CLARKSON PLC

8 August 2022

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 2022.

Summary

- Underlying profit before taxation* of £42.2m (2021: £27.5m), an increase of 53.5%
- Underlying earnings per share* increased by 54.5% to 98.9p (2021: 64.0p)
- Particularly strong performance in Broking segment
- Robust balance sheet, with £102.5m of free cash resources* (31 December 2021: £92.3m)
- Increased interim dividend of 29p per share (2021: 27p per share)

	Six months ended 30 June 2022	Six months ended 30 June 2021
Revenue	**£266.7m**	£190.1m
Underlying profit before taxation*	**£42.2m**	£27.5m
Reported profit before taxation	**£42.0m**	£27.3m
Underlying earnings per share*	**98.9p**	64.0p
Reported earnings per share	**98.5p**	63.5p
Interim dividend per share	**29p**	27p

* Classed as an Alternative Performance Measure ('APM'). See 'Other information' on page 31 of this announcement for further information.

Andi Case, Chief Executive Officer, commented:

"I am pleased to report that Clarksons has had a strong first six months of 2022, with a positive performance across all divisions.

"The outlook for the business remains strong due to the structural supply shortage in the global shipping fleet and we continue to benefit from our international footprint, leading market position, diverse offering and a deep understanding of the energy transition."

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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.

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 'Other information' section on page 31 of this announcement for further information. All APