unexpected supply disruption led to force majeure declarations by some mining companies resulting in lower vessel demand. Australian coal exports were interrupted by Cyclone Debbie, Brazilian iron ore exports by a breakdown of loading equipment and Guinea bauxite exports by labour strikes. Although rates have softened since April, the BDI ended the half year 37% higher than a year earlier.

Fleet capacity continues to expand, albeit slower year-on-year, however demolition activity reduced substantially as earnings improved, resulting in fleet expansion of 4% year-on-year. Nevertheless, healthy seaborne trade demand and even higher tonne-day demand led the rebalancing of the dry cargo market and thereby freight earnings.

In spite of the recent softening of the rates, the freight forward curve points to a typical seasonal strengthening in rates during the second half of the year.

Containers

The first six months of 2017 saw some improvement in the container shipping sector, following the severely pressurised conditions of 2016. Box freight rates appeared to have bottomed out last year, and although rates on most trade lanes have remained volatile, they

Broking continued

remain significantly above 2016 average levels. Against this backdrop, charter market vessel earnings eventually received a boost late in the first quarter of 2017, picking up from bottom of the cycle levels. In the second quarter, their general direction proved to be sideways, though there were some differences across the ship size sectors. The one year rate for a 2,750 TEU ship stood at US$9,000 per day at the end of June 2017, 49% above the level at the end of 2016, and the charter market 'basket' index rose by 23% on the same basis.

Demand side conditions appeared to continue to improve during the early months of 2017, and global volumes are currently expected to expand by around 4.8% in the full year to 190m TEU. Transpacific and intra-Asian volumes saw notable growth in the first part of the year, and Far East-Europe volumes have also made steady progress. Containership capacity growth remains limited, with an expansion of 1.2% in total fleet TEU capacity in the first six months of the year. Deliveries totalled 0.52m TEU in that period whilst demolitions hit 0.28m TEU, with January seeing the largest monthly total on record.

Some surplus capacity still remains having built up in recent years, in particular with the ongoing delivery of new 'megaships', but by the end of June 2017 the share of fleet capacity standing idle had dropped to around 2.7%, and additional fundamental rebalancing could gradually support further improvement in market conditions. However, it should be remembered that against an improved freight market environment, liner companies still face capacity management challenges and only recently have charter market conditions started to make positive progress.

Nevertheless, sector fundamentals look set to continue to improve following a robust 2017 to date. Volume growth continues to accelerate, and supply growth is projected to remain in 2-3% range in full year 2017. Meanwhile, the ordering of newbuild capacity remains limited; with just 0.3m TEU ordered since the start of 2016, the order book now stands at 14% of fleet capacity. Moreover, further significant steps in the consolidation of the sector continue to be taken in the form of merger, acquisition and joint operation activity involving major operators concluding this year and next, with one major acquisition concluded in the second quarter and another announced early in the third quarter of 2017.

Tankers

The crude tanker market softened further in the first half of 2017, as was expected. Average rates in the first six months of the year for VLCCs, suezmaxes and aframaxes were each down by between 30% and 46% versus the full year average levels seen in 2016, as strong fleet growth and oil production cuts took their toll.

Products tanker rates have generally remained at the softer levels seen in the second half of 2016. Earnings for LR2s and LR1s on the benchmark Middle East to Far East route were 47% and 40% lower respectively than the full year averages for 2016, while earnings for MRs performed somewhat better, with average rates down by 15% versus 2016's average level.

The crude tanker fleet grew by 4% in the first half of the year. Rapid fleet growth and strong compliance with OPEC production cuts meant that earnings softened, as anticipated. This was in spite of a 13% year-on-year rise in Chinese crude imports in the first five months of the year and increased long-haul shipments to Asia from sources West of Suez, including the US.

Supply side pressure looks set to continue in the crude tanker sector in the second half of the year, although the pace of fleet growth is expected to be more moderate. OPEC and a number of non-OPEC countries have decided to extend production cuts for a further nine months through to the end of March 2018, which will restrain growth in crude oil trade for the time being. Nevertheless, additional exports may be seen from Nigeria and Libya, which are currently exempt from the output cuts, depending on the security situation in those countries. Increases in US and Brazilian crude exports and Chinese and Indian imports should also support crude tanker demand growth. The potential for lower fleet growth and a reversal in OPEC production cuts in 2018 imply that the market may start to tighten once again from next year.

The products tanker fleet increased by 2% in the first half of 2017. The pace of deliveries may slow somewhat in the second half of 2017, but supply side pressure is also expected to remain on the products tanker sector for the rest of the year. However, growing product demand and higher levels of refining runs in the second half may start to assist some recovery in earnings. In 2018, growth in the products tanker fleet is expected to fall to much lower levels, which may help to underpin a more sustained rise in vessel earnings.

Specialised products

The specialised products markets began 2017 in a state of uncertainty, following a lack of tonnage demand across arterial trade routes in both the chemicals and edible oils sectors at the end of 2016. However, the opening quarter performed quite well with firming in benchmark spot rates of 3.6% recorded in the Clarksons Platou Spot Chemicals Index. The uptick noted during the first quarter was driven by the increase in ex-US transpacific spot volumes, repeating the trend seen during the same period of last year, but as we moved into the spring months, tonnage demand levels ex-US to Asia decreased in line with other regions.

Meanwhile, the edible oils sector began the year quite well, despite the lingering effects of El Nino, with freight rates in the first quarter recording a rise. This was mostly due to the buoyancy in the CPP west market rather than a sustained revival in edible oil volumes. It seems that this was short-lived, with the sector closing out the first six months of the year with a 2.9% fall in benchmark freight rates. A sedate Asian CPP market, plus a continued delay in a palm oil market revival, has contributed to a plethora of units, particularly in Asia, struggling to find business.

