12 August 2019

Clarkson PLC (Clarksons) is the world's leading provider of integrated shipping services. From offices in 23 countries on six continents, we play a vital intermediary role in the movement of the majority of commodities around the world.

Interim results

Clarkson PLC today announces unaudited interim results for the six months ended 30 June 2019.

Summary

- Robust first half performance despite challenges remaining in the shipping, offshore and capital markets
- Particularly strong trading in the broking division
- Underlying profit before taxation of £20.1m (2018: £19.2m)
- Underlying earnings per share of 48.5p (2018: 45.8p)
- Robust balance sheet, with £58.3m of free cash resources[1] (30 June 2018: £44.1m)
- Increased interim dividend of 25p per share (2018: 24p per share)
- Outlook for the full year remains unchanged

[1] Free cash resources are cash and cash equivalents and current investment deposits, after deducting interest-bearing loans and borrowings, amounts accrued for performance-related bonuses and amounts held by regulated businesses

	Six months ended 30 June 2019	Six months ended 30 June 2018
Revenue	**£167.8m**	£152.6m
Underlying profit before taxation*	**£20.1m**	£19.2m
Reported profit before taxation	**£19.2m**	£18.0m
Underlying earnings per share*	**48.5p**	45.8p
Reported earnings per share	**46.2p**	42.5p
Interim dividend per share	**25p**	24p

* Before acquisition related costs of £0.9m (2018: £1.2m).

Andi Case, Chief Executive Officer, commented:

"Clarksons has delivered a robust performance in the first half of 2019, with revenue up 10% and underlying profit up 5% on the first half of 2018, despite suppressed investor appetite weighing on the financial markets.

"As in previous years, our business remains second half weighted and we anticipate that the upcoming introduction of IMO 2020 will cause market disruption supporting higher freight rates as the supply of available vessels is impacted. This, and a broader re-balancing of supply and demand dynamics, means we remain confident in the outlook for Clarksons and the shipping markets, both in the coming months and longer-term."

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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. An explanation and reconciliation of the term 'underlying' and related calculations are included within the Chief Executive Officer's review.

About Clarkson PLC

Clarkson PLC is the world's leading provider of integrated services and investment banking capabilities to the shipping and offshore markets, facilitating global trade.

Founded in 1852, Clarksons offers its diverse and growing client base an unrivalled range of shipbroking services, sector research, on-hand logistical support and full investment banking capabilities in all key shipping and offshore sectors. Clarksons continues to drive innovation across its business, developing digital solutions which underpin the Company's unrivalled expertise and knowledge with leading technology.

The Group employs 1,605 people in 50 different offices across its four divisions and is number one or two in all its market segments.

The Company has delivered 16 years of consecutive dividend growth. The highly cash-generative nature of the business, supported by a strong balance sheet, has enabled Clarksons to continue to invest to position the business to capitalise on the upturn in its markets.

Clarksons is listed on the main market of the London Stock Exchange under the ticker CKN and is a member of the FTSE 250 Index.

For more information, visit www.clarksons.com.

Chair’s review

I am delighted to present my first Chair’s interim statement since my arrival at Clarksons in February 2019. Over the last six months I have met a large number of colleagues and stakeholders and have been impressed by both the quality of the global team and the robust and diverse business spanning all shipping and offshore sectors.

The global shipping, offshore and capital markets have remained challenging in the first half as the headwinds highlighted in our annual report in March slowed the speed of recovery expected from the downturn experienced over the past decade. Overcapacity in the global fleet is however slowly re-balancing with the continued low supply of new vessels, and the Board believes the supply/demand dynamics are beginning to equalise. Since the half year end, this is particularly highlighted within the dry cargo segment where the Baltic Dry Index has increased by 42%. The overall freight market however is more muted with the ClarkSea Index having increased by 2%.

The breadth and diversity of Clarksons’ business has helped deliver good results for the first half of 2019 which are in line with our expectations, following strong performances in our broking, research and support businesses, whilst our financial services business was impacted by investor sentiment in the capital markets. Continued market leadership across the verticals in broking has contributed to this solid financial performance.

We continue to invest in our outstanding and highly valued people, the core of the success of Clarksons, and in technology for the future. The innovative Sea/ platform, which offers end-to-end digitisation of the freight transaction supply chain, remains a clear differentiator for our business and will increase efficiencies and connectivity with clients.

The Board continues to expect 2019 to be second half weighted and the outlook for the full year remains unchanged. The introduction of the IMO 2020 sulphur cap regulations is rapidly approaching and, as the shipping fleet adjusts with both the retrofitting of scrubbers and requirements for new, more sustainable vessels, we believe that shipping supply dynamics will result in improving freight rates.

Bill Thomas
Chair
9 August 2019

Chief Executive Officer's review

I am pleased to report that Clarksons has delivered a robust first half performance in 2019, with our broking and research businesses reporting significantly improved performances on last year, despite the continued challenging shipping markets and broader investor macro-economic concerns weighing on market activity.

Headwinds from geo-political uncertainty have continued to affect general sentiment in the first half, however events such as trade wars also create market inefficiencies as goods travel different, and often longer, routes to their end destinations, creating opportunities for Clarksons. Without doubt, investor confidence has been impacted and this has been particularly evident in the capital markets, which have remained all but closed in the first half. As a result, our financial services division has had a particularly challenging first six months, despite having a strong pipeline of signed mandates which await a recovery in sentiment.

Clarksons has continued however to be a profitable and cash-generative business and our ongoing success is a reflection of the strength and quality of our people. We continue to evolve and, I believe, we have the best brokers in the world at Clarksons, with the smartest next generation of young brokers coming through the ranks, bringing renewed focus and vigour to the business and positioning Clarksons as a real force for future success. I would like to thank all of my colleagues for their tireless hard work and dedication in ensuring that our clients consistently receive first class service and truly expert insights and advice. Our results demonstrate the continued effectiveness of the scale and breadth of our offering, our market-leading positions and the strong relationships Clarksons fosters with its clients.

We remain confident in the outlook for the shipping markets, with the ClarkSea Index pointing to improving underlying fundamentals as it increased 8% year-on-year in the first half to move marginally above the trend last seen since the financial crisis. Whilst the average of the Baltic Dry Index (BDI) in the first half of 2019 was 26% weaker than the first half of 2018 and 40% weaker than the second half of 2018, we have begun to see increases in the BDI in recent weeks and the tanker market has recorded earnings up 80% year-on-year in the first half.

The imminent IMO 2020 sulphur cap regulations are set to provide market disruption for some sectors in the second half of 2019 and certainly into 2020 as time out of service for scrubber retrofit will reduce available 'active' capacity, supporting further market gains and earnings for charter market vessels as freight rates continue to improve. We also expect to see route inefficiencies for the foreseeable future as a lack of suitable fuel availability forces vessels to travel further to source the required fuel, combined with potentially slower steaming if the price of fuels vary dramatically.

The broking teams delivered a strong first half of 2019, despite a fall in dry cargo earnings from their six-year highs as the impact of the Vale dam disaster, adverse weather conditions and the US-China trade war resulted in some seaborne trade disruptions. Earnings in the tanker market during the first half of 2019 were significantly stronger than the first half of 2018, benefiting from high levels of oil production and exports and containership market conditions made progress over the period, albeit more gradually than expected. Container charter rates in the larger sizes saw by far the greatest gains, up on average c.40% since early 2019, with improvements for the smaller ships more limited in the first half. On the newbuild supply side, growth is slowing alongside a slower pace of deliveries and clients are being more strategic in the tonnage being ordered. Activity in the sale and purchase market was more challenging than expected.

The first half of 2019 has been difficult for our financial division. Weak investor sentiment on the back of macro-economic concerns have made capital markets transactions particularly challenging. There were no new listings of companies within our covered verticals on exchanges in the US or Norway during the first quarter. We did however complete six equity offerings and two debt offerings, raising approximately US$830m, with a number of further transactions postponed due to market conditions. Whilst market sentiment remains fragile, our financial division has a strong pipeline of mandated transactions ready to be executed as market conditions begin to improve.

Clarksons Research revenue grew by 6% during the first half, supported by significant ongoing investment and innovation, and remains the market leader in the provision of authoritative data and intelligence across shipping, trade, offshore and energy. Our data and analysis continues to be widely used and trusted across the shipping industry to support a range of decision-making by our clients. Our data offering also provides wide ranging support to the broking and finance teams of Clarksons and, increasingly, to the new Sea/ suite of systems.

