Clarkson PLC
Interim Report 2016

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.

Contents

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Group at a glance

Against current market headwinds, Clarksons' focus remains on our clear, long-term growth strategy, positioning our business to capitalise when the upturn in our markets comes.

The breadth of our offer combined with our geographic reach has enabled us to grow significantly shipbroking volumes

Our experienced financial team has leveraged opportunities across the business to close deals and build an encouraging mandate pipeline

Our research team has delivered a very good performance with strong growth in underlying sales

Group performance

as at 30 June

Revenue

£147.2m

2015: £145.3m

Underlying profit before taxation

£21.8m

2015: £23.6m

Reported profit before taxation

£17.5m

2015: £10.8m

Underlying earnings per share

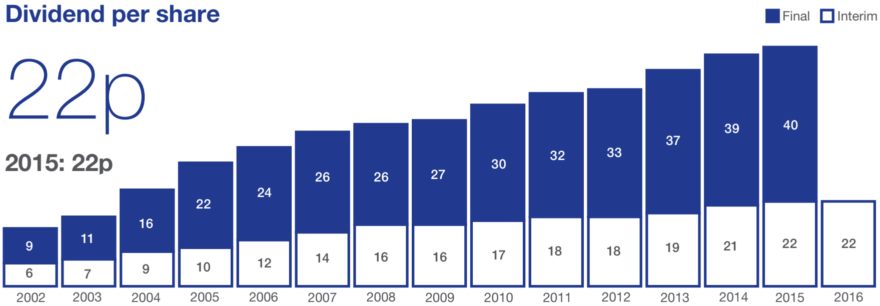
52.9p

2015: 54.3p

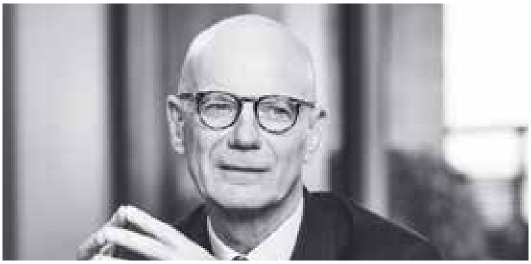
Dividend per share

22p

2015: 22p



Chairman's review



"Clarksons' focus on developing 'best in class' client service, coupled with our unique product breadth and global reach and underpinned by our market-leading research and expert teams, positions us to tackle the current market headwinds.

Global economic and political uncertainty continues to impact the international shipping, offshore and capital markets. No business in our industry is immune and, whilst Clarksons' teams have worked extremely hard to be at the forefront of activity, the difficult trading environment will inevitably be reflected in the Group's performance for the year, as previously outlined in our recent trading update.

Over the years shipping has been an industry exposed to cyclical volatility of markets but the Board firmly believes that we have a robust strategy in place which is aligned to the long-term fundamentals of our markets, regardless of short-term market turbulence. Clarksons' focus on developing 'best in class' client service, coupled with our unique product breadth and global reach and underpinned by our market-leading research and expert teams, positions us to tackle the current market headwinds.

Our business is highly cash generative and supported by a strong balance sheet. This enables us to continue to invest where appropriate and to capitalise on opportunities as they become available, thus positioning Clarksons for the longer term return of higher freight rates, increased asset values and renewed activity in the capital markets.

James Hughes-Hallett Chairman
12 August 2016

Chief Executive's review

"The strength of the Clarksons team is core to our business and, despite the difficult trading environment, we remain a leader in every sector in which we operate.

The global shipping industry is experiencing the most challenging environment seen in many years. The spread of challenges across the individual shipping and offshore markets, caused by the continuing imbalance between supply and demand, compounded by global economic uncertainty has seen rates under severe pressure in the first half of 2016. The performance of the ClarkSea Index in the same period of 2016 was down 18% on the index's average since 2009 and down 30% compared to the respective average for H1 2015. The Baltic Dry Index has similarly fallen sharply year-on-year, testing all-time lows during the period.

Against these market headwinds, Clarksons' focus remains on our clear, long-term growth strategy, positioning our business to capitalise when the upturn in our markets comes. The breadth of our fully integrated client offer combined with our geographic reach has enabled us to grow significantly volumes in our broking division during the period, but the fall in freight rates and asset values has impacted revenues and driven the market to be spot focused with sharply reduced newbuilding activity. The offshore markets also remain severely challenged. Whilst the recent recovery in the oil price has driven some return to activity in offshore broking, any recovery will have to be sustained for some time before confidence returns and meaningful volumes start to come through.

Falling rates and asset values, along with subdued capital markets and continued weak investor confidence, has led to reduced activity within our financial division in the first half of the year. However, our experienced teams have leveraged opportunities across the business to close deals and put in place an encouraging mandate pipeline, even if visibility on execution timelines will remain limited until broader market conditions start to improve.

Our support business continues to be impacted by the challenges facing the offshore industry, although we have seen an encouraging increase in activity in the offshore renewable sector and a strong performance from our dry cargo business.

In difficult markets, the value our clients place on trusted, industry-leading analysis has increased and our research team has continued to deliver a very good performance over the period with strong growth in underlying sales driven by the market's need for quality valuation services and our continually developing digital solutions.

We continue to prioritise and drive innovation across our business, underpinning Clarksons' unrivalled expertise and knowledge with leading technology. This facilitates our integrated business model and ability to share information across our business, which also allows us to develop 'best in class' solutions and services for our clients and we continue to make investments in this important field across the Group.

The strength of the Clarksons team is core to our business and, despite the difficult trading environment, we remain a leader in every sector in which we operate. That position is underpinned by the expertise and determination of our team and our 'can-do' culture, and I am delighted that we have been able to attract some great additions to our team during the period, ensuring we are best placed for when trading conditions improve.

Chief Executive’s review continued

Results
The Group’s underlying results exclude the impact of acquisition related costs and exceptional items in order to present the results from the ordinary course of business. The first half of 2016 incorporates a full six months of results from Platou, whereas the first half of 2015 included five months post acquisition. First half revenues increased by 1% to £147.2m (2015: £145.3m) and administrative expenses increased by 5% to £121.5m (2015: £115.4m). Underlying profit before taxation was £21.8m (2015: £23.6m), which after acquisition related costs of £4.3m (2015: £9.1m acquisition related costs and £3.7m exceptional items), resulted in a reported profit before taxation of £17.5m (2015: £10.8m). Underlying earnings per share, before acquisition related costs, was 52.9p (2015: 54.3p before exceptional items and acquisition related costs). Basic reported earnings per share was 41.7p (2015: 15.0p).

Cash and dividends
Clarksons has a strong balance sheet with cash balances at 30 June 2016 of £106.3m (30 June 2015: £130.3m) and a further £5.4m (30 June 2015: £5.3m) in short-term investments, being 95 day notice deposits at UK banks. These balances reflect the payment of the final dividend relating to 2015 in early June 2016 and the repayment of £23.4m of loan notes at the end of June 2016. Net funds, after deduction of bonus entitlements and all outstanding loan notes but including short-term investments, amounted to £46.7m (30 June 2015: £41.3m).

The Board has declared an unchanged interim dividend of 22p per share (2015: 22p per share) which will be paid on 23 September 2016 to shareholders on the register at the close of business on 9 September 2016.

Goodwill and investments
Goodwill and other intangibles arising in 2015 are primarily held in currencies other than sterling. With the weakening of sterling just prior to the period end, and after amortisation, the carrying values increased by £29.7m.

On 18 July 2016, the Group made a strategic minority investment of US$5m in CargoMetrics Technologies LLC, a quantitative investment manager that leverages proprietary maritime trade data.

The Board notes the recent announcement made by SGX that it has agreed with The Baltic Exchange to proceed with the solicitation of support from The Baltic Exchange shareholders to acquire The Baltic Exchange for a total consideration of £77.6m and the potential for a total final dividend of at least £9.1m conditional upon SGX’s proposed cash offer becoming effective. As stakeholders are aware, Clarksons owns 14.5% of The Baltic Exchange, and I am delighted to confirm that the Board is supportive of SGX as owner of The Baltic Exchange. Nevertheless, there can be no assurance that SGX’s proposed cash offer will become effective.

Outlook
In the current uncertain macro-economic environment, we believe our markets will continue to be highly challenged, with low levels of newbuilding contracting and a prevalence of spot business continuing to limit forward visibility of earnings.

Industry operators and investors will, however, look to these difficult trading conditions to exploit areas of opportunity and our full service client offer will ensure we are at the forefront of this activity as it arises. Our broking teams seek to maintain and increase the strong volumes achieved in the first half of the year and our financial division is working on an encouraging pipeline of mandates, although investor confidence is impacting execution and lengthening deal conversion.

We have a clear strategy for long-term growth. Through our strong balance sheet we will continue to strategically invest in our business and take advantage of the opportunities as they arise, whilst at the same time managing our costs to meet the challenges of this current market environment and thereby ensuring we are positioned for the upturn in our market cycle when it comes.

The Board’s expectations as to the full year results remain unchanged from our last update to the market on 4 July 2016, with greater balance between the first and second halves.

Andi Case Chief Executive
12 August 2016

Business review
Broking

Revenue
£115.5m
2015: £110.1m

Segment underlying profit
£19.3m
2015: £22.0m

As previously outlined, rates and asset values across the majority of shipping markets were very low during the first half of 2016. However, Clarksons' breadth and depth in broking and offshore, supported by our geographic reach meant that our teams were able to capitalise on areas of opportunity, albeit at much lower rates.

There has continued to be a flight to quality, with operators looking to work with the most experienced advisors in the industry. The Clarksons teams have worked hard to grow volumes and take market share with particularly robust performances from our sale and purchase, gas, tankers and specialised products teams during the period.

Dry cargo

Against the backdrop of global economic uncertainty, weakness in financial markets and the glut of delayed December ships entering the market in early 2016, the Baltic Dry Index (BDI) dropped to its lowest level in history in the first quarter of 2016.

There were some key areas of the dry cargo market which showed encouraging signs in the second quarter and as a consequence, the BDI almost doubled when compared to the first quarter, albeit that rates remain too low in relation to operating costs. After two years of dismal industrial production growth in China, the Chinese government released a record RMB 6.6 trillion in social financing during the first quarter. This stimulated new housing projects and steel and iron ore prices reacted strongly with both commodities gaining more than 40% from the lows at the beginning of the year. Some positive sentiment in the freight market ensued as iron ore demand strengthened.

China's grain imports also remained strong benefiting South American exports. Whilst Argentina entered the grain market in force when its long-reigning punitive export tax was lifted earlier the year, this was short-lived as severe floods destroyed a large part of the harvest. Nevertheless, Brazil is experiencing one of its best seasons in grain exportation.

Irrespective of the fact that these factors have helped drive high volumes in the dry cargo market this year-to-date, freight rates are struggling to recover owing to the glut of ships entering the market. Earnings seldom cover the operating cost of vessels, forcing ship owners to take the unenviable decision to either demolish, idle or lay up their ships. By the end of June 2016 a record 293 ships had been sold for demolition, another 233 face the costly five-yearly special survey in 2016 and over 90 bulkers are in lay-up bays in countries such as Greece and Brunei. Many ships are also simply waiting idle for better earnings levels to return.

Given weak earnings, owners have been postponing deliveries of newbuilds. 343 ships had been delivered by the end of June, implying a slippage rate of 40% which in turn has put pressure on the financial performance of the shipyards. A dry cargo freight market recovery will therefore be dictated by the speed at which fleet oversupply can be eradicated.

Business review continued

Broking continued

Containers

During the first six months of 2016, the container shipping sector continued to experience very challenging conditions, with boxship charter earnings under severe pressure at bottom of the cycle levels. By the end of June, the one year time charter rate for a 4,400 TEU panamax vessel had decreased from US$6,000/day at the end of 2015 to US$5,150/day whilst the one year time charter rate for a 2,750 TEU sub-panamax vessel slipped from US$6,500/day at the end of 2015 to US$6,000/day. In the larger size ranges, the three year time charter rate for a 6,800 TEU sub-panamax vessel stood at US$30,000/day at the end of 2015 and had dropped to US$25,500/day by the end of June.

The key driver of the deterioration in the charter rates was the significant slowdown in demand growth, as weakening volume trends on key box trades eroded charterers' vessel demand. The level of idle capacity which had increased to over 8% of the fleet in early March, fell below 5% by the end of the first half.

At the end of June 2016, the spot freight rate on the key Far East-Europe trade stood at US$680/TEU, relatively low but above the 2015 full year average. On the demand side, global container trade is still expected to expand by around 4% in 2016, but this is clearly subject to downside risk from uncertainty in the world economy. On the supply side, the fully cellular fleet stood at 20 million TEU at the start of July 2016 having grown by just 1.1% since the start of the year. Total containership capacity growth is now expected to slow significantly in 2016, to around 3% from over 8% in 2015.

Tankers

As expected, the strong crude tanker market persisted into 2016 although year-to-date vessel earnings are somewhat lower than they were in the equivalent period of 2015. Continued high levels of exports from Saudi Arabia and Iraq, and a faster than expected increase in exports from Iran, have helped to maintain strong crude tanker demand, and both Chinese and Indian crude oil imports have continued to set new records. The general oversupply of crude oil and products, combined with logistical constraints, have also led to growing levels of floating storage. Low bunker prices have also continued to support higher earnings for owners in what is still a relatively tight vessel supply/demand balance. In recent weeks however, global uncertainties including unrest in Nigeria, Canadian wild fires, power shortages and logistical difficulties in Venezuela, strikes in France and the continued challenges in Libya have undermined demand for VLCCs and suezmaxes resulting in softer earnings.

While earnings across the crude tanker sector have been relatively firm during the first six months of 2016, it is the VLCCs that have once again performed most strongly with earnings in the suezmax and aframax sectors under more pressure. Suezmaxes have been directly impacted by the disruption in Nigeria, as West Africa is typically the largest loading area for this vessel size. In the aframax sector, the reduction in Ceyhan shipments due to attacks on the Iraq-Ceyhan pipeline, the absence of significant winter delays seen in previous years and a modest ice season in the Baltic, have all meant that the market has not reached the heights seen in 2015.

Product tanker earnings have been lower in 2016 when compared to the same period for the prior year. Estimated average earnings for LR2s on the benchmark AG-Japan route were US$20,773/day, down 26% on the equivalent period in 2015 and estimated earnings for LR1s on the same route have dropped 34% to US$16,226/day. LR1s have seen a marked decline in the key Europe–West Africa trade due to a combination of difficulties in importing cargoes into Nigeria and some switching to greater use of MRs on that trade route this year. LR2 and LR1 product tanker markets have also been affected by petrochemical cracker maintenance in Asia and competition from LPG as a feedstock, resulting in lower Japanese and Korean naphtha imports in the first four months of the year. On the supply side, the product tanker fleet is expected to grow by some 5% in 2016 and 2017, so strong trade growth will need to continue in order to maintain earnings.

Specialised products

As anticipated, many market participants entered 2016 in a cautiously optimistic mood, with the continuance of healthy earnings set against a backdrop of persistent economic and geo-political uncertainty. Healthy demand growth throughout the first six months of the year has been primarily driven by both a significant increase in methanol exports ex-US Gulf from new projects coming online and displaced Trinidadian product being required to find a new home.

The Clarksons Platou Specialised Products Spot Chemicals Freight Index recorded a 0.5% increase for the first half of 2016 when compared to the same period in the previous year, as nominal freight levels were broadly improved. The Clarksons Platou Specialised Products Spot Edible Oils Freight Index posted a decrease of 14% for 2016 when compared to the same period in 2015 which is mainly a result of a weaker CPP market and the El Niño weather phenomenon curbing palm oils production which is so strategically important to tonnage in the region. This progressively softening market has resulted in a 16% decline in the first half of 2016 in the edibles index.

As a result of the unsettled economic backdrop and distressed trading conditions in other major shipping sectors, private equity interest into the maritime markets has been subdued, impacting activity levels in the sale and purchase markets for chemical and other specialised product tankers.

Gas

The downward correction in VLGC freights witnessed from the second half of 2015 continued into the first quarter of 2016, gathering momentum through Q2. The Baltic AG-Japan rate fell to a low of US$24.50/tonne in June and has remained range bound between this level and the low US$30s since. These low freights were a reflection of much weakened sentiment following the delivery of 33 VLGC newbuildings (the highest level of deliveries in any six month period) as well as concern over US production levels. However US exports have actually increased by over 3 million mt year-on-year, following the expansion of the Enterprise and USEC terminals. While the rapid pace of growth in the fleet suggested some downward correction in freight levels from the highs of 2014 and 2015, the accompanying growth in trade should not have meant this correction was as steep as we have witnessed. Although lower bunker prices offered some initial support to freight levels, average TCE levels to the end of June were down 63%.

This downward adjustment in freight levels for the larger units has resulted in freights in the smaller sizes also succumbing to pressure. In combination with unsensational ammonia trade at the start of the year, LGC freights have now fallen 48% whilst time charter rates for both the mid and the handysizes have fallen by a less dramatic 17% and 10% respectively year-on-year.

LNG

Driven by new LNG production capacity, the LNG trade has expanded by 6% year-on-year in the first five months of 2016. With the abundance of supply, LNG demand has become the key issue for the industry. Most of the new supply commissioned in 2015/2016 is contracted without a fixed destination clause, thus those volumes are marketed on a short-term basis. Consequently the spot LNG price is expected to remain low with little correlation to the price of oil. The main demand growth area so far this year is the Middle East-South Asia region, which appears to benefit most from the low LNG price.

The market has seen the number of concluded fixtures up 23% in the first six months of 2016 against the equivalent period last year. This activity, however, did little to absorb shipping availability and, as a result, commercial terms remained under considerable downward pressure.

PCG and small LPG

Despite some recovery in the petrochemical long-haul market, the freight markets have remained depressed as a result of increased tonnage supply and downward pressure from the handy market. The pressure carrier sector continued to feel the brunt of both changes in trade flows and the recent expansion in the fleet rates in this sector experienced the largest drop in the year-to-date. However, rates have shown some greater resilience more recently and assessed time charter levels have started to level out.

Static fleet supply and growth in intra-regional petrochemical movements, as cracker runs remained healthy in Europe, helped support freights for the smaller ethylene and semi-refrigerated units which were only fractionally down on the same period last year. The larger ethylene carriers did not fare quite so well, however, and the assessed 12 month time charter level for an 8,250 cbm vessel dropped by 3% as larger units competed for cargoes.

Business review continued

Broking continued

Sale and purchase

Secondhand

Activity in the sale and purchase market in the first few months of 2016 was subdued, although momentum increased as the first half progressed.

In the dry cargo sector, secondhand activity has started to improve. The floor in asset prices was in March 2016 and since then confidence has increased. In the secondhand tanker market, prices are drifting downwards with low volumes of sales. Owners continue to experience reasonable spot rates so are unwilling to reduce their expectations but buyers are unwilling to pay current prices, especially in the absence of period business to support their acquisitions.

Newbuilding

Contracting activity in the newbuilding sector has fallen significantly, down some 80% year-on-year, reflecting the broader instability in the global shipbuilding market and its transition into a new phase of consolidation and restructuring.

In the short-term there remains a prevailing sentiment of volatility within the shipbuilding market. However, the sector is seeing some niche areas of activity in segments such as ROPAX and ferries.

Offshore

Offshore supply vessels

The North Sea PSV market has remained difficult for owners in 2016, with spot rates ranging between £3,229 and £14,286/day for 499-900m^2 deck PSVs, and between £3,695 and £13,994/day for 900m^2 PSVs (weekly numbers high and low). Term rates seem to have bottomed out between £4,750 and £5,500/day for the different categories, representing a 30-37% drop compared to H1 2015. However, as the rates are hovering around operating expenses levels, the decrease from H2 2015 to H1 2016 has been modest, ranging between 3-7%. Utilisation has been falling steadily since the middle of 2014, and the 900m^2 deck PSVs have obtained an average utilisation of 64% in the first four months of the year, compared to 83% H1 last year. Approximately 70 PSVs vessels have been laid up, and this has led to some more spikes in the spot market.

The North Sea AHTS market has also been challenging in 2016, with spot rates ranging between £4,750 and £52,920/day for 16,000 and 19,999 BHP AHTSs, and between £7,574 and £62,705/day for the largest class of AHTSs. Weather conditions have been very important, creating periods of unforeseen tightening of the market and spot rate spikes, however, the market for long-term AHTS contracts is almost non-existent. Around 30 vessels are laid up in the North Sea, representing 41% of the fleet and a significant number of rigs have and will come off contract in 2016. North Atlantic fixing activity has also been depressed, with further reduced international demand for the large AHTS vessels. Globally, rates have fallen both year-on-year and versus the second half of 2015.

The subsea market

As previously reported, low sanctioning activity has had a significant impact on demand for Construction/Installation and SURF subsea services. 2015 saw the lowest level of subsea tree awards since 2000, reflecting cuts in exploration and production capital expenditure. Recovery in this market will be highly dependent on the oil market rebalancing. Inspection Maintenance and Repair (IMR) work is driven by the level of existing infrastructure, combined with its age profile. With oil companies cutting IMR-related costs wherever possible, this is likely to lead to a backlog of work at a later date, though exact timing is uncertain.

The mobile offshore drilling unit market

Reduced oil prices, combined with cost and cash flow issues within oil and gas companies have put severe downward pressure on rig fixing activity, which has fallen more than 65% since 2012/2013. The resultant demand for MODUs is therefore declining rapidly and active rig utilisations have dropped to as much as 70% for both jackups and floaters. Day rates have followed and are approaching operational costs. Rig owners are reassessing their strategies and given the age of the existing fleet, scrapping and removals have started to come through, especially on the floater side. There have also been considerable delays and cancellations in the order book.

However, significantly lower exploration and production spending is leading to renewed optimism for a higher oil price and hence demand for oil services, including offshore rigs. Some budding signs of renewed activity have already been seen in the North America onshore rig count, which has bottomed and begun to rise. Nevertheless it is expected that the recovery in offshore rig utilisation and profitability is likely to take some time, mainly due to the overhang of supply.

Futures

Despite reaching new lows in Q1, the Cape 4TC 172 index rebounded to reach a peak in late April of 8,374 (a rise of 1,600%) proving that volatility is still very evident in this market. Panamax and supramax movements have been less pronounced where the average values year-to-date are US$3,907 and US$4,634 respectively.

Options had a promising start to the year with market volumes in Q1 more than three times greater than the same period last year, although the trend in Q2 has been much more inconsistent.

Iron ore volumes have nearly doubled from just over 150m tonnes in Q1 2015 to close to 400m tonnes in Q1 2016. The widely publicised volatility in iron ore pricing has created a vibrant swaps and options environment in which we continue to grow our market share.

Business review continued
Financial

Revenue
£16.7m
2015: £17.3m

Segment underlying profit
£2.4m
2015: £2.2m

Securities
Macro-economic and political uncertainty has continued to impact the global financial markets. With investor confidence across the shipping markets already weak, these combined factors have made for difficult trading conditions for our financial division.

Although activity levels have been reduced, the Clarksons Platou Securities (CPS) team have had some notable successes, executed in a very challenging market, including the US$70m equity offering in Scorpio Bulkers in which CPS acted as lead manager and sole bookrunner and the Golar and Stonepeak launch of Golar Power in which CPS acted as sole financial advisor. The team has also advised on a number of smaller placements, valuations and restructurings.