In the chemicals markets, the overall trend throughout 2017 has been one of lacklustre spot activity set against steady CoA requirements. Due to an increase in chemical production capacity as a result of the ongoing shale gas production revolution in the US, export volumes – particularly for methanol – increased considerably at the start of the year with the majority heading to Asia. This did dissipate as we moved into April and May, but as May drew to a close the transpacific market to Asia showed a renewed drive which seems to have some longevity and continued throughout June. Unfortunately, this was not enough to bring up the global performance of the Clarksons Platou Spot Chemicals Index with overall spot chemical rates falling by 3.3% for the first six months of the year. It should be noted that by the end of June, ex-Asia eastbound, and more recently westbound, have both undergone a revival which if sustained may contribute to a more optimistic sentiment in the global chemicals markets.

Time charter levels for benchmark vessel types are mostly unchanged throughout the first six months of the year, with earnings still under pressure and continuing to eat into owners' returns. By the end of June, one year time charter rates for the benchmark 19,900 DWT IMO II stainless steel units have remained steady at US$13,000 per day, after their earlier US$500 per day fall recorded in May.

Based on our current expectations we believe that seaborne trade will grow by 3.2% this year, driven predominantly by continued Middle East and US chemical capacity additions, and a renewal in palm oil exports in the second half of the year (a trend that already seems to be developing). This will be supported by continued Indian and Chinese import growth which, on an annual basis, recorded year-on-year growth levels of 5.2% and 4.0% respectively in 2016. Ordering activity has been very limited throughout the first half to specific segments of the fleet, and net fleet growth of around 3.4% is expected in 2017, before reducing significantly in future years. Overall, whilst short-term visibility is translucent, the medium to long-term outlook of the specialised products market remains positive.

Gas

Freights remained under pressure through the first half of 2017 as a result of the scale of fleet supply growth seen during the course of 2016 added to the growth seen in the first half of 2017. A total of 11 VLGC newbuildings have delivered so far this year, but the volume year to date has been less dramatic than the pace of newbuilding deliveries witnessed over the same period last year, albeit there are a further 14 still to deliver before year-end. Tonne-miles continued to grow as US export volumes built in the first quarter and as Asian imports increased in the second quarter. However, the reduction in export volumes from the Middle East due to production cuts and maintenance in the first quarter, combined with increased cancellations of US cargoes over May and June, served to dampen the overall effects of this. The shift in trade flows and a slowdown in the pace of fleet growth resulted in some improvement in VLGC freight levels during the first half of 2017 compared with the last 6 months of 2016. As a result, average time charter earnings rose to an average of US$530,000 pcm from US$390,000 pcm. Whilst this recovery was in part down to owners working to help support rates, occasionally at the expense of idle time, these numbers were nevertheless 47% down on the first half of 2016.

Seaborne LPG trade has continued to increase this year, despite the reduction in volumes from the Middle East, weather-related disruptions to North African exports at the start of the year and the aforementioned cancellation of US liftings in May and June. In the year to June, global LPG export volumes were up by close to 4% on the same period last year. Volumes are expected to receive a further boost in the last quarter of 2017 as the Mariner East II terminal expansion on the East Coast of the US starts exporting. Additionally, the pace of growth in the fleet starts to slow from next year

Broking continued

as the order book remaining for delivery falls off, which should help to rebalance the market.

In the mid and handysize sectors, we are seeing the bulk of the newbuilding orders deliver this year and the effect of this, together with the weaker larger vessel market, has already been reflected in lower freight levels. In the year to date, 12 month time charter rates have averaged US$460,000 pcm on the midsizes, compared with US$570,000 pcm six months earlier, whilst the assessed 12 month time charter rate on the handysizes has fallen from around US$540,000 pcm to US$430,000 pcm. In the latter segment, a larger proportion of the fleet is also now trading in petrochemicals, as a lacklustre market in the ammonia sector and competition for LPG cargoes from the larger units has exerted downward market pressure. This, in turn, has had implications for the smaller units in the size category below.

The ethylene sector (8,000 cbm to 22,000 cbm) started 2017 on a much more balanced note as import demand into Asia started to slow and Middle Eastern export volumes fell away. This was compounded by a heavy spring cracker turnaround season in Europe which resulted in a strong level of idle time notably in the 12's, with owners in the large handy sector undercutting owners in smaller sectors, even on part cargoes. As a result, we have seen assessed freights for the 17,000 cbm ethylene units fall back from a level of US$670,000 pcm at the start of this year to a level of US$615,000 during June.

As anticipated, the smaller ship market appears to have reached the bottom and freights have shown some modest signs of recovery over the last few months which has been largely in response to a slowdown in fleet growth.

With no newbuildings currently on the order book in the smallest size sector of the semi-refrigerated and pressure carrier fleets, the prospects for the demand/supply fundamentals to further improve appear encouraging, particularly given the ageing fleet profile of the sector.

LNG

Global LNG trade is expanding rapidly. Backed by the commissioning of new production capacity, late 2016 saw a surge in LNG supply which continues through 2017 and is expected to persist into 2018. China remains the global demand driver. So far in 2017 its imports are up by approximately 22% year-on-year, which is in addition to approximately 34% growth the previous year. Driven by a number of policy incentives, natural gas consumption is rising strongly. The key markets of Japan and Korea are also importing more than in the same period of 2016.

Despite healthy levels of chartering activity from the second half of 2016 onwards, the spot market rates remain suppressed, undermined by a number of factors including thin demand for tonnage in the Atlantic Basin; redelivery of certain vessels on multi-month charters; and short average duration of charters (nevertheless slightly improved on 2016 averages).

Fundamentals point to a tightening of the short-term shipping market, as new projects are commissioned and some facilities restarted, removing re-let tonnage owned/controlled by producers or gas majors.

The 'wave' of new supply has already started to hit the market: expanding the trade and increasing the number of LNG liftings. Around 29 mt per annum of new capacity will be commissioned in 2017 which could see the global LNG trade approach 300m tonnes in 2017. Similar rapid growth is expected through 2018 as a number of large projects in the US and Russia will be brought online.