The port services team continues to grow both in the UK and in Egypt, while offshore activities continue to increase in Scotland and the east coast of England in both the oil and gas and renewables markets.

We have previously talked about the importance of innovation and technology in the shipping industry and I am very proud to announce that we have established Maritech, a ring-fenced corporate subsidiary of Clarksons, through which we have launched Sea/, the world's first end-to-end digital shipping platform. Sea/ is an enabler and tool for trade, servicing users all along the shipping chain, digitalising the freight transaction workflow for partners including charterers, owners, traders, operators and brokers. Sea/ is highly complementary to brokers and will enable them to increase connectivity with their clients and enhance the service they offer.

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. Total revenue in the first half was £167.8m (2018: £152.6m) and administrative expenses were £139.7m (2018: £128.3m). Underlying profit before taxation was £20.1m (2018: £19.2m), which, after acquisition related costs of £0.9m (2018: £1.2m), resulted in a reported profit before taxation of £19.2m (2018: £18.0m). Underlying earnings per share, before acquisition related costs, were 48.5p (2018: 45.8p). Reported earnings per share were 46.2p (2018: 42.5p).

	2019 £m	2018 £m
Underlying profit before taxation	**20.1**	19.2
Acquisition related costs	**(0.9)**	(1.2)
Reported profit before taxation	**19.2**	18.0

Cash and dividends

Clarksons is a cash-generative business which enables us to maintain our progressive dividend policy for investors whilst maintaining sufficient funds to invest in the business, take advantage of opportunities as they may arise and provide sufficient headroom for us to weather the challenges and cyclicality of the shipping market.

Clarksons has a strong balance sheet with cash balances at 30 June 2019 of £109.1m (30 June 2018: £95.9m) and a further £1.7m (30 June 2018: £0.5m) 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 2018. Net cash and available funds, after deducting amounts accrued for performance-related bonuses but including certain short-term investments, amounted to £60.3m (30 June 2018: £60.2m). Free cash resources, after adjusting for amounts held by regulated businesses, amounted to £58.3m (30 June 2018: £44.1m).

The Board has declared an increased interim dividend of 25p per share (2018: 24p per share) which will be paid on 20 September 2019 to shareholders on the register at the close of business on 6 September 2019. This is in line with our progressive dividend policy, which has seen 16 years of consecutive dividend increases.

Should the challenges of the offshore and financial divisions continue, Clarksons may be required to recognise an impairment charge to goodwill held within our intangible assets in the future. Such an impairment charge would not be expected to have an impact on Clarksons' distributable reserves, cash position or our ability to pay dividends.

Outlook

Despite the ongoing challenges from market sentiment and global macro-economic uncertainty, we are encouraged by current trading conditions in the broking sector. As highlighted at the year-end, we continue to expect our full year results to be second half weighted.

We have a strong pipeline of mandated financial transactions ready to be executed should the capital markets open up again. Our continued investment in technology positions Clarksons at the forefront of the sector, with our end-to-end digital shipping platform evolving the way our brokers, charterers and shipowners interact and operate. We remain confident in the longer-term outlook for Clarksons, as we look to further strengthen our market-leading position across the shipping markets.

Andi Case
Chief Executive Officer
9 August 2019

Business Review

Broking

Revenue: £130.1m (2018: £111.5m)
Segment underlying profit: £21.8m (2018: £15.9m)

Dry cargo

The freight market during the first half of 2019 was a huge disappointment due to severe seaborne trade disruptions. The seasonal first quarter downturn was amplified by the impacts of the Brumadinho dam rupture at Vale's mine in Brazil and subsequently adverse weather in the northern parts of Brazil and in Australia's Pilbara iron ore region. As a result, iron ore seaborne trade suffered a 4% decline compared to the same period last year. African swine fever, which requires infected pigs to be culled, reduced the soybean feedstock demand significantly and the US-China trade war stifled industrial production.

The average of the BDI was 26% weaker than the first half of 2018 and 40% weaker than the second half of 2018. This market weakness led to accelerated demolition of older uneconomical tonnage, which reached 4.5m dwt, almost double the volume of the first half of last year. More robust new delivery volumes however resulted in expansion of the fleet by 2.5% year-on-year.

With the incoming IMO 2020 regulations, some ships took an early opportunity to enter ship repair yards to fit exhaust gas cleaning systems (scrubbers), which reduced the active fleet. That, together with the recent recovery in iron ore volumes and a robust East Coast South America corn season, assured the normalisation of rates and sent the BDI to 1,858 which is 42% above the rate at 30 June 2019.

Ongoing economic growth in emerging Asian countries and China's infrastructure stimulus support dry bulk seaborne demand. With the tightness in the active fleet prevailing as ships prepare for the monumental shift in the industry fuel usage requirements, freight rates should remain more buoyant than the first half.

Containers

Containership market conditions overall saw some degree of progress in the first half of 2019, but, with the exception of vessel earnings at the larger end of the charter market, this was more gradual than expected. The container freight market experienced a difficult first half; spot box freight rates generally trended downwards (as they did in the first half of 2018) though started to stabilise towards the end of the second quarter. The key Shanghai Containerised Freight Index fell by 9% between December 2018 and June 2019, although the first half average was still up 6% year-on-year. Despite this backdrop, containership charter rates improved in the first six months of 2019 with the 'basket' containership charter rate index up 12% between early 2019 and the end of the first half; although the average index was still down 15% year-on-year, the trend is now clearly upwards and sentiment has improved. Charter rates in the larger sizes saw by far the greatest gains, up on average c.40% since early 2019, with improvements for the smaller ships significantly more limited in the first half. The one year charter rate for a 6,800 TEU containership, for example, increased from US$11,000 per day at the end of 2018 to US$20,250 per day at the end of June 2019.

In terms of fundamentals, global seaborne box trade growth appeared relatively soft in the first six months of 2019; clear headwinds from the world economy, including the US-China 'trade war', had an impact and projections have been downgraded. Box trade growth is now expected to reach 3.4% in TEU terms (2.9% in TEU-miles), although significant risks remain and further downgrades are possible. On the supply side, growth is now clearly slowing. Total fleet capacity expansion stood at 1.8% so far in 2019 (compared to 5.6% in full year 2018) and is expected to reach a more moderate 2.9% for the whole of 2019 (and 3.2% in 2020), alongside a slower pace of deliveries. Boxship time 'out of service' for scrubber retrofit started to reduce available 'active' capacity in the first half of 2019 and is currently estimated to absorb c.1% of capacity across the whole of 2019 (c.2% above 8,000 TEU in size). Boxship contracting has remained subdued in the first six months of 2019 at 0.3m TEU and the order book remains historically limited at 11% of fleet capacity. Overall, fundamental re-balancing has been limited so far in 2019; however, there appears to be some upside for demand growth in the second half, although significant risks clearly remain. Improvements are expected in the remainder of 2019 and into 2020, but further re-balancing is likely to be gradual. Nevertheless, vessel scrubber retrofit time and other impacts related to the IMO 2020 regulations could support further market gains, and earnings for larger charter market vessels in particular.

Tankers

Crude tanker earnings in the first half of 2019 were significantly stronger than the very weak earnings seen in the first half of 2018, although somewhat weaker than the stronger levels seen in the second half of 2018. Clarksons assessed earnings for VLCCs trading on the main Middle East-Far East route were 146% higher than in the first half of 2018 but 28% down on the second half. Clarksons assessed average suezmax and aframax earnings increased by 117% and 91% respectively year-on-year in the first half of 2019, and were 25% and 17% lower respectively when compared to the second half of 2018.

In the early part of the year, crude tanker markets continued to feel residual benefit from the high levels of oil production and exports seen in the fourth quarter of 2018, as well as record levels of both reported US crude exports in February and delays in the Turkish Straits. Earnings weakened in the second half of March, with contributory factors believed to be: heavy newbuilding deliveries in the early part of the year; the OPEC and non-OPEC production cuts; the further decline in Venezuelan exports; easing of vessel delays; and seasonal refinery maintenance.

Earnings for VLCCs and suezmaxes strengthened somewhat once again in June, influenced by recent incidents involving tankers in the Middle East. The crude tanker market is expected to remain significantly stronger than in 2018 overall, supported by: increasing US crude exports, particularly in the second half of the year; a lower level of newbuilding deliveries in the second half of 2019; retrofitting of vessels with scrubbers; significant expansion of refining capacity in Asia; further restrictions on shipments from Iran and on Iranian tonnage, leading to additional shipments from elsewhere using spot market tonnage; and pre-IMO 2020 disruption in the fourth quarter.