Project finance
Shipping
Activity in the shipping project finance market has been slightly lower in the first half of 2016 compared to 2015. The year started on a slower note, with transaction activity picking up towards summer. The current distressed situation in the dry cargo, container and offshore markets, has had an adverse effect on the opportunity to access debt finance for new projects. The access to traditional debt finance is now limited, as most commercial banks have significant exposure to these segments and are currently focused on restructuring and supporting their existing clients through the low part of the shipping cycle. For ship owners, the low charter levels and decline in ship values has had a negative effect on liquidity and balance sheets, which has affected their credit worthiness and access to finance. On the positive side, challenging market conditions also create opportunities for consolidation, the potential for new equity investments at historical low levels and more creative financial structures, which generates more activity for alternative finance providers.

Over the last six months, our team has focused on ensuring that our existing projects are performing well with several notable successes over the period, all achieved against difficult market headwinds. Our project sales team has generated a record high in secondary transaction volume and continues to provide a well-functioning secondary marketplace for new and existing investors.

Real estate
The Nordic real estate market reached all-time high in 2015 with Norway being the fifth largest European transaction market after the UK, Germany, France and Sweden. Across the entire Nordic market, yields on prime assets compressed as institutional funds sought yielding assets with stable dividends in stable macro-economies like the Nordic. Foreign investors have had an increasing appetite for the Norwegian market over recent years and in 2015 they were behind more than 50% of the total transaction value for the first time, with the trend continuing into the first half of 2016. Even though yields on prime assets have declined, the yield gap (difference between real estate yield and interest rate level) is historically high. The underlying market drivers are therefore more sustainable than we have seen in previous periods with yield compression.

Whilst total transaction values have declined in H1 2016 compared to H1 2015, mostly due to the lending restraints the banks are under and lack of supply, we still see a strong demand from the equity side and expect this to continue.

Debt and leasing solutions

The market has continued to be very challenging with the new, more stringent capital regulations restricting the flexibility the banks have to manage problem loans. Established banks have consequently been forced to make large provisions and/or accept credit losses. Global transaction volumes in the shipping and offshore markets during Q1 2016 were at their lowest since 2012, highlighting the reduction in lending activity. Those still in a position to lend continued to focus on quality, top-tier and financially strong clients.

There also continues to be a shift in the geographical spread of lenders. Throughout the last five years Asian financiers have proactively increased their portfolios and gained market share from the more traditional European lenders. Through our broad geographic footprint, Clarksons Platou debt and leasing services continues to maintain and develop strong relationships with both the traditional lenders and the alternative international finance providers. Over the course of the period we have further strengthened the team with key hires.

Business review continued

Support

Revenue

£8.3m

2015: £12.9m

Segment underlying profit

£0.8m

2015: £2.0m

Port services

Agency

The Clarksons agency business continues to experience mixed fortunes. Our dry cargo agency business has performed well over the period driven by strong grain exports following a good 2015 harvest combined with low freight rates. This business has mainly been driven through our Ipswich, Tilbury and Southampton offices, although we have seen increased involvement in grain shipments from the north east of England and Scotland.

Coal volumes have continued to fall as demand decreases from coal fired power stations; however, this volume has largely been replaced by imports of biomass into Tyne and Liverpool.

Trading in our offshore oil and gas agency business continues to be very challenging reflecting the broader market conditions. However the period has seen some increase in activity in the offshore renewable sector with several government proposed sites starting to be developed in 2016 and further sites planned for 2017.

Gibb Tools and Supplies

Our supply business continues to suffer from the downturn in the offshore oil and gas market. During the period, the integration of Opex Industrial Supplies into Gibb Tools was completed. The business now trades as Gibb Tools and Supplies, from one location in Aberdeen and one in Great Yarmouth.

Stevedoring

Our stevedoring operation in Ipswich has had an excellent start to 2016, and the first half of the year saw a record crop year tonnage at around 460,000 tonnes exported.

Indications are that export volumes should remain strong until the end of the harvest year. At present, it is too early to predict how the next harvest will affect our tonnages for the second half of 2016, but we are confident that as our customer base broadens we will handle a large share of the agricultural products being imported and exported from the East Anglia region.

Research

Revenue

£6.7m

2015: £5.0m

Segment underlying profit

£2.3m

2015: £1.5m

Despite challenging markets, research sales grew strongly through the period, up 34% year-on-year to reach £6.7m (2015: £5.0m). This growth builds on a consistent long-term growth profile in a competitive market, with underlying research sales growing at an average of 8% over the past five years. Over 75% of sales are annuity based and there is excellent customer retention.

While sales across our shipping and trade offering continued to grow, there was particularly encouraging growth across our offshore and energy offer (20% increase in sales year-on-year), as our newly developed market reports, such as Offshore Drilling Rig Monthly, and websites, such as World Offshore Register, continue to gain traction with the client base despite the market conditions.

Clarksons research digital products also performed well, with sales of our market-leading Shipping Intelligence Network and World Fleet Register (WFR) up 8% year-on-year as clients continue to value the importance of authoritative intelligence. A major upgrade to our WFR, with a range of new features and data made available, has been well received and we expect good growth from this product in the second half. The expansion of our register has now extended our fleet coverage to over 135,000 vessels.

There was robust growth in valuation income in the first six months, with challenging market conditions increasing client requirements for validation from authoritative and comprehensive sources. There was also a strong performance from our retainer services and consultancy team, who manage bespoke product and service packages for our larger corporate clients.

We continue to invest in this important area of our business, driving the expansion in the depth and breadth of our proprietary database and ensuring our research product offering continues to be market-leading and utilises the latest technology. New digital products and further product enhancement are expected to come on stream in the second half of the year, along with further investments into the operating support systems for the accounting and valuation team. Total research head count has increased to 94, with additional hires into our service and valuation teams and continued growth in our geographic footprint, including hires into Shanghai and Singapore.