Sale and purchase

Secondhand

The year to date has been a story of two contrasting quarters in dry cargo sale and purchase. The optimism reported at our 2016 year-end continued to gather pace throughout the first quarter and belief that the worst was behind us filtered through to the capital markets, allowing funds to be raised for fleet expansion through vessel acquisitions. Consequently, there was strong buying activity resulting in a surge of concluded transactions and a rise in values across the board. At the high point in April, dry cargo values had strengthened by approximately 20% from year-end levels.

In May however, the freight market started to soften and, since then, we have seen just how fragile this confidence was as buyers held back, waiting to see how markets developed and sale and purchase transactions stopped in their tracks. The early arrival of the summer slowdown might also mean an early end, but for the moment concluding meaningful business within the dry cargo markets is proving challenging.

The wet side has been extremely flat by comparison but, as confidence starts to return and people recognise that values are unlikely to get much lower, now may be the time to buy. Consequently, we have concluded a number of fairly high value transactions during the second quarter which were simply not possible during the first. The sheer lack of quality tonnage available for sale has enabled a floor on values to remain in place,

so those who want to buy find themselves competing and inevitably the price never falls quite as far as buyers would like.

On the container side, the failure of Hanjin Lines and the lack of market recovery meant that various lenders were forced to take back control of tonnage, thus becoming sellers themselves in auction-type conditions. This created an upsurge in activity, with opportunistic shipowners willing to offer discounted prices. We handled a number of these transactions for banks, as the size and transparency of our business meet their compliance requirements.

Newbuilding

The first quarter of 2017 was certainly a more active period relative to the minimal newbuilding activity over the second half of 2016.

Activity has been driven by shipyards taking commercial decisions against the pressure of imminent vacant capacity, translating into historically competitive pricing which, in turn, roused speculators to take positions. We also saw an uptick in secondhand dry values which again had the impact of making competitively priced newbuilding opportunities a more compelling proposition.

The second quarter of 2017 continued momentum, with a number of sizeable transactions being concluded in both the tanker and dry segments.

However, prices are starting to firm against yards now filling their capacity exposure. This, coupled with regulatory shifts and increased scrutiny from major creditor banks for many of the yards, continues to create upward pressure from a cost perspective. As contracts, in many cases, having been concluded at loss-making levels, there is little room for shipyards to be in a position to maintain existing pricing – and the likely outcome of firming numbers is that new contracting may slow down in the third quarter as the opportunity for speculators diminishes. Financing remains an issue, and will be a key dictator in driving transactional activity also.

With an overhang of discussions that may materialise within the second half of the year, and pending optional contracts being considered for declaration, it is not to say that we will see an inactive third quarter. However, buyers will need some time to digest recent activity and shipyards will continue to battle market expectations relative to cost considerations.

Offshore

General

Market conditions in the offshore segment remain challenging, but we have started to see some positive signals, most notably a steady increase in fixing activity for jackup rigs and a strong increase in the number of contracts for floating production units. The latter corresponds with sanctioning of new field developments. Albeit still at a low level, this has picked up notably from levels seen in 2015 and 2016. Finally, there has been some improvement in the secondhand transaction market with a few notable jackup and floater transactions. Even though these are positive signals that could indicate the segment is about to bottom out in terms of activity, overcapacity in the asset-heavy segments of offshore oil services remains significant. As a consequence, utilisation and rates remain at depressed levels. Going forward, we expect a continued gradual improvement in offshore activity, but it will most likely take significant time to rebalance the asset segments in order to see more sustainable utilisation and rate levels.

Drilling market

The jackup market has seen improvement in fixing activity through the first half of the year, and we have also seen some considerable long-term contracts awarded. Most notably, North Atlantic Drilling was awarded two ten-year market rate indexed contracts with ConocoPhillips for work in the Greater Ekofisk Area in Norway, the West Elara and the West Linus. The West Elara is currently on contract with Statoil Norway, and was originally available from this summer onwards. The West Linus already had a contract with COP ending in May 2019. Although some downward day rate adjustments were made for the current contract for West Linus, North Atlantic Drilling estimates that the full backlog addition of the contract is around US$1.4bn. These two contracts will keep the rigs working until the end of 2027 and 2028 respectively. As of the end of June, jackup fleet utilisation stood at 66% and we have witnessed four consecutive months of improving demand.

In the floater market, utilisation is currently 67% and active demand is at 136 units. Fixing activity in the floater market is still considerably slower than in the jackup market, but over the last weeks we have seen some positive signals, including new long-term contracts entered into between Shell and Ensco in Nigeria. Downside risk, however, clearly remains in the floater market with significant impending contract rollovers due.

Broking continued

Active utilisation levels are still exceptionally low in a historical context. Overcapacity remains a significant issue in the offshore drilling market, as for the other segments. As a consequence, day rates for new contracts in general remain at unsustainable levels, broadly hovering around the level of operating expenses for the assets and providing limited or no contribution to capital. Significant attrition is still required before we could start to see more sustainable utilisation and day rate levels for owners again.

The subsea and field development markets

Sanctioning of new offshore field developments has seen a notable uptick so far in 2017 compared to 2015 and 2016. Provided oil prices remain relatively stable going forward, we expect this trend to continue. Subsea equipment awards to the industry likely bottomed in 2016 with a low level of 83 Christmas trees awarded (each subsea well requires a subsea Christmas tree). This compares to an annual average level of 351 since 2000 and 153 trees in 2015. Some 65-70 Christmas trees had been awarded to the subsea equipment industry, marking a notable improvement from 2016 levels. A corresponding picture can be observed in terms of contracts for new Floating Production Units, where we have seen seven firm contracts so far in 2017, compared to zero contracts in 2016 and four contracts in 2015. Equipment manufacturing lead times imply that this equipment will be installed offshore from 2019 and beyond, which is when the majority of actual offshore/subsea activity will take place. This implies that fleet utilisation across the subsea segment is likely to remain subdued at least through 2017 and 2018. Subsea maintenance work could, however, pick up in the nearer term future, supporting some higher vessel activity in the sector.