In the clean tanker market, assessed earnings for LR2s on the benchmark Middle East-Far East route increased by 98% year-on-year in the first half of 2019 when compared to the first half of 2018 and also increased by 38% when compared to the levels seen in the second half of 2018. Assessed earnings for LR1s on the same route increased by 73% year-on-year in comparison to first half 2018 earnings and increased by 35% against the second half 2018 level of assessed earnings for LR1s on this route.

Assessed average clean MR earnings increased by 39% in the first half of 2019 compared to the first half of 2018 and by 45% compared to the second half of 2018. These increases should be seen in the context of a weak market in all but the last two months of 2018 however, they do demonstrate that the expected stronger market in 2019 is materialising.

The stronger earnings have coincided with the forward curve for gasoil being in contango, with forward prices at higher levels than current prices, which is generally considered beneficial for trading, as well as strong demand for gasoline imports into the US due to a combination of planned and unplanned refinery outages.

Looking forward, the closure of the largest oil refinery on the US East Coast is expected to support higher imports of gasoline into that region, and the commissioning of new refining capacity in China may drive increased products exports from the country. We also continue to anticipate an increase in overall products trade volumes and changes to trading patterns due to IMO 2020, leading to increased products tanker demand towards the end of the year. On the supply side, a lower level of newbuilding deliveries, together with retrofitting of LR2 products carriers with scrubbers, are also expected to support markets in the second half of the year.

Specialised products

The first few weeks of the year began with a reasonable earnings environment, however this soon gave way to a much more challenging backdrop, with owner earnings at a five year low for the balance of the first half. One of the key drivers keeping the market subdued has been the performance of the heavily linked petroleum products tanker market, which remains stuck in neutral across much of the globe. We are once again seeing instances of part-capable IMO MRs competing with chemical carriers for bulk cargoes, particularly in arterial routes ex-Middle East Gulf.

Benchmark spot rates have declined with the Clarksons Platou Specialised Products Bulk Chemical Index recording a 5% decrease over the first half of 2019 and the Clarksons Platou Specialised Products Edible Oils Index showing a steeper decline of 10%. The latter is particularly influenced by the ebb and flow of the petroleum products market due to the transient nature of tonnage trade between the two sectors. In a similar manner to the prevailing spot markets, the period charter and secondhand sectors were also bereft of activity with little deal flow. Continued uncertainty surrounding the impending IMO 2020 regulations and their impact was undoubtedly a persistent driver of lower liquidity in the chemical tanker projects space.

The volume of specialised products seaborne trade growth remains encouraging, with an upgraded annual growth figure of 6.3% year-on-year in 2018. While earnings and market sentiment are lacklustre, a combination of vast infrastructure spending, urbanisation rates, growing populations and increasing social mobility are positive mega-trends which we expect to continue driving specialised products trade in the medium and long-term. The US and Middle East's downstream liquid chemical investment schemes continue, with a raft of key project announcements showing no signs of weakening. We continue to believe in robust seaborne volume growth of around 5% in 2019 and 5% in 2020. Average trading distances are expected to increase marginally this year, thus giving tonne-mile growth of just greater than 5%. US-China trade wars have thus far had little direct impact on our overall market as the trade lane only accounts for just over 0.5% of total seaborne trade. That said, arguably it has decreased the productivity of the fleet during the period due to some re-routing of vessels and cargo, meaning more ships are required to transport the same amount of cargo.

On the supply side, with the inclusion of swing tonnage, real net fleet growth is expected to be marginally lower than tonne-mile growth this year. The overall chemical tanker order book now stands at just 6% of the in-service fleet by dwt, the lowest across all major shipping sectors and well below the long-run chemical tanker average of 16% over the last 18 years. Overall, we expect average annual net fleet growth to marginally decrease from 5.4% in 2018 to 5.3% in 2019, before falling to a little more than 2% in 2020.

In our view, development of the average haul and productivity of the fleet, so important in the relatively complex chemical tanker world, continue to be two major factors for freight rates in future years. The fourth quarter of 2019 and 2020 remain set to be key periods for the chemical tanker market, with an expectation of increases in fleet utilisation.

Gas

2019 began on a relatively weak note for the VLGC carrier market, much in line with the traditional seasonal trend. This was compounded by lower exports from the US in February and March due to fog delaying loadings through the Houston ship channel and later, as a result of a chemical spill. Over February, more of the Asian volumes were sourced from the Middle East, which served to reduce tonne-mile demand. As we progressed into the second quarter, however, the knock on effects of the delays started to be felt. As a result of tight availability of tonnage, combined with a slower pace of newbuilding deliveries, in the first half of 2019 relative to 2018 freights started to move steeply upwards, reaching a peak of just shy of US$80 pmt Arabian Gulf-Japan at the beginning of July. This is the highest spot freight seen since October 2015 and year-to-date earnings are currently 173% up year-on-year, averaging US$33,446 per day. Despite the dip in

February, US export volumes have continued to rise this year as the build out of volumes from the new Marcus Hook was more rapid than expected and as we have seen higher throughput through Mariner South and the P66 terminal in Freeport. Partially on the back of a stronger VLGC market, but also due to a slowdown in newbuilding deliveries, we have also seen freights for the midsizes start to show some signs of improvement. In the first half of this year, the assessed 12 month time charter rate for a 35,000 cbm vessel averaged US$511,000 pcm compared with US$423,000 pcm last year and the premium for the modern 38's has continued to grow and has averaged US$67,000 pcm above the 35's this year compared with US$27,000 pcm for the first half of 2018. This has also supported the handysize market, which has become increasingly reliant on petrochemicals trade, and freights in this segment have risen 8% compared to the first six months of 2018.

LPG trade is continuing to grow, underpinned by healthy NGL production in the US and the continued expansion of terminal capacity. Both Targa and Enterprise in the US Gulf Coast have expansions planned this year and next, and the existing terminals have also been running at high utilisation levels. Despite the imposition of US sanctions on Iran, volumes from the Middle East have also held up well. Additionally, we have seen new volumes starting to flow from Australia and the start-up of Canada's first LPG terminal located on the West Coast. The impact of tariffs is continuing to impact trade flows with US tonnes redirected to other Asian import markets, whilst China has been sourcing more volume from the Middle East. Ammonia trade has proven fairly disappointing so far this this year, although the new volumes from Indonesia have been flowing well. Supply side factors have also helped to support the freight market this year as the pace of newbuilding deliveries has slowed across all segments, although there have been very few units removed from the fleet this year.

The smaller size semi-refrigerated vessels have continued to face competition from the larger handysize units, which have become increasingly reliant on these trades as the midsizes have competed for LPG volumes. Yet, despite this, assessed time charter rates for the 8,250cbm carriers have remained fairly flat. Pressure carrier rates, in contrast, have strengthened slightly on last years' levels as a result of a marginal contraction in the fleet. However, they have remained flat overall since the start of this year.

LNG

The near-term LNG spot market was slightly softer in the first half of 2019 compared with the same period in 2018, with spot rates for conventional 160km^3 Tri-Fuel Diesel Electric tonnage around 15% lower at an average of US$52,096 per day. Although global LNG traded volumes were higher, LNG freight rates were being pressured by lower northeast Asian LNG spot prices.

More specifically, the narrower price spread between European natural gas and Asian LNG prices meant that Atlantic cargoes were making shorter-haul voyages and staying in the Atlantic Basin. This contrasts with last year, where high Asian demand resulted in Atlantic Basin cargoes making the longer-haul voyage to the Pacific Basin.

The spread between northeast Asia LNG and UK natural gas narrowed to US$0.76 per million BTU in the first half of 2019, compared with US$1.71 per million BTU in the equivalent period in 2018. While China continued to increase LNG purchases, Japan and South Korea reduced imports with a mild winter reducing gas consumption. Meanwhile, Europe nearly doubled LNG imports to nearly 41m tonnes as it started to absorb Atlantic Basin cargoes, especially new production from the US.

Seasonal patterns means that rates usually rise from the second half of the year as the northern hemisphere enters winter. Discussions for multi-month periods to cover winter have been active this year, with some market participants keen to secure tonnage.

Increased global traded volumes also provided some support to the LNG shipping market. Around 170m tonnes was traded in the first half of 2019, up by 10.1% compared with the first six months of 2018. As well as production ramping up from projects that started last year, Australia's 3.6m tonnes per annum Prelude project and the US' 4.5m tonnes per annum Cameron T1 unit also started exports in 2019 and added to tonnage demand.

An additional five liquefaction projects with a total export capacity of 16.8m tonnes per annum are scheduled to start in the second half of 2019. In total, 20 LNG carriers were delivered in the first half of 2019 and another 18 LNG carriers are scheduled for delivery before the end of the year.

Meanwhile, LNG newbuild ordering activity remains on par with last year. In the first six months of 2019, 24 orders were placed compared with 25 in the same period in 2018.

Three new liquefaction projects have been approved in 2019: US Golden Pass, US Sabine Pass T6 expansion, and the Mozambique LNG export projects. These should result in additional demand for tonnage in the longer-term when the facilities start production in around mid-2020.

Sale and purchase

Secondhand

In line with recent years, we have found the first half of 2019 to be more challenging than expected when it comes to concluding sale and purchase business and we once again look to the second half of the year to be more productive than the first, which it is already proving to be.

There are various reasons for lower activity such as the dam disaster at the Vale mine in Brazil in January, which resulted in significant disruption to that country's iron ore production, reducing the seaborne tonne-mile equation and thus driving down freight rates in the dry cargo market all at the same time. Further, there is the well reported on/off trade war between the US and China, which has created uncertainty across all shipping sectors and given potential buyers more reason to be cautious.

The continued difficulties for owners to access finance from either the traditional shipping banks or the capital markets only goes to reinforce why there has been such a dearth in sale and purchase activity across the board. Simply put, it has been a case of not having enough buyers combined with sellers' reluctance to discount their price ideas in order to tempt them.

However, with the fast approaching dates for both the new IMO fuel regulations, and the requirement to install Ballast Water Treatment Systems we are starting to see a real urgency for some owners to transact as many simply do not have the capacity to cover these huge capital costs across their entire fleet within such a short space of time. When this pressure is added to a rising optimism in the freight market, then we see those with cash returning as buyers look to leverage their position to find interesting opportunities to purchase tonnage.

Newbuilding

The first half of 2019 has been challenging for shipyards and as of the end of June 2019, the global order book totalled 3,172 vessels of a combined 198.0m dwt and 78.9m cgt, representing a 13% decline in dwt terms since the end of 2018 and the lowest level since the end of September 2017.

Due to firm deliveries and limited ordering, the global tanker order book shrunk significantly in the first six months of the year, by 24% in dwt terms, to stand at 602 vessels of a combined 53.3m dwt as of the end of June 2019. The VLCC order book shrunk by 25% in dwt terms in the first six months of the year, driven in part by firm deliveries from South Korean yards, to stand at 81 units of a combined 24.9m dwt as of the end of June. This represents the lowest level since the end of December 2013.

Whilst the conventional dry and wet markets have remained challenged, the LNG carrier sector has remained relatively active and accounted for 21% of newbuild contracts placed in the first half of 2019 in cgt terms, with 30 vessels of a combined 2.4m dwt and 4.3m cgt reported ordered globally. Whilst this is down 27% year-on-year following record ordering in the sector last year, there has still been some speculative endeavour against a bullish forward outlook.

There remains some optimism for an improved second half as yards push to sell pockets of more imminent capacity that remains uncommitted, as well as the continued drive towards LNG and greener propulsion that may well catalyse further investment into newbuilding as we push into the second half of the year and into 2020.

Offshore

General

The first six months of 2019 have been challenging for the offshore oil services sector, though as usual, with certain sub-segment differences and signs of optimism. During the first half of the year, the oil price has been relatively stable ranging between US$60 and US$68. Even though we have seen production interferences or involuntary production cutbacks from Iran, Venezuela, Libya and Nigeria, it has become evident that the market suffers from potential oversupply and that discipline from OPEC is still required to balance the market. During the first six months of 2019, we have seen a steady increase in rig tendering, fixing activity and slightly improving utilisation for selected rig and offshore support vessel (OSV) segments. Field development activity is however still progressing slowly and operators in general did not increase sanctioning of new developments notably compared to last year. Offshore contractors and suppliers however regained some optimism and seem to be preparing for increasing activity levels forward. This is visible, for example, through increasing sale and purchase activity and to some extent secondhand values in certain segments. In spite of the cautious optimism, utilisation and rates in general across the different offshore service segments remain at depressed levels.

Drilling market

Total offshore rig demand continued to improve in the first half of 2019 having bottomed in early 2017 and gained momentum through 2018. The global offshore rig count (rigs on contract) was at 494 units as of the end of June, up from 457 units at year-end 2018. Active utilisation is currently around 72% (end of 2018: 69%) for jackups and 74% (end of 2018: 65%) for floaters.

A deeper analysis of the rig market displays significant regional and sub-segment variances. In shallow water, we see increased rig demand in the Middle East, Asia and West Africa. For the deep water and ultra-deep water floater segment, we see indications of demand growth in Brazil, West Africa and Asia. The North Sea Harsh Environment (HE) semi-submersible market remains the strongest floater segment, especially in Norway. This segment has experienced pronounced tightening due to rising demand and significant supply side attrition, resulting in day rates in this segment having generally doubled from trough levels.

Re-balancing of the broader rig market continues to progress further on the back of low utilisation and rates, financial stress and contractors' realisation of the need to reduce capacity across the industry. As such, contractors have retired approximately 40% of the total floater fleet since late 2014. We expect the retirement trend to continue as the industry is still looking to cut costs. Retirement of assets in the jackup segment has been less pronounced and unless this picks up, re-balancing of the jackup segment may likely be pushed further out in time.

The subsea and field development market

In spite of improved oil prices during the first half of 2019 and leading operators generally reporting very strong cash flow, sanctioning of new offshore field developments has not yet seen a significant uptick. This is likely related to the underlying oil market balance and the operators' perception of how this is likely to evolve going forward. A large share of offshore oil projects seem to be economically viable even after oil prices have dropped strongly from peak levels, and as such, should not prevent operators from increasing sanctioning activity. Actual sanctioning level in 2019 seems to have been broadly in line with that observed in 2018. There are a number of ways to gauge this, but number of sanctioned projects, total sanctioned capex, number of new floating production unit contracts and level of subsea equipment awards are all good indicators. With certain exceptions and nuances, these indicators are broadly in line with 2018 levels, suggesting a stable development in sanctioning activity, rather than an uptick. This impacts the subsea and field development market, with the backlog for leading contractors only being moderately up from year-end levels, but with hints of trending upwards. The order backlog is however down significantly from levels seen in 2015 and 2016, and as a consequence, fleet utilisation for leading subsea contractors has continued to be low so far in 2019. This has adverse knock on effects for vessel providers, leading to low global subsea fleet utilisation. A slight increase in the market for subsea inspections, maintenance and repairs and strong activity in the offshore wind segment has compensated somewhat, but this is far from sufficient to cover the shortfall in subsea engineering, procurement, construction and project work.

Offshore support vessels (PSV and AHTS)

The market for OSVs also remains challenging, still characterised by vessel overcapacity. Rate improvements in key regions combined with an uptick in OSV utilisation has encouraged reactivation. The number of OSVs in layup has decreased in net terms by more than 350 vessels since the peak 18 months ago. Global fleet utilisation (also taking into account stacked vessels) for large OSVs is currently around 65% and 74% for AHTS and PSV respectively, while active utilisation levels in some regions naturally remain substantially higher (84% and 90% globally for AHTS and PSV respectively). Most vessel operators are struggling significantly, and we have continued to witness high corporate activity in terms of refinancing, restructuring and consolidation. Some of the US players have managed to reduce their debt substantially as a result of these processes, making them more competitive going forward. Increased consolidation and significant vessel attrition bodes well for the longer-term re-balancing of the segment, but on back of the overcapacity, we anticipate a recovery to more sustainable day rate levels to still be some time out. As for rigs, regional differences do apply, and rates have come up already in several regions with, for example, the North Sea experiencing significant rate strengthening for large PSVs in particular.

Futures

Dry index values were adversely impacted in the first half of 2019 by the dam collapse in Brazil and the ongoing trade dispute between the US and China. Capes averaged US$10,034 (against US$13,963 for the first half of 2018), panamax US$8,243 (2018: US$11,030) and supramax US$8,203 (2018: $11,113).

Volumes on all dry markets increased with capes totalling 263,014 lots (compared with 199,229 lots in the first half of 2018), panamax 331,362 lots (2018: 277,662) and supramax 85,708 lots (2018: 79,273).

Option volumes have marginally fallen to 138,556 lots (2018: 141,971 lots).