Directors' responsibilities statement

The Directors confirm that:

– these condensed 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 2016, and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the 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 2016, and any material changes in the related party transactions described in the 2015 annual report.

The Directors of Clarkson PLC are listed in the Clarkson PLC annual report for 31 December 2015. 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
12 August 2016

Independent review report to Clarkson PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Clarkson PLC's condensed consolidated interim financial statements (the interim financial statements) in the interim report of Clarkson PLC for the six month period ended 30 June 2016. 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 and Transparency Rules 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 2016;
- 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 and Transparency Rules 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.

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 Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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.

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 and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the Company 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 and Transparency Rules 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
12 August 2016

Consolidated income statement

for the half year to 30 June

	Notes	2016 Before acquisition related costs £m*	2016 Acquisition related costs (note 5) £m*	2016 After acquisition related costs £m*	2015 Before exceptional items and acquisition related costs £m*	2015 Exceptional items (note 4) £m*	2015 Acquisition related costs (note 5) £m*	2015 After exceptional items and acquisition related costs £m*
Revenue	3	147.2	–	147.2	145.3	–	–	145.3
Cost of sales		(4.3)	–	(4.3)	(5.9)	–	–	(5.9)
Trading profit		142.9	–	142.9	139.4	–	–	139.4
Administrative expenses		(121.5)	(3.7)	(125.2)	(115.4)	(3.7)	(8.7)	(127.8)
Operating profit	3	21.4	(3.7)	17.7	24.0	(3.7)	(8.7)	11.6
Finance revenue		0.6	–	0.6	0.6	–	–	0.6
Finance costs		(0.2)	(0.6)	(0.8)	(0.8)	–	(0.4)	(1.2)
Other finance costs – pensions	14	–	–	–	(0.2)	–	–	(0.2)
Profit before taxation		21.8	(4.3)	17.5	23.6	(3.7)	(9.1)	10.8
Taxation	6	(5.4)	0.9	(4.5)	(6.4)	0.7	1.1	(4.6)
Profit for the period		16.4	(3.4)	13.0	17.2	(3.0)	(8.0)	6.2
Attributable to:								
Equity holders of the parent		15.9	(3.4)	12.5	15.2	(3.0)	(8.0)	4.2
Non-controlling interests		0.5	–	0.5	2.0	–	–	2.0
Profit for the period		16.4	(3.4)	13.0	17.2	(3.0)	(8.0)	6.2
Earnings per share								
Basic	7	52.9p		41.7p	54.3p			15.0p
Diluted	7	52.3p		41.3p	53.5p			14.8p

* Unaudited

Consolidated statement of comprehensive income

for the half year to 30 June

	2016 £m*	2015 £m*
Profit for the period	13.0	6.2
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial (loss)/gain on employee benefit schemes – net of tax	(3.3)	4.1
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences on retranslation of foreign operations	36.7	(1.3)
Foreign currency hedge – net of tax	(3.7)	0.8
Other comprehensive income	29.7	3.6
Total comprehensive income for the period	42.7	9.8
Attributable to:		
Equity holders of the parent	41.8	8.2
Non-controlling interests	0.9	1.6
Total comprehensive income for the period	42.7	9.8

* Unaudited

Consolidated balance sheet

as at 30 June

	Notes	2016 £m*	2015 £m*	31 December 2015 £mǂ
Non-current assets				
Property, plant and equipment		**30.2**	19.5	30.8
Investment property		**1.2**	0.3	1.2
Intangible assets	10	**292.9**	288.6	263.2
Trade and other receivables		**1.6**	0.9	1.1
Investments		**1.9**	1.9	1.9
Deferred tax asset		**12.6**	12.9	12.5
		340.4	324.1	310.7
Current assets				
Inventories		**0.8**	1.2	0.9
Trade and other receivables		**73.2**	69.9	61.3
Income tax receivable		**3.5**	3.0	1.7
Investments	11	**5.7**	5.9	5.7
Cash and cash equivalents	12	**106.3**	130.3	168.4
		189.5	210.3	238.0
Current liabilities				
Interest-bearing loans and borrowings	12,13	**(23.3)**	(30.4)	(23.1)
Trade and other payables		**(111.2)**	(106.8)	(139.3)
Income tax payable		**(6.6)**	(5.8)	(5.9)
Provisions		**–**	(3.4)	(0.2)
		(141.1)	(146.4)	(168.5)
Net current assets		**48.4**	63.9	69.5
Non-current liabilities				
Interest-bearing loans and borrowings	13	**–**	(22.7)	(23.0)
Trade and other payables		**(10.3)**	(3.3)	(8.1)
Employee benefits	14	**(7.2)**	(8.9)	(4.1)
Deferred tax liability		**(3.5)**	(5.7)	(4.1)
		(21.0)	(40.6)	(39.3)
Net assets		**367.8**	347.4	340.9
Capital and reserves				
Share capital	15	**7.6**	7.5	7.6
Other reserves		**223.3**	213.5	194.2
Retained earnings		**134.5**	123.8	136.2
Equity attributable to shareholders of the parent		**365.4**	344.8	338.0
Non-controlling interests		**2.4**	2.6	2.9
Total equity		**367.8**	347.4	340.9

* Unaudited

ǂ Audited

Consolidated statement of changes in equity

for the half year to 30 June

	Notes	Attributable to equity holders of the parent					
		Share capital £m*	Other reserves £m*	Retained earnings £m*	Total £m*	Non-controlling interests £m*	Total equity £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	8	–	–	(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