Offshore support vessels (PSV and AHTS)

The market for offshore support vessels (OSVs) remains highly challenging, characterised by significant vessel overcapacity, low utilisation and day rates around the level of operating expenses for the vessels. Broadly speaking, this applies to all regions and all vessel categories with minor nuances. Global fleet utilisation (also taking into account stacked vessels) for large OSVs is currently around 40%, while active utilisation levels in some regions naturally remain somewhat higher. In these severe market conditions, most or all vessel operators are struggling significantly, and we have continued to witness high corporate activity in terms of refinancing, restructuring and consolidation. Increased consolidation and significant vessel attrition bodes well for the longer term rebalancing of the market, but on the back of the substantial overcapacity in the sector, we anticipate a recovery to more sustainable day rate levels is still several years ahead. Partially as a result of the challenging market conditions, we have noticed some increased interest from financial players to pursue secondhand transactions, and the number of vessel transactions was marginally higher in 2016 compared to 2015 (71 versus 65). We have seen 36 vessel transactions.

Futures

Dry FFA volumes have shown an improvement over the first half of 2017 with 625,810 lots traded compared to 547,689 lots for the same period last year. The more noticeable change has been the higher notional values with Cape 5TC averaging US$11,596 this year compared to US$4,717 in the first half of 2016 (panamax notionals US$3,990 first half of 2016 versus US$8,536 first half of 2017 and supramax notionals US$4,805 first half of 2016 versus US$8,381 first half of 2017). These two factors combined have enabled the desk to perform well. One noteworthy change in the market has been the broad adoption of the 5TC cape contract which took a long time to be accepted.

Options volumes have fallen with volumes in the first half of 2017 of 101,480 lots compared with 168,249 lots over the same period last year. Nevertheless, our significant position in this market remains, albeit the lower volumes have constrained our revenues.

Iron ore market volumes have reduced for the first time since the development of this market with 600,849,800 lots compared to 729,427,900 in the same period in 2016. It has proved a very volatile year so far with prices ranging from a high of nearly US$95 to a recent low of US$53. A number of larger market participants have scaled back their activities after being on the wrong side of these aggressive moves. Our teams both in London and Singapore continue to perform well and we are making slow but steady inroads in market share.

Financial

Uniquely positioned

The specialist knowledge of our financial team and the breadth of our product offering has uniquely positioned us to advise on some of the most high-profile transactions in the sector.

Revenue

£23.2m

2016: £16.7m

Segment underlying profit

£5.0m

2016: £2.4m

Securities

The first half of 2017 has been very good with a globally strong investor appetite within the shipping and offshore segments due to optimism over the strengthening global economy. Investors have benefited from healthy returns over the last six months despite the retrenchment of oil prices since the end of 2016.

Clarksons Platou Securities' earnings are dependent on favourable market conditions within our core sectors in order to perform investment banking transactions in the global market, which is the largest contributor to our revenue flow. Our strong pipeline resulted in 18 equity market transactions raising approximately US$1.7bn, three debt capital market transactions raising over US$600m and the completion of four M&A transactions/restructurings during the first half of 2017. In addition, our new core sector, metals and mining, has participated in two IPOs on the NYSE for US mining companies and one capital raise during the period.

We continue to hire new employees, mainly to strengthen our investment banking and equity and credit sales teams.

Despite the strong fundamentals, we expect that some sort of correction is due, however, how material it will be and when it will come is difficult to predict. We still benefit from strength in our pipeline, reputation and execution capabilities, and aim to close more transactions after the summer.

Financial continued

Project finance

Shipping

In the first half of 2017, shipping project finance activity has continued to improve with most new projects focused on the distressed market opportunity in the dry cargo, container and offshore segments. During this period, we completed two handysize bulk carrier projects, a kamsarmax newbuilding project and a larger offshore transaction including three ice-class PSVs.

There is limited debt finance available from traditional shipping banks, but we have seen an emergence of new project banks who are keen to support the Norwegian project finance market. An increasing number of shipowners have traditional bank loans that are maturing and we expect that a significant portion will be refinanced with alternative finance structures.

The outlook for the second half of 2017 is positive as there are several new opportunities developing within the tanker, container and dry cargo segments.

Real estate

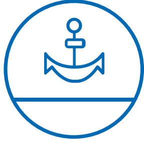
The strong momentum from the last quarter of 2016 has continued throughout the first half of 2017. With the Norwegian real estate market attractive for investors searching for opportunities and steady dividends, Clarksons Platou Real Estate concluded 10 (six buys/four sales) transactions in the first half.

Structured asset finance

Shipping and offshore financing markets remain largely unchanged with traditional lenders being very targeted in their provision of liquidity towards specific and existing top tier clients.

Meanwhile, the current disconnect between asset values and earnings means that leasing and infrastructure-based financing continues to grow as an effective source of capital, stretching both tenure and profile, while offering increased leverage to deliver competitive day rates. Chinese leasing companies are at the forefront of long-term vessel financing, but are becoming increasingly selective, now largely targeting investment grade borrowers in the form of oil majors, trading houses and commodity majors.

We continue to work closely with target clients, advising on and arranging the optimal financing structures available for their respective projects.



Support

Challenging conditions

The areas of the business reliant on the oil and gas sector have seen some recovery, although activity remains depressed compared to levels prior to the collapse in oil prices.

Revenue

£8.3m

2016: £8.3m

Segment underlying profit

£0.7m

2016: £0.8m

Agency

The first half of 2017 was generally quiet for our offices handling bulk grain shipments due to the lower exportable surplus available in the UK. Predictions for the 2017 harvest, however, currently look reasonably optimistic.

The aggregates sector has seen improved activity in our Great Yarmouth, Hull, Tyne and Belfast offices. Biomass continues to be a major activity through Liverpool and Newcastle, and we have won new customers for coal in Newcastle and Hull.

An area of increased growth this year has been offshore wind, with projects occupying all our East Coast offices. With new projects being awarded, these higher levels of activity look set to continue in 2018.

2017 has seen some uplift in the oil and gas sector, but activity remains markedly down on the levels prior to the collapse in oil prices.

Gibb Industrial Supplies

As with our agency business, our supply business is also seeing increased activity in the oil and gas sector. This increase in activity, combined with new contracts being awarded and stress in a number of our competitors, should mean the more recent recovery in results in this area will continue for the rest of the year.

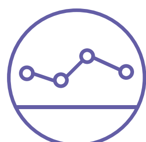
Stevedoring

Although our stevedoring operation in Ipswich has been affected by the lower grain exports, we have benefited from vastly increased imports. We now hold a record amount of product in store and have taken additional storage space from the port authority. It is anticipated we will have to take further space in the port to accommodate the grain from this year's harvest.

Freight forwarding and logistics

Due to the downturn in oil and gas, forwarding continues to struggle.

We have now employed a specialist to head this area of our business and are confident his knowledge and contacts will lead to improved results in the near future.



Research

Continuing growth

Continued investment and innovation has positioned us as the authority in shipping and trade data and market intelligence.

Revenue

£7.3m

2016: £6.7m

Segment underlying profit

£2.4m

2016: £2.3m

The research business continued to grow during the first half, with sales up 9% to £7.3m (2016: £6.7m). In challenging market conditions, Clarksons Research has continued to grow its position as a market leader in the provision of authoritative intelligence and data across shipping and trade and offshore and energy.

Sales from our digital platforms grew an encouraging 12% in the first half. In addition to a good contribution from our flagship shipping and trade digital products, Shipping Intelligence Network and World Fleet Register, our vessel tracking system, Clarksons SeaNet, is beginning to gain traction with our client base. Clarksons SeaNet blends satellite and land based AIS data with our proprietary database of vessels and infrastructure, utilising latest technology developed in-house. Digital offshore and energy sales have also performed well in the first half, supported by sales of World Offshore Register and Offshore Intelligence Network.

There was also a strong performance from our retainer services and consultancy team, who manage bespoke product, seminar, data and service packages for our larger corporate clients, with sales up 21%. Clarksons Valuations delivered a good result while consolidating its position as the market-leading provider to private and public listed shipping companies and financial institutions.

Overall, around 75% of sales were annuity-based across a broad and diversified client base with excellent penetration into key target client sectors and geographic regions.

Strong investment into the research business continues. There remains a drive to expand our large proprietary database, including a recent focus on shipping infrastructure and renewables, and to derive further aggregated data, analysis and time series. Our comprehensive database includes coverage of the international shipping fleet, ship movements, world trade, ports, refineries, LNG plants, yards and fabricators, environmental equipment, offshore oil and gas infrastructure, offshore drilling rigs, renewables, shipping related companies, capital market activity and wide ranging commercial data on prices and earnings of ships – all stored and processed in a highly structured format.

We continue to deliver further product innovations utilising latest technology and during the first half a number of our digital platforms were enhanced, with further releases planned during the second half. Research has expanded its wide ranging data provision to the Clarksons Platou broking and financial teams and continues to enhance the global profile of Clarksons across the shipping industry. Clarkson Research Services' head count has reached 108, with further hires into our sales, data analytics and IT teams, along with expansion of operations in Shanghai and Singapore to support our Asian growth strategy.

Directors' responsibilities statement

The Directors confirm that:

- these interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as adopted by the European Union; and
- the interim report includes a fair review of the information required by:
  - (a) DTR 4.2.7, being an indication of important events that have occurred during the first six months of the financial year ending 31 December 2017, and their impact on the interim financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - (b) DTR 4.2.8, being material related party transactions that have taken place in the first six months of the financial year ending 31 December 2017, and any material changes in the related party transactions described in the 2016 annual report.

The Directors of Clarkson PLC are listed in the Clarkson PLC annual report for 31 December 2016. A list of current Directors is maintained on the Clarkson PLC website: www.clarksons.com.

The maintenance and integrity of the Clarkson PLC website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and, accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

James Hughes-Hallett
Chairman

11 August 2017

Report on the interim financial statements

Our conclusion

We have reviewed Clarkson PLC's interim financial statements (the interim financial statements) in the interim report of Clarkson PLC for the six month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2017;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The interim report, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London

11 August 2017

Financial statements Consolidated income statement

for the half year to 30 June

	Notes	2017 Before acquisition related costs £m*	2017 Acquisition related costs (note 4) £m*	2017 After acquisition related costs £m*	2016 Before acquisition related costs £m*	2016 Acquisition related costs (note 4) £m*	2016 After acquisition related costs £m*
Revenue	3	156.8	–	156.8	147.2	–	147.2
Cost of sales		(4.5)	–	(4.5)	(4.3)	–	(4.3)
Trading profit		152.3	–	152.3	142.9	–	142.9
Administrative expenses		(128.2)	(2.3)	(130.5)	(121.5)	(3.7)	(125.2)
Operating profit	3	24.1	(2.3)	21.8	21.4	(3.7)	17.7
Finance revenue		0.5	–	0.5	0.6	–	0.6
Finance costs		(0.1)	(0.3)	(0.4)	(0.2)	(0.6)	(0.8)
Profit before taxation		24.5	(2.6)	21.9	21.8	(4.3)	17.5
Taxation	5	(6.2)	0.6	(5.6)	(5.4)	0.9	(4.5)
Profit for the period		18.3	(2.0)	16.3	16.4	(3.4)	13.0
Attributable to:							
Equity holders of the Parent Company		17.2	(2.0)	15.2	15.9	(3.4)	12.5
Non-controlling interests		1.1	–	1.1	0.5	–	0.5
Profit for the period		18.3	(2.0)	16.3	16.4	(3.4)	13.0
Earnings per share							
Basic	6	57.5p		50.8p	52.9p		41.7p
Diluted	6	57.4p		50.7p	52.3p		41.3p

* Unaudited

Financial statements Consolidated statement of comprehensive income
for the half year to 30 June

	2017 £m*	2016 £m*
Profit for the period	**16.3**	13.0
Other comprehensive (loss)/income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain/(loss) on employee benefit schemes – net of tax	**2.3**	(3.3)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences on retranslation of foreign operations	**(7.4)**	36.7
Foreign currency hedge – net of tax	**3.5**	(3.7)
Other comprehensive (loss)/income	**(1.6)**	29.7
Total comprehensive income for the period	**14.7**	42.7
Attributable to:		
Equity holders of the Parent Company	**13.7**	41.8
Non-controlling interests	**1.0**	0.9
Total comprehensive income for the period	**14.7**	42.7

* Unaudited

Consolidated balance sheet

as at 30 June

	Notes	2017 £m*	2016 £m*	31 December 2016 £mǂ
Non-current assets				
Property, plant and equipment		**28.9**	30.2	30.0
Investment property		**1.2**	1.2	1.2
Intangible assets	8	**293.7**	292.9	300.5
Trade and other receivables		**1.8**	1.6	1.8
Investments		**4.3**	1.9	4.1
Employee benefits	12	**10.2**	–	7.5
Deferred tax asset		**10.6**	12.6	12.8
		350.7	340.4	357.9
Current assets				
Inventories		**0.6**	0.8	0.7
Trade and other receivables		**58.2**	73.2	56.7
Income tax receivable		**1.0**	3.5	2.3
Investments	9	**5.4**	5.7	29.8
Cash and cash equivalents	10	**117.4**	106.3	154.0
		182.6	189.5	243.5
Current liabilities				
Interest-bearing loans and borrowings	11	**–**	(23.3)	(23.6)
Trade and other payables		**(97.3)**	(111.2)	(142.3)
Income tax payable		**(6.3)**	(6.6)	(6.5)
		(103.6)	(141.1)	(172.4)
Net current assets		**79.0**	48.4	71.1
Non-current liabilities				
Trade and other payables		**(10.8)**	(10.3)	(11.3)
Provisions		**(0.1)**	–	(0.1)
Employee benefits	12	**(4.7)**	(7.2)	(5.2)
Deferred tax liability		**(5.7)**	(3.5)	(5.7)
		(21.3)	(21.0)	(22.3)
Net assets		**408.4**	367.8	406.7
Capital and reserves				
Share capital	13	**7.6**	7.6	7.6
Other reserves		**236.9**	223.3	240.1
Retained earnings		**162.0**	134.5	155.8
Equity attributable to shareholders of the Parent Company		**406.5**	365.4	403.5
Non-controlling interests		**1.9**	2.4	3.2
Total equity		**408.4**	367.8	406.7

* Unaudited

ǂ Audited

Financial statements Consolidated statement of changes in equity

for the half year to 30 June

	Notes	Attributable to equity holders of the Parent Company				Non-controlling interests £m*	Total equity £m*
		Share capital £m*	Other reserves £m*	Retained earnings £m*	Total £m*		
Balance at 1 January 2017		**7.6**	**240.1**	**155.8**	**403.5**	**3.2**	**406.7**
Profit for the period		–	–	15.2	15.2	1.1	16.3
Other comprehensive income:							
Actuarial gain on employee benefit schemes – net of tax		–	–	2.3	2.3	–	2.3
Foreign exchange differences on retranslation of foreign operations		–	(7.3)	–	(7.3)	(0.1)	(7.4)
Foreign currency hedge – net of tax		–	3.5	–	3.5	–	3.5
Total comprehensive (loss)/income for the period		–	(3.8)	17.5	13.7	1.0	14.7
Transactions with owners:							
Employee share schemes		–	0.6	1.1	1.7	–	1.7
Tax on other employee benefits		–	–	0.6	0.6	–	0.6
Tax on other items in equity		–	–	0.1	0.1	–	0.1
Dividend paid	7	–	–	(13.1)	(13.1)	(2.3)	(15.4)
		–	0.6	(11.3)	(10.7)	(2.3)	(13.0)
Balance at 30 June 2017		**7.6**	**236.9**	**162.0**	**406.5**	**1.9**	**408.4**

	Notes	Attributable to equity holders of the Parent Company				Non-controlling interests £m*	Total equity £m*
		Share capital £m*	Other reserves £m*	Retained earnings £m*	Total £m*		
Balance at 1 January 2016		7.6	194.2	136.2	338.0	2.9	340.9
Profit for the period		–	–	12.5	12.5	0.5	13.0
Other comprehensive income:							
Actuarial loss on employee benefit schemes – net of tax		–	–	(3.3)	(3.3)	–	(3.3)
Foreign exchange differences on retranslation of foreign operations		–	36.3	–	36.3	0.4	36.7
Foreign currency hedge – net of tax		–	(3.7)	–	(3.7)	–	(3.7)
Total comprehensive income for the period		–	32.6	9.2	41.8	0.9	42.7
Transactions with owners:							
Employee share schemes		–	(3.5)	1.0	(2.5)	–	(2.5)
Tax on other employee benefits		–	–	0.1	0.1	–	0.1
Tax on other items in equity		–	–	(0.1)	(0.1)	–	(0.1)
Dividend paid	7	–	–	(11.9)	(11.9)	(1.4)	(13.3)
		–	(3.5)	(10.9)	(14.4)	(1.4)	(15.8)
Balance at 30 June 2016		7.6	223.3	134.5	365.4	2.4	367.8