Iron ore has experienced significant market growth with a daily average volume of 4.9m tonnes year to date compared to 3.5m tonnes per day over 2018. Options volumes have similarly grown to 1.9m tonnes per day from 0.9m tonnes per day in 2018.

On the wet FFA side, volumes of clean have improved to 82,623 lots (2018: 62,309 lots) but the significant volume growth has been in the dirty side, where volumes shot to 135,793 lots (2018: 62,526 lots).

Financial

Revenue: £16.1m (2018: £22.7m)
Segment underlying profit: £1.1m (2018: £4.7m)

Securities

The first half of 2019 can only be described as extremely difficult. Despite our healthy pipeline, it was very challenging to raise any equity or debt within our sectors and as a result, our first quarter was the worst ever, with total revenue down almost 50% from the same period last year. One indicator of the challenges were that no new listings of companies on exchanges in the US or Norway occurred during the first quarter. In the second quarter, markets have been calm, however this was disturbed in May with politics taking centre stage as Brexit negotiations and the trade war between the US and China. All major indexes fell sharply as a result across all major regions – the US equity market delivered its worst May return in seven years with energy stocks falling the most. Also, global bonds fell markedly in May. The market's fear is that these ongoing trade disputes will derail global economic growth and as a result, the global capital markets have been closed.

The market turbulence is particularly impacting the commodity and energy industries in which we operate. For offshore, the uncertainty about the timing of a market recovery is making investors apply a wait-and-see approach to equity opportunities. For shipping, companies have been trading well below net asset value, but the market sentiment has shown signs of recovery as the ripple effects of IMO 2020 regulations are becoming visible.

In June, the central banks took action. Confronted by weaker economic data, risks to the trade outlook and continuing low inflation, the US Federal Reserve and the European Central Bank both indicated clear signals that further monetary stimulus would be coming shortly. For the time being, therefore, investors look set to remain confident and focus on the upcoming corporate reporting season, which has the potential to deliver support once more thanks to low expectations.

Clarkson Platou Securities (CPS) nevertheless managed to complete six equity offerings and two debt offerings raising approximately US$830m, while three transactions were pulled due to the challenging market conditions. The now established convertible bond team are also actively working for a number of clients with a net investment book for facilitating client business struck at £21.5m at the end of June. CPS has built a strong pipeline of mandated transactions ready to be executed as the market conditions for primary issuances continue to improve.

Project finance

Shipping

2019 started off with high expectations across most shipping sectors and good activity in the project finance market. However, the optimism slowed in line with the weaker dry bulk, container and tanker markets. Several projects were delayed as investors moved into a wait-and-see attitude.

The main focus is still 'asset play' investments in close cooperation with shipowners who are looking for co-investors to expand their fleet. Shipping banks are still trimming down their shipping portfolios and investment opportunities are developed.

Our first project in 2019 came through a shipowner who negotiated the purchase of two small chemical tankers directly with a bank. The vessels were fixed on two years' time charter to a European operator and we raised the required equity from our investors in addition to external bank financing. The combination of buying vessels with employment for a short period of time is reducing the initial risk for investors and also making it easier to find banks who are willing to lend to the project.

The second quarter of 2019 has seen more activity and we have been busy arranging the finance for three small bulkers that were fixed on long-term bareboat charter to Norwegian interests. We have also financed an aframax tanker together with a Swedish shipowner as a pure 'asset play', with the expectation that the IMO 2020 regulations will firm up the market during the second half of the year.

Additionally, two projects were completed at the end of the second quarter with delivery expected during the summer. One product tanker with eight years bareboat charter to an Italian charterer and put/call option at the end of the period. The last project has been the purchase of a 3,500 TEU container vessel together with German partners with close connections to a German bank who wanted to exit their loan and sell the vessel.

Although the first half of the year did not meet our expectations we still believe the second half of the year will bring new optimism into the market as we are approaching the deadline for the new IMO 2020 regulations.

Real estate

During the first half of 2019, Clarksons Platou Real Estate has concluded five new projects, placing both debt and equity. In addition, we have sold one project and are in the process of selling an additional two older projects structured by us, giving us the best first half start in our ten year history.

Besides the sale and purchase of projects, the first half of 2019 has also been busy with the continuing development of Oslo AirPort City (OAC) and we have now secured the two first rental agreements and building projects including a four star hotel of 400 rooms.

The markets have been comparable to 2018 with strong supply and demand, but yields levelling out in all segments including retail, office, logistics, hotels and light industrial.

Clarksons Platou Real Estate Investment Management AS, our real estate fund arm, has made two investments on behalf of its first fund in the first half of 2019. The fund continues to search for additional investments, though widespread interest in Norwegian real estate is making the search more complex.

Structured asset finance

Financing to the shipping industry in the first half of 2019 remains illiquid and a two-tier market continues to develop. For the few top tier credits, bank financing remains in good supply and attractively priced; for the rest, cheap bank debt is being replaced with more expensive capital from alternative providers. For the banks still active in the shipping space, there is also a shift towards a global regulatory focus on matters of environmental, social and governance significance. Eleven major banks with a global shipping portfolio of US$100bn have now signed up to the Poseidon Principles, which aims to support the shipping industry's reduction of carbon emissions by 50% by 2050. It is clear that the industry is moving towards a more sustainable future, and the development of green ship financing is certainly one to watch. We believe this initiative will continue to evolve over time, with green scrapping initiatives already on the agenda for discussion and inclusion within the principles.

The beneficiaries of reduced bank capacity are primarily the leasing companies and alternative financiers. On the leasing side, this continues to be led by the Chinese leasing companies. Whilst, in our view, their lending appetite has diminished and is becoming more targeted towards the sought after top-tier clients with demonstrable strong cash flows, they remained an important source of financing in 2018, contributing a combined new business volume of US$12.9bn. For the alternative capital providers, more asset-based transactions can be considered but higher priced risk-adjusted returns is the trade-off. These capital providers continue to take on an important and expanding role in ship finance.

The reporting requirements under the new global lease accounting standards continue to test resources and systems and early signs of balance sheet optimisation are starting to emerge as finance departments and treasury teams become more involved in the shipping decision-making processes. Top-tier clients are beginning to leverage their credit standing and bargaining power to exert more control over the supply chain. As a result, the relationship between vessel owners and cargo owners is beginning to change.

Clarkson Platou Structured Asset Finance continues to maintain dialogue with all active lenders to the industry in order to develop and maintain our pipeline

Support

Revenue: £13.3m (2018: £10.6m)
Segment underlying profit: £1.3m (2018: £0.9m)

Agency - UK

Grain exports performed better than expected in the first half of the year. Additional tonnage became available for export due to the two major bioethanol plants on the east coast either shutting or switching supply away from UK grain. A significant amount of malting barley was exported in the first three months due to exporters fulfilling contracts prior to the originally anticipated 29 March Brexit date.

Grain imports remained steady with continued shipments from the US and Canada.

We expect to see a significant increase in volumes in the second half of 2019 due to a predicted increase in exportable surplus from what looks to be a very good harvest.

Animal feed imports remained in line with expectation, with an increase in the first three months as the majors attempted to ensure the maximum tonnage was imported prior to 31 March.

Offshore activities continue to increase both in Scotland and the east coast of England. Along with the return of the offshore oil and gas market as production is increased, we have also won contracts in the offshore renewables sector. In the first half of the year we opened our Invergordon office in support of the renewables sector and we continue to look at other locations where we believe we would benefit from a presence in support of this business.

Our aggregate business continues to increase and is now a significant part of our work on the Thames, Humber and Tyne. We have also brought aggregate into Aberdeen in support of the building of a new port facility coordinating the berthing of the largest vessel ever to enter the port.

Agency – Egypt

In the first half of 2019, operated vessels for port were 70 vessels compared with 62 in the first half of 2018, with a 20% increase in gross revenue.

Operated vessels for the transit division were 256 in the first half of 2019, compared with 170 in the first half of 2018, with a 65% increase in gross revenue.

Revenue increases can be attributed to new clients and operating different types of vessels as well as our existing clients maintaining their volumes.

Gibb Tools

Our supply business has had a very successful start to the year both in Aberdeen and Great Yarmouth. Along with the increase in oil and gas activity, we have seen a marked increase in orders from the offshore renewable sector. Both offices have increased resources in order to react to demand as we see volumes beginning to move back towards levels we were experiencing prior to the drop in oil price a few years ago.