	Notes	Attributable to equity holders of the parent					
		Share capital £m*	Other reserves £m*	Retained earnings £m*	Total £m*	Non-controlling interests £m*	Total equity £m*
Balance at 1 January 2015		5.2	35.5	126.6	167.3	–	167.3
Profit for the period		–	–	4.2	4.2	2.0	6.2
Other comprehensive income:							
Actuarial gain on employee benefit schemes – net of tax		–	–	4.1	4.1	–	4.1
Foreign exchange differences on retranslation of foreign operations		–	(0.9)	–	(0.9)	(0.4)	(1.3)
Foreign currency hedge – net of tax		–	0.8	–	0.8	–	0.8
Total comprehensive (loss)/income for the period		–	(0.1)	8.3	8.2	1.6	9.8
Transactions with owners:							
Net ESOP shares utilised		–	0.5	–	0.5	–	0.5
Loss on ESOP shares		–	–	(0.6)	(0.6)	–	(0.6)
Share-based payments		–	0.1	–	0.1	–	0.1
Share issues		2.3	177.5	–	179.8	–	179.8
Tax on other employee benefits		–	–	1.1	1.1	–	1.1
Tax on other items in equity		–	–	0.1	0.1	–	0.1
Acquisition of subsidiary		–	–	–	–	10.8	10.8
Dividend paid	8	–	–	(11.7)	(11.7)	(9.8)	(21.5)
		2.3	178.1	(11.1)	169.3	1.0	170.3
Balance at 30 June 2015		7.5	213.5	123.8	344.8	2.6	347.4

* Unaudited

Consolidated cash flow statement

for the half year to 30 June

	Notes	2016 £m*	2015 £m*
Cash flows from operating activities			
Profit before taxation		17.5	10.8
Adjustments for:			
Foreign exchange differences		(4.2)	(0.2)
Depreciation of property, plant and equipment		2.5	1.3
Share-based payment expense		0.9	0.9
Amortisation of intangibles	10	3.2	4.4
Difference between pension contributions paid and amount recognised in the income statement		(1.1)	(1.2)
Finance revenue		(0.6)	(0.6)
Finance costs		0.8	1.2
Other finance costs - pensions		–	0.2
Decrease in inventories		0.1	0.2
(Increase)/decrease in trade and other receivables		(13.0)	9.2
Decrease in bonus accrual		(38.6)	(51.8)
Increase/(decrease) in trade and other payables		8.4	(10.9)
(Decrease)/increase in provisions		(0.1)	0.4
Cash utilised from operations		(24.2)	(36.1)
Income tax paid		(4.9)	(7.3)
Net cash flow from operating activities		(29.1)	(43.4)
Cash flows from investing activities			
Interest received		0.4	0.3
Purchase of property, plant and equipment		(1.1)	(8.7)
Proceeds from sale of investments		–	6.8
Proceeds from sale of property, plant and equipment		0.1	0.1
Transfer from current investments (funds on deposit)		–	20.0
Acquisition of subsidiaries, including settlement of deferred consideration		(23.7)	(23.5)
Net cash and cash equivalents acquired on acquisitions		–	43.2
Dividends received from investments		0.1	0.3
Net cash flow from investing activities		(24.2)	38.5
Cash flows from financing activities			
Interest paid		(0.2)	(0.8)
Dividend paid	8	(11.9)	(11.7)
Dividend paid to non-controlling interests		(1.4)	–
Repayment of borrowings		–	(12.0)
ESOP shares acquired		(4.8)	–
Net cash flow from financing activities		(18.3)	(24.5)
Net decrease in cash and cash equivalents		(71.6)	(29.4)
Cash and cash equivalents at 1 January		168.4	152.9
Net foreign exchange differences		9.5	(0.9)
Cash and cash equivalents at 30 June	12	106.3	122.6

* Unaudited

Notes to the interim financial statements

1 Corporate information

The interim consolidated financial statements for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 12 August 2016. Clarkson PLC is a public limited company listed on the London Stock Exchange, registered in England and Wales and domiciled in the UK.

The interim consolidated 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 2015 were approved by the Board of Directors on 4 March 2016 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 consolidated financial statements have been reviewed, not audited.

Copies of the interim financial statements 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 consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim consolidated 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 2015, 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 risks successfully, despite the challenging backdrop. The Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for at least 12 months from the date of approval of the financial statements. Having reassessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim consolidated 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 (2015: before exceptional items and acquisition related costs); this is referred to as underlying profit. Items which are non-recurring in nature and considered to be material in size are shown as 'exceptional items'. The column 'acquisition related costs' includes acquisition related professional fees, interest on deferred consideration, amortisation of intangibles and the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations.

Notes to the interim financial statements continued

2 Statement of accounting policies continued

2.2 Accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2015, 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
- Annual improvements (2010 – 2012) and (2012 – 2014)
- 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 year that significantly affects these interim consolidated financial statements.

As at the date of authorisation of these interim consolidated 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.

- Amendments to IAS 7, 'Statement of cash flows'
- Amendment to IAS 12, 'Income taxes'
- Amendments to IFRS 2, 'Share based payments'
- IFRS 9, 'Financial instruments'
- IFRS 15, 'Revenue from contracts with customers'
- Amendment to IFRS 15, 'Revenue from contracts with customers'
- IFRS 16, 'Leases'

The impact on the Group's financial statements of the future adoption of these and other new standards and interpretations is still under review. The Group does not expect, with the exception of IFRS 15, 'Revenue from contracts with customers' which will be effective on or after 1 January 2018 and IFRS 16, 'Leases' which will be effective on or after 1 January 2019, that any of these changes will have a material effect on the results or net assets of the Group.

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 application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from those estimates.

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 2015, 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	
	2016* £m	2015 £m	**2016 £m**	2015 £m
Broking	**115.5**	110.1	**19.3**	22.0
Financial	**16.7**	17.3	**2.4**	2.2
Support	**8.3**	14.5	**0.8**	2.0
Research	**6.7**	5.0	**2.3**	1.5
	147.2	146.9		
Property services revenue arising within the Group, included in support	**–**	(1.6)		
Segment revenue/underlying profit	**147.2**	145.3	**24.8**	27.7
Head office costs			**(3.4)**	(3.7)
Operating profit before exceptional items and acquisition related costs			**21.4**	24.0
Exceptional items			**–**	(3.7)
Acquisition related costs			**(3.7)**	(8.7)
Operating profit			**17.7**	11.6
Finance revenue			**0.6**	0.6
Finance costs			**(0.8)**	(1.2)
Other finance costs – pensions			**–**	(0.2)
Profit before taxation			**17.5**	10.8
Taxation			**(4.5)**	(4.6)
Profit for the period			**13.0**	6.2

* All revenue generated externally.