* Unaudited

Financial statements Consolidated cash flow statement
for the half year to 30 June

	Notes	2017 £m*	2016 £m*
Cash flows from operating activities			
Profit before taxation		21.9	17.5
Adjustments for:			
Foreign exchange differences		4.5	(4.2)
Depreciation of property, plant and equipment		2.4	2.5
Share-based payment expense		0.8	0.9
Profit on sale of property, plant and equipment		(0.1)	–
Amortisation of intangibles		1.8	3.2
Difference between pension contributions paid and amount recognised in the income statement		(0.6)	(1.1)
Finance revenue		(0.5)	(0.6)
Finance costs		0.4	0.8
Decrease in inventories		0.1	0.1
Increase in trade and other receivables		(4.2)	(13.0)
Decrease in bonus accrual		(32.0)	(38.6)
(Decrease)/increase in trade and other payables		(5.9)	8.4
Decrease in provisions		–	(0.1)
Cash utilised from operations		(11.4)	(24.2)
Income tax paid		(3.2)	(4.9)
Net cash flow from operating activities		(14.6)	(29.1)
Cash flows from investing activities			
Interest received		0.4	0.4
Purchase of property, plant and equipment		(1.6)	(1.1)
Proceeds from sale of property, plant and equipment		0.1	0.1
Transfer from current investments (funds on deposit)		24.1	–
Acquisition of subsidiaries, including settlement of deferred consideration		(24.4)	(23.7)
Dividends received from investments		0.1	0.1
Net cash flow from investing activities		(1.3)	(24.2)
Cash flows from financing activities			
Interest paid		(0.1)	(0.2)
Dividend paid	7	(13.1)	(11.9)
Dividend paid to non-controlling interests		(2.3)	(1.4)
ESOP shares acquired		–	(4.8)
Net cash flow from financing activities		(15.5)	(18.3)
Net decrease in cash and cash equivalents		(31.4)	(71.6)
Cash and cash equivalents at 1 January		154.0	168.4
Net foreign exchange differences		(5.2)	9.5
Cash and cash equivalents at 30 June	10	117.4	106.3

* Unaudited

1 Corporate information

The interim financial statements of Clarkson PLC for the six months ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 11 August 2017. Clarkson PLC is a Public Limited Company, listed on the London Stock Exchange, incorporated and registered in England and Wales and domiciled in the UK.

The interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2016 were approved by the Board of Directors on 10 March 2017 and delivered to the Registrar of Companies. The Auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006. The interim financial statements have been reviewed, not audited.

Copies of the interim report will be circulated to all shareholders and will also be available from the registered office of the Company at Commodity Quay, St. Katharine Docks, London E1W 1BF and on www.clarksons.com.

2 Statement of accounting policies

2.1 Basis of preparation

The interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim financial statements do not 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 for the year ended 31 December 2016, which were prepared in accordance with IFRSs as adopted by the European Union.

The Group has considerable financial resources available and a strong balance sheet. As a result of this, the Directors believe that the Group is well placed to manage its business risks successfully, despite the challenging market backdrop. The Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for at least the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The interim consolidated income statement is shown in columnar format to assist with understanding the Group's results by presenting profit for the period before acquisition related costs; this is referred to as underlying profit. The column 'acquisition related costs' includes the amortisation of intangible assets acquired through business combinations, the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on acquisitions and interest on the loan note obligations.

2 Statement of accounting policies continued

2.2 Accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016, except as described below:

- Taxes on income in the interim period are accrued using the tax rate that would be applicable to expected total annual profit or loss
- Amendment to IAS 19, 'Employee benefits' regarding defined benefit plans
- Amendment to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'
- Amendment to IFRS 11, 'Joint arrangements'
- Amendments to IAS 1, 'Presentation of financial statements'

There were no other new IFRSs or interpretations issued by the IFRS Interpretation Committee (IFRS IC) that had to be implemented during the period that significantly affects these interim financial statements.

As at the date of authorisation of these interim financial statements, the following standards and interpretations were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The Group has not applied these standards and interpretations in the preparation of these financial statements.

- IFRIC 23 'Uncertainty over income tax treatments', effective from 1 January 2019 and not yet endorsed by the EU.
- Amendment to IAS 7, 'Statement of cash flows' regarding the disclosure initiative is not yet EU endorsed.
- Amendment to IAS 12, 'Income taxes' regarding recognition of deferred tax assets for unrealised losses is not yet EU endorsed.
- Annual improvements to IFRSs: 2014-2016 is not yet EU endorsed.
- IFRS 9, 'Financial instruments', effective from 1 January 2018. The standard applies to the classification and measurement of financial assets and financial liabilities, impairment provisioning and hedge accounting.
- IFRS 15, 'Revenue from contracts with customers', effective from 1 January 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.
- IFRS 16, 'Leases', effective from 1 January 2019. This standard requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

The impact on the Group's financial statements of the future adoption of these and other new standards and interpretations is still under review and disclosure will be provided in the annual report for the year ended 31 December 2017.

There were no other new IFRSs or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.3 Accounting judgements and estimates

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

2.4 Seasonality

The Group's activities are not subject to significant seasonal variation.

2.5 Forward-looking statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

3 Segmental information

For the half year to 30 June

	Revenue		Results	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Broking	**118.0**	115.5	**21.0**	19.3
Financial	**23.2**	16.7	**5.0**	2.4
Support	**8.3**	8.3	**0.7**	0.8
Research	**7.3**	6.7	**2.4**	2.3
Segment revenue/underlying profit	**156.8**	147.2	**29.1**	24.8
Head office costs			**(5.0)**	(3.4)
Operating profit before acquisition related costs			**24.1**	21.4
Acquisition related costs			**(2.3)**	(3.7)
Operating profit after acquisition related costs			**21.8**	17.7
Finance revenue			**0.5**	0.6
Finance costs			**(0.4)**	(0.8)
Profit before taxation			**21.9**	17.5
Taxation			**(5.6)**	(4.5)
Profit for the period			**16.3**	13.0

All revenue is generated externally.

4 Acquisition related costs

Included in acquisition related costs are cash and share-based payment charges of £0.5m (2016: £0.5m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £1.8m (2016: £3.2m) relating to amortisation of intangibles acquired as part of the Platou acquisition. Interest on the loan notes issued as part of the Platou acquisition totals £0.3m (2016: £0.6m).

5 Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate, excluding acquisition related costs, used for the year to 31 December 2017 is 25% (the estimated tax rate used for the six months ended 30 June 2016 was 25%). The effective tax rate, after acquisition related costs, is 25.4% (2016: 25.9%).

6 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the period, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

For the half year to 30 June

	2017 £m	2016 £m
Profit for the period attributable to ordinary equity holders of the Parent Company	**15.2**	12.5

	2017 Million	2016 Million
Weighted average number of ordinary shares – basic	**30.1**	29.9
Dilutive effect of share options and acquisition related share awards	**–**	0.3
Weighted average number of ordinary shares – diluted	**30.1**	30.2

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7 Dividends

For the half year to 30 June

	2017 £m	2016 £m
Declared and paid during the period:		
Final dividend for 2016 of 43p per share (2015: 40p per share)	13.1	11.9
Payable (not recognised as a liability at 30 June):		
Interim dividend for 2017 of 23p per share (2016: 22p per share)	7.0	6.6

8 Intangible assets

Goodwill and other intangible assets are held in the currency of the businesses acquired and are subject to foreign exchange retranslations to the closing rate at each period end. As a result of this retranslation, at 30 June 2017 the carrying value of goodwill decreased by £4.9m and the carrying value of other intangible assets decreased by £0.1m.

9 Investments

Included within current investments is £5.4m held in a deposit with a 95 day notice period (30 June 2016: £5.4m, 31 December 2016: £19.4m). At 31 December 2016, the Group also held £10.0m in a deposit with a maturity of six months. These deposits are held with an A-rated financial institution.

10 Cash and cash equivalents

	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Cash at bank and in hand	110.7	98.7	147.7
Short-term deposits	6.7	7.6	6.3
	117.4	106.3	154.0

Net cash and available funds, after deducting amounts accrued for performance-related bonuses but including current investments, amounted to £71.4m (30 June 2016: £46.7m, 31 December 2016: £74.8m).

11 Interest-bearing loans and borrowings

Interest-bearing loans and borrowings comprised the vendor loan notes issued as part of the consideration for the Platou acquisition. Interest was charged at 12 month sterling LIBOR plus 1.25%. Half the loan notes were repaid on 30 June 2016, the balance of £23.9m was repaid on 30 June 2017.

12 Employee benefits

The Group operates three defined benefit pension schemes, being the Clarkson PLC scheme, the Plowrights scheme and the Stewarts scheme.

The following tables summarise amounts recognised in the consolidated balance sheet and the components of the net benefit charge recognised in the consolidated income statement.

Recognised in the balance sheet	**30 June 2017 £m**	30 June 2016 £m	31 December 2016 £m
Fair value of schemes' assets	**203.0**	184.4	200.5
Present value of funded defined benefit obligations	**(193.1)**	(189.3)	(194.1)
	9.9	(4.9)	6.4
Minimum funding requirement in relation to the Plowrights scheme	**(4.4)**	(2.3)	(4.1)
Net benefit asset/(liability) recognised in the balance sheet	**5.5**	(7.2)	2.3
Net deferred tax (liability)/asset on above asset/(liability)	**(0.9)**	1.1	(0.4)

Recognised in the income statement	**2017 £m**	2016 £m
Recognised in other finance costs – pensions:		
Expected return on schemes' assets	**2.6**	3.2
Interest cost on benefit obligation and minimum funding requirement	**(2.6)**	(3.2)
Recognised in administrative expenses:		
Scheme administrative expenses	**(0.1)**	(0.1)
Net benefit charge recognised in the income statement	**(0.1)**	(0.1)

13 Share capital

	30 June 2017 Million	30 June 2016 Million	31 December 2016 Million	30 June 2017 £m	30 June 2016 £m	31 December 2016 £m
Ordinary shares of 25p each, issued and fully paid	**30.2**	30.2	30.2	**7.6**	7.6	7.6

14 Contingencies

From time to time the Group is engaged in litigation in the ordinary course of business. The Group carries professional indemnity insurance. There is currently no litigation expected to have a material adverse financial impact on the Group's consolidated results or net assets.

15 Principal risks and uncertainties

The Directors consider that the nature of the principal risks and uncertainties which may have a material effect on the Group's performance in the second half of the year is unchanged from those identified in the risk management section of the 2016 annual report on pages 38 to 41. These include strategic risk, reputational risk, operational risk, people risk and financial risk. Note 26 of the 2016 annual report sets out the financial risk management objectives and policies of the Group. These are also unchanged from the year-end.

16 Related party disclosures

The Group's significant related parties are as disclosed in the 2016 annual report. There were no material differences in related parties or related party transactions in the period ended 30 June 2017.

17 Financial instruments

Fair value measurements apply to the foreign currency contracts of £1.9m liability at 30 June 2017 (£6.2m liability at 31 December 2016). These are classified as level 2. The method for determining the hierarchy and fair value is consistent with that used at the year-end, as disclosed on page 115 of the 2016 annual report. Investments in unlisted ordinary shares are carried at cost because a fair value cannot be determined reliably.

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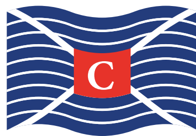

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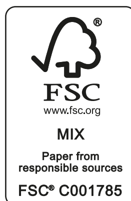

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