For the second half of the year we intend to move our Gibbs operation into a purpose-built premises in Great Yarmouth where they will be joined by our agency, freight and chartering business under one roof.

We are also starting to evaluate the requirement to relocate our operation in Aberdeen in order to cater for increased demand.

Stevedoring

The first half of the year was better than expected for our stevedoring business in Ipswich. This was due to better than anticipated import volumes augmented by increased export volumes. Despite the poor harvest in 2018, we were able to largely keep our warehouses operating to capacity.

For the second half of the year we expect our activities to essentially switch from import to export with the prediction of a large UK harvest. Around the UK we predict port side storage to be in high demand, and we continue to work with UK port authorities to find storage solutions for our customers. Along with storage solutions, we remain committed to investment in plant and machinery to allow us to work with UK ports to provide ship loading solutions.

Freight forwarding and logistics

Freight forwarding in Aberdeen, Great Yarmouth and Belfast continue to be a major part of our business, both in support of our agency activities and also in support of the offshore oil and renewables industry.

We continue to carefully watch the developments around Brexit as this could have a significant effect on our forwarding business as we support our customers through whatever changes may be put in place.

Liners – Egypt

2018 was the first operational year for liners in Egypt and was a success, exceeding our clients' expectations.

During the first half of 2019, we have succeeded in maintaining the same operational levels and sustaining customer satisfaction with increased revenues compared with the first half of 2018 and an improvement in cost control.

Research

Revenue: £8.3m (2018: £7.8m)
Segment underlying profit: £2.8m (2018: £2.4m)

Research revenue grew by 6% during the first half of 2019 to reach £8.3m (2018: £7.8m), with profits increasing to an encouraging £2.8m (2018: £2.4m). Supported by significant ongoing investment and innovation, Clarksons Research remains the market leader in the provision of authoritative data and intelligence across shipping, trade, offshore and energy. Our data and analysis continues to be widely used and trusted across the shipping industry to support a range of decision-making by our clients. Our data offering also provides wide ranging support to the broking and finance teams of Clarksons and, increasingly, to the new Sea/ suite.

Sales across our integrated digital portal increased by 11% in the first half. Utilising our experienced in-house IT development team, this growth was supported by specific enhancement plans across each of our products. Improvements to Shipping Intelligence Network, the market-leading commercial shipping database, included expansion to our indices database and improved data visualisation around shipping supply and demand forecasts.

The continued tracking of topical market issues across our platform, including expert analysis and insights of the shipping context of the US-China trade war, the Vale dam burst, the expansion phase in LNG trade, the changing energy mix and the potential market impact of IMO 2020 regulations, were well received by our clients. Our report series has been expanded in the first half to include new monthly reports on LNG, One Belt One Road and refinery expansion. The World Fleet Register, our online vessel register with a focus on new technology and the increasing regulatory timetable, has also continued to receive excellent feedback as we support our clients in tracking and understanding the complex environmental regulations impacting shipping. A new ship repair and retrofit module to the World Fleet Register is now being actively used by clients.

Sales from Sea/net, the vessel tracking system blending AIS movement data with proprietary vessel and ports data, continued to grow, supported by new aggregate statistical analysis including vessel speed indices, port callings and deployment trends. The client base to our offshore and energy intelligence systems, including World Offshore Register and Offshore Intelligence Network, was further expanded in the first half, supported by the addition of a renewable energy module, new oil company investment profiles, decommissioning intelligence and further utilisation data.

Our services team, who manage service and consultancy contracts with a range of corporates across the shipping industry, maintained good client retention. There was also record attendance at our six monthly seminar series,‘Shipping and Shipbuilding to 2030’ and ‘Offshore and Energy to 2030’. Clarksons Valuations grew sales in the first half, consolidating their leading position while now managing fully digitalised workflows and adopting technology delivery tools during a period of change across the ship finance client base.

Investments into our highly structured, relational and proprietary database, into our digital product offering and into our business development capabilities continue. Specialist data teams, increasingly supported by our data analytics team, continue to expand the depth and quality of our data offering. A range of projects to expand the volume of data we derive and aggregate, added further depth to our database during the first half as did expansion of GIS capabilities. Newly developed dashboard monitoring of data processing volumes and coverage has helped drive quality. Our comprehensive database now includes coverage of the 2bn dwt international shipping fleet, 12.1bn tonnes of world trade (60,376bn tonne miles), over 40,000 companies, over 4m port calls per year, 6,000 global ports, 15,000 berths, 1,000 refineries, 400 LNG plants, yards and fabricators, over 600 repair yards, environmental equipment including SOx scrubbers, 7,000 offshore oil and gas fields and associated infrastructure including platforms and subsea trees, offshore drilling rigs, renewables, capital market activity, ship valuations and wide ranging commercial indices and time series on prices and earnings of ships.

Our Asia Pacific headcount has increased further, with a range of new initiatives already implemented following a management summit of our Asian teams at the end of 2018. A broad and stable client base was retained in the first half, with 80% of revenue now derived on an annuity basis. Specialist teams across subscription renewals, account management and business development are benefiting from an increased regional presence and improved sales support tools. This wide client base, alongside the provision of highly respected research, allows us to maintain an excellent profile for the broader Clarksons Group.

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 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year ending 31 December 2019, 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 4.2.8R, being material related party transactions that have taken place in the first six months of the financial year ending 31 December 2019, and any material changes in the related party transactions described in the 2018 annual report.

The Directors of Clarkson PLC are listed in the Clarkson PLC annual report for 31 December 2018. 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 interim 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

Bill Thomas
Chair
9 August 2019

Independent review report to Clarkson PLC

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 2019. 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 2019;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated cash flow statement 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
9 August 2019

Consolidated income statement
for the half year to 30 June

	Notes	2019 Before acquisition related costs £m*	2019 Acquisition related costs (note 4) £m*	2019 After acquisition related costs £m*	2018 Before acquisition related costs £m*	2018 Acquisition related costs (note 4) £m*	2018 After acquisition related costs £m*
Revenue	3	167.8	-	167.8	152.6	-	152.6
Cost of sales		(7.2)	-	(7.2)	(5.5)	-	(5.5)
Trading profit		160.6	-	160.6	147.1	-	147.1
Administrative expenses		(139.7)	(0.9)	(140.6)	(128.3)	(1.2)	(129.5)
Operating profit	3	20.9	(0.9)	20.0	18.8	(1.2)	17.6
Finance revenue		0.6	-	0.6	0.5	-	0.5
Finance costs		(1.6)	-	(1.6)	(0.3)	-	(0.3)
Other finance revenue - pensions		0.2	-	0.2	0.2	-	0.2
Profit before taxation		20.1	(0.9)	19.2	19.2	(1.2)	18.0
Taxation	5	(4.6)	0.2	(4.4)	(4.7)	0.3	(4.4)
Profit for the period		15.5	(0.7)	14.8	14.5	(0.9)	13.6
Attributable to:							
Equity holders of the Parent Company		14.7	(0.7)	14.0	13.7	(0.9)	12.8
Non-controlling interests		0.8	-	0.8	0.8	-	0.8
Profit for the period		15.5	(0.7)	14.8	14.5	(0.9)	13.6
Earnings per share							
Basic	6	48.5p		46.2p	45.8p		42.5p
Diluted	6	48.3p		46.1p	45.6p		42.3p

* *Unaudited*

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

	2019 £m*	2018 £m*
Profit for the period	14.8	13.6
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain on employee benefit schemes – net of tax	0.5	5.9
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences on retranslation of foreign operations	3.6	7.0
Foreign currency hedges recycled to profit or loss – net of tax	0.3	(0.8)
Foreign currency hedge revaluations – net of tax	(0.4)	(0.6)
Other comprehensive income	4.0	11.5
Total comprehensive income for the period	18.8	25.1
Attributable to:		
Equity holders of the Parent Company	18.0	24.2
Non-controlling interests	0.8	0.9
Total comprehensive income for the period	18.8	25.1

* *Unaudited*

Consolidated balance sheet
as at 30 June

	Notes	2019 £m*	2018 £m*	31 December 2018 £m+
Non-current assets				
Property, plant and equipment		**25.6**	28.2	27.0
Investment properties		**1.2**	1.1	1.2
Right-of-use assets	8	**49.5**	-	-
Intangible assets	9	**298.6**	296.8	293.4
Trade and other receivables		**1.5**	1.6	1.1
Investments		**4.7**	4.9	4.8
Employee benefits	10	**19.3**	23.1	18.2
Deferred tax assets		**8.5**	7.9	8.6
		408.9	363.6	354.3
Current assets				
Inventories		**0.8**	0.6	0.8
Trade and other receivables		**83.5**	84.0	77.0
Income tax receivable		**1.0**	0.5	1.2
Investments	11	**38.9**	4.7	9.7
Cash and cash equivalents	12	**109.1**	95.9	156.5
		233.3	185.7	245.2
Current liabilities				
Interest-bearing loans and borrowings	13	**(6.0)**	-	-
Trade and other payables		**(122.1)**	(94.7)	(135.4)
Lease liabilities	14	**(8.6)**	-	-
Income tax payable		**(6.5)**	(5.5)	(8.0)
Provisions		**(0.2)**	(0.1)	(0.2)
		(143.4)	(100.3)	(143.6)
Net current assets		**89.9**	85.4	101.6
Non-current liabilities				
Interest-bearing loans and borrowings		**(0.1)**	-	-
Trade and other payables		**(2.6)**	(10.4)	(10.5)
Lease liabilities	14	**(51.5)**	-	-
Provisions		**(0.1)**	(0.2)	(0.2)
Employee benefits	10	**(4.3)**	(3.2)	(4.2)
Deferred tax liabilities		**(6.5)**	(7.1)	(6.4)
		(65.1)	(20.9)	(21.3)
Net assets		**433.7**	428.1	434.6
Capital and reserves				
Share capital	15	**7.6**	7.6	7.6
Other reserves		**241.9**	238.5	237.1
Retained earnings		**182.1**	180.3	185.9
Equity attributable to shareholders of the Parent Company		**431.6**	426.4	430.6
Non-controlling interests		**2.1**	1.7	4.0
Total equity		**433.7**	428.1	434.6

** Unaudited   + Audited*

Consolidated statement of changes in equity
for the half year to 30 June

	Notes	Attributable to equity holders of the Parent Company					
		Share capital £m*	Other reserves £m*	Retained earnings £m*	Total £m*	Non-controlling interests £m*	Total equity £m*
Balance at 1 January 2019		7.6	237.1	185.9	430.6	4.0	434.6
Impact of change in accounting policy	2	-	-	(2.6)	(2.6)	-	(2.6)
Adjusted balance at 1 January 2019		7.6	237.1	183.3	428.0	4.0	432.0
Profit for the period		-	-	14.0	14.0	0.8	14.8
Other comprehensive income:							
Actuarial gain on employee benefit schemes - net of tax		-	-	0.5	0.5	-	0.5
Foreign exchange differences on retranslation of foreign operations		-	3.6	-	3.6	-	3.6
Foreign currency hedges recycled to profit or loss – net of tax		-	0.3	-	0.3	-	0.3
Foreign currency hedge revaluations – net of tax		-	(0.4)	-	(0.4)	-	(0.4)
Total comprehensive income for the period		-	3.5	14.5	18.0	0.8	18.8
Transactions with owners:							
Employee share schemes		-	1.3	(0.3)	1.0	-	1.0
Dividend paid	7	-	-	(15.4)	(15.4)	(2.8)	(18.2)
Contributions from non-controlling interest		-	-	-	-	0.1	0.1
Total transactions with owners		-	1.3	(15.7)	(14.4)	(2.7)	(17.1)
Balance at 30 June 2019		7.6	241.9	182.1	431.6	2.1	433.7

	Notes	Attributable to equity holders of the Parent Company					
		Share capital £m*	Other reserves £m*	Retained earnings £m*	Total £m*	Non-controlling interests £m*	Total equity £m*
Balance at 1 January 2018		7.6	234.7	177.4	419.7	3.7	423.4
Profit for the period		-	-	12.8	12.8	0.8	13.6
Other comprehensive income:							
Actuarial gain on employee benefit schemes - net of tax		-	-	5.9	5.9	-	5.9
Foreign exchange differences on retranslation of foreign operations		-	6.9	-	6.9	0.1	7.0
Foreign currency hedges recycled to profit or loss – net of tax		-	(0.8)	-	(0.8)	-	(0.8)
Foreign currency hedge revaluations – net of tax		-	(0.6)	-	(0.6)	-	(0.6)
Total comprehensive income for the period		-	5.5	18.7	24.2	0.9	25.1
Transactions with owners:							
Employee share schemes		-	(1.7)	0.2	(1.5)	-	(1.5)
Tax on other employee benefits		-	-	(0.6)	(0.6)	-	(0.6)
Tax on other items in equity		-	-	(0.2)	(0.2)	-	(0.2)
Dividend paid	7	-	-	(15.2)	(15.2)	(2.9)	(18.1)
Total transactions with owners		-	(1.7)	(15.8)	(17.5)	(2.9)	(20.4)
Balance at 30 June 2018		7.6	238.5	180.3	426.4	1.7	428.1

* *Unaudited*

Consolidated cash flow statement

for the half year to 30 June

	Notes	2019 £m*	2018 £m*
Cash flows from operating activities			
Profit before taxation		**19.2**	18.0
Adjustments for:			
Foreign exchange differences		**(0.1)**	-
Depreciation		**6.4**	2.6
Share-based payment expense		**0.6**	0.7
Loss on sale of investments		**0.1**	-
Amortisation of intangibles		**0.6**	0.8
Difference between pension contributions paid and amount recognised in the income statement		**(0.2)**	(0.2)
Finance revenue		**(0.6)**	(0.5)
Finance costs		**1.6**	0.3
Other finance revenue – pensions		**(0.2)**	(0.2)
Increase in trade and other receivables		**(6.8)**	(23.2)
Decrease in bonus accrual		**(40.9)**	(51.8)
Increase in trade and other payables		**13.1**	11.0
Increase in provisions		**0.1**	0.1
Cash utilised from operations		**(7.1)**	(42.4)
Income tax paid		**(5.2)**	(4.8)
Net cash flow from operating activities		**(12.3)**	(47.2)
Cash flows from investing activities			
Interest received		**0.6**	0.4
Purchase of property, plant and equipment		**(1.1)**	(0.9)
Purchase of intangible assets		**(2.3)**	(2.0)
Proceeds from sale of investments	11	**16.1**	0.2
Proceeds from sale of property, plant and equipment		**-**	0.3
Purchase of investments	11	**(30.0)**	(4.0)
Transfer from current investments (funds on deposit)		**-**	5.0
Net cash flow from investing activities		**(16.7)**	(1.0)
Cash flows from financing activities			
Interest paid and other charges		**(1.5)**	(0.3)
Dividend paid	7	**(15.4)**	(15.2)
Dividend paid to non-controlling interests		**(2.8)**	(2.9)
Proceeds from borrowings	13	**6.0**	-
Payment of lease liabilities		**(4.1)**	-
Contribution from non-controlling interests		**0.1**	-
Net cash flow from financing activities		**(17.7)**	(18.4)
Net decrease in cash and cash equivalents		**(46.7)**	(66.6)
Cash and cash equivalents at 1 January		**156.5**	161.7
Net foreign exchange differences		**(0.7)**	0.8
Cash and cash equivalents at 30 June	12	**109.1**	95.9

* *Unaudited*

Notes to the interim financial statements

1 Corporate information

The interim financial statements of Clarkson PLC for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 9 August 2019. 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 2018 were approved by the Board of Directors on 8 March 2019 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.

2 Statement of accounting policies

2.1 Basis of preparation
The interim financial statements for the six months ended 30 June 2019 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 2018, 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 and the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on acquisitions.

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 2018, 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.

- IFRS 16 'Leases', effective and applied from 1 January 2019.

  This standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model that replaces the current model where leases are either recognised as a finance or operating lease.

  The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The standard permits a choice on initial adoption, on a lease-by-lease basis, to measure the right-of-use asset at either its carrying amount as if IFRS 16 had been applied since the commencement of the lease, or an amount equal to the lease liability, adjusted for accruals or prepayments. The majority of right-of-use assets were measured as if IFRS 16 had been applied since commencement of the lease. All of the right-of-use assets were in relation to properties.

  On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.5%.

  The Group is using practical expedients on transition to leases previously classified as operating leases, including:
  i) accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
  ii) excluding initial direct costs from the initial measurement of the right-of-use asset; and
  iii) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Key judgements made in calculating the initial impact of adoption include determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Estimates include calculating the discount rate which is based on the incremental borrowing rate.