Notes to the interim financial statements continued

4 Exceptional items

2016

There are no exceptional items in 2016.

2015

The exceptional charge in 2015 consisted of an additional £1.9m rent and service charges for the Company's new head office, Commodity Quay. Also included were £1.5m of restructuring costs and an onerous lease provision of £0.3m for a property in Singapore.

5 Acquisition related costs

Included in acquisition related costs are cash and share-based payment charges of £0.5m (2015: £1.3m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £3.2m (2015: £4.4m) 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 £0.6m (2015: £0.4m). Also included are £nil (2015: £3.0m) of legal and professional fees relating to the Platou and other acquisitions.

6 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 2016 is 25% (the estimated tax rate used for the six months ended 30 June 2015 was 27%). The effective tax rate, after acquisition related costs, is 25.9% (2015: 42.6% after exceptional items and acquisition related costs).

7 Earnings per share

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

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent 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

	2016 £m	2015 £m
Earnings	**12.5**	4.2

	2016 Million	2015 Million
Weighted average number of ordinary shares	**29.9**	28.1
Dilutive effect of share options and acquisition related share awards	**0.3**	0.4
Diluted weighted average number of ordinary shares	**30.2**	28.5

8 Dividends

For the half year to 30 June

	2016 £m	2015 £m
Declared and paid during the period:		
Final dividend for 2015 of 40p per share (2014: 39p per share)	11.9	11.7
Payable (not recognised as a liability at 30 June):		
Interim dividend for 2016 of 22p per share (2015: 22p per share)	6.7	6.6

9 Business combinations

2016

There were no material business combinations in 2016.

2015

On 2 February 2015, Clarkson PLC acquired 100% of the share capital of RS Platou ASA (Platou), which subsequently changed its name to Clarksons Platou AS.

The fair value of the consideration was £249.9m, of which £23.5m was paid in cash, £179.9m being the fair value of ordinary shares issued (based on the Clarkson PLC share price on the acquisition date) and £46.5m comprised loan notes.

Further information on the Platou acquisition, including details of the consideration paid, the fair value of the assets acquired and the liabilities assumed, can be found on pages 88 and 89 of the 2015 annual report.

10 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 2016 the carrying value of goodwill increased by £31.7m and the carrying value of other intangible assets increased by £1.2m.

11 Investments

Included within current investments are £5.4m of deposits with a maturity of 95 days (30 June 2015: £5.3m, 31 December 2015: £5.4m). These deposits are held with an A-rated financial institution.

Notes to the interim financial statements continued

12 Cash and cash equivalents

	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Cash at bank and in hand	**98.7**	128.5	161.3
Short-term deposits	**7.6**	1.8	7.1
Cash and cash equivalents included in the balance sheet	**106.3**	130.3	168.4
Bank overdraft	**–**	(7.7)	–
Cash and cash equivalents included in the cash flow statement	**106.3**	122.6	168.4

Net funds, after deduction of bonus entitlements and all outstanding loan notes but including short-term investments amounted to £46.7m (30 June 2015: £41.3m, 31 December 2015: £45.5m).

13 Interest-bearing loans and borrowings

Included within interest-bearing loans and borrowings is £23.3m (30 June 2015: £45.4m, 31 December 2015: £46.1m) of loan notes relating to the Platou acquisition. Interest is charged at 12 month sterling LIBOR plus 1.25%. Some of the loan notes were repaid on 30 June 2016, the balance is repayable on 30 June 2017.

14 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 2016 £m	30 June 2015 £m	31 December 2015 £m
Fair value of schemes' assets	**184.4**	173.5	170.1
Present value of funded defined benefit obligations	**(189.3)**	(181.6)	(172.8)
	(4.9)	(8.1)	(2.7)
Minimum funding requirement in relation to the Plowrights scheme	**(2.3)**	(0.8)	(1.4)
Benefit liability recognised in the balance sheet	**(7.2)**	(8.9)	(4.1)
Deferred tax asset on above liability	**1.1**	1.6	0.7

Recognised in the income statement	2016 £m	2015 £m
Expected return on schemes' assets – recognised in other finance costs - pensions	**3.2**	2.8
Interest cost on benefit obligation and minimum funding requirement – recognised in other finance costs – pensions	**(3.2)**	(3.0)
Service cost – recognised in administrative expenses	**(0.1)**	(0.1)
Net benefit charge recognised in the income statement	**(0.1)**	(0.3)

15 Share capital

	30 June 2016 Million	30 June 2015 Million	31 December 2015 Million	30 June 2016 £m	30 June 2015 £m	31 December 2015 £m
Ordinary shares of 25p each	**30.2**	30.1	30.2	**7.6**	7.5	7.6

On 2 February 2015, 9,518,369 ordinary shares were issued in relation to the Platou acquisition, refer to note 9.

16 Contingencies

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

17 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 2015 annual report on pages 32 and 33. These take into account the acquired Platou Group, and include strategic risk, reputational risk, operational risk, people risk and financial risk. Note 26 of the 2015 annual report sets out the financial risk management objectives and policies of the Group. These are also unchanged from the year-end.

18 Related party disclosures

The Group's significant related parties are as disclosed in the 2015 annual report. There were no material differences in related parties or related party transactions in the period ended 30 June 2016.

19 Financial instruments

Fair value measurements apply to the foreign currency contracts of £6.1m liability at 30 June 2016 (£1.4m liability at 31 December 2015). 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 103 of the 2015 annual report. Investments in unlisted ordinary shares are carried at cost because a fair value cannot be determined reliably.

Loan notes, included in interest-bearing loans and borrowings, are measured at amortised cost using the effective interest method. The carrying value of the loan notes and other current and non-current financial assets and liabilities is deemed to equate to fair value at 30 June 2016.

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Thank you.

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