On transition to IFRS 16, the following adjustments were made:

	£m
Right-of-use assets	53.4
Deferred tax assets	0.5
Prepayments	(0.9)
Other payables – current	0.3
Lease liability – current	(8.4)
Other payables – non-current	8.1
Lease liability – non-current	(55.8)
Provisions – non-current	0.2
Retained earnings	2.6

For the current period, there was no significant impact on profit before taxation, however, the unwinding of the discount on the lease liabilities has resulted in a £1.1m charge being included in finance costs, whereas under IAS 17 all operating leases were included in administrative expenses. There is no effect on overall cash flows from implementing IFRS 16, however, there is a presentational change in that £5.2m of cash outflows are now disclosed under financing whereas under IAS 17 these would have been shown as operating cash outflows.

- IFRIC 23 is effective from 1 January 2019 and clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are to be applied where there is uncertainty over income tax treatments. There was no material impact on the Group from applying IFRIC 23.

As at the date of authorisation of these interim financial statements, a number of amendments to standards, interpretations and a new standard 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.

The impact on the Group's financial statements of the future adoption of these is still under review and disclosure will be provided in the annual report for the year ended 31 December 2019.

There were no other new IFRSs or interpretations issued by the IFRS Interpretation Committee (IFRS IC) 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 2018, with the exception of changes in estimates that are required in determining the provision for income taxes, judgements made in calculating the lease term where extension or termination options exist and estimates of the discount rate to apply to leases.

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

	Revenue		Results	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Broking	**130.1**	111.5	**21.8**	15.9
Financial	**16.1**	22.7	**1.1**	4.7
Support	**13.3**	10.6	**1.3**	0.9
Research	**8.3**	7.8	**2.8**	2.4
Segment revenue / underlying profit	**167.8**	152.6	**27.0**	23.9
Head office costs			**(6.1)**	(5.1)
Operating profit before acquisition related costs			**20.9**	18.8
Acquisition related costs			**(0.9)**	(1.2)
Operating profit after acquisition related costs			**20.0**	17.6
Finance revenue			**0.6**	0.5
Finance costs			**(1.6)**	(0.3)
Other finance revenue - pensions			**0.2**	0.2
Profit before taxation			**19.2**	18.0
Taxation			**(4.4)**	(4.4)
Profit for the period			**14.8**	13.6

All revenue is generated externally.

4 Acquisition related costs

Included in acquisition related costs are cash and share-based payment charges of £0.4m (2018: £0.4m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £0.5m (2018: £0.8m) relating to amortisation of intangibles acquired as part of a previous acquisition.

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 2019 is 23.0% (the estimated tax rate used for the six months ended 30 June 2018 was 24.0%). The effective tax rate, after acquisition related costs, is 23.1% (2018: 24.2%).

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:

	2019 £m	2018 £m
Profit for the period attributable to ordinary equity holders of the parent company	**14.0**	12.8

	2019 Million	2018 Million
Weighted average number of ordinary shares - basic	**30.2**	30.1
Dilutive effect of share options and acquisition related share awards	**0.1**	0.1
Weighted average number of ordinary shares - diluted	**30.3**	30.2

7 Dividends

	2019 £m	2018 £m
Declared and paid during the period:		
Final dividend for 2018 of 51p per share (2017: 50p per share)	**15.4**	15.2
Payable (not recognised as a liability at 30 June):		
Interim dividend for 2019 of 25p per share (2018: 24p per share)	**7.6**	7.3

8 Right-of-use assets

Upon adoption of IFRS 16, a right-of-use asset of £53.4m was recognised on transition. During the period, these assets were depreciated by £3.9m. See note 2.2 for further details.

9 Intangible assets

Included within Intangible assets is £290.6m (2018: £287.0m) of Goodwill and £8.0m (2018: £6.4m) of other intangible assets. These are held in the currency of the businesses acquired and are subject to foreign exchange retranslations to the closing rate at each period end.

In light of global macro-economic and geo-political uncertainty, the Board keeps the carrying value of goodwill under constant review. The Board has considered, but not identified any impairment indicators that could trigger an impairment test as at 30 June 2019. In the event that any of the markets in which we operate has a sustained downturn, an impairment of the relevant CGU's goodwill may be required. See note 12 on page 159 of the 2018 annual report for specific sensitivity disclosures.

10 Employee benefits

The Group operates three final salary 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 credit recognised in the consolidated income statement.

Recognised in the balance sheet

	30 June 2019 £m	30 June 2018 £m	31 Dec 2018 £m
Fair value of schemes' assets	**199.0**	195.4	188.8
Present value of funded defined benefit obligations	**(177.9)**	(167.8)	(168.0)
	21.1	27.6	20.8
Effect of asset ceiling in relation to the Plowrights scheme	**(6.1)**	(7.7)	(6.8)
Net benefit asset recognised in the balance sheet	**15.0**	19.9	14.0
Net deferred tax liability on above asset	**(3.1)**	(3.3)	(3.1)

Recognised in the income statement

	2019 £m	2018 £m
Recognised in other finance revenue – pensions:		
Expected return on schemes' assets	**2.6**	2.5
Interest cost on benefit obligation and asset ceiling	**(2.4)**	(2.3)
Recognised in administrative expenses:		
Scheme administrative expenses	**(0.1)**	-
Net benefit credit recognised in the income statement	**0.1**	0.2

11 Investments

During the period the Group purchased investments totalling £30.0m as part of its convertible bonds business, included within the financial segment. The balance of £37.2m held as at 30 June 2019 is shown under current investments.

In order to hedge against price movements of the equity portion of these investments, the Group has short-sold related equity securities. The £15.7m balance as at 30 June 2019 is shown under trade and other payables.

12 Cash and cash equivalents

	30 June 2019 £m	30 June 2018 £m	31 Dec 2018 £m
Cash at bank and in hand	**107.1**	93.1	154.0
Short-term deposits	**2.0**	2.8	2.5
	109.1	95.9	156.5

Net available funds, after deducting amounts accrued for performance-related bonuses but including current investments, amounted to £60.3m (30 June 2018: £60.2m, 31 December 2018: £73.4m). Free cash resources, being net available funds less monies held by regulated entities and Board-approved capital commitments, at 30 June 2019 were £58.3m (30 June 2018: £44.1m, 31 December 2018: £57.0m).

13 Interest-bearing loans and borrowings

During the period the group entered into a prime brokerage agreement with a bank in relation to the convertible bonds business as described in note 11. The balance represents amounts owed in relation to the funding of certain convertible bonds acquisitions.

14 Lease liabilities

Upon adoption of IFRS 16, current lease liabilities of £8.4m and non-current lease liabilities of £55.8m were recognised on transition. After lease payments and interest costs the balances as at 30 June 2019 were £8.6m and £51.5m respectively. See note 2.2 for further details.

15 Share capital

	30 June 2019 Million	30 June 2018 Million	31 Dec 2018 Million	**30 June 2019 £m**	30 June 2018 £m	31 Dec 2018 £m
Ordinary shares of 25p each, issued and fully paid	**30.3**	30.2	30.3	**7.6**	7.6	7.6

16 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.

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 2018 annual report on pages 66 to 69. These risks are a failure to achieve strategic objectives, changes in the broking industry, economic factors, cyber risk and data security, loss of key personnel, employee misuse of confidential information, adverse movements in foreign exchange and financial loss arising from failure of a client to meet obligations. Note 24 of the 2018 annual report sets out the financial risk management objectives and policies of the Group. These are also unchanged from the year-end.

18 Financial instruments

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value.

	30 Jun 2019		30 Jun 2018		31 Dec 2018	
	Assets	**Liabilities**	Assets	Liabilities	Assets	Liabilities
	£m	**£m**	£m	£m	£m	£m
Investments at fair value through profit or loss (FVPL) – Level 1	**0.4**	**-**	0.5	-	0.5	-
Investments at fair value through profit or loss (FVPL) – Level 2	**37.7**	**-**	4.8	-	8.5	-
Investments at fair value through other comprehensive income (FVOCI) – Level 3	**3.8**	**-**	3.8	-	3.8	-
Foreign currency contracts – Level 2	**-**	**1.3**	0.2	0.7	-	1.3
Other payables – Level 1	**-**	**15.7**	-	-	-	1.3
	41.9	**17.0**	9.3	0.7	12.8	2.6

The method for determining the hierarchy and fair value is consistent with that used at the year-end. The fair values of financial instruments that are held at amortised cost are not materially different from their carrying amounts.

19 Related party disclosures

The Group's significant related parties are as disclosed in the 2018 annual report. There were no material differences in related parties or related party transactions in the period ended 30 June 2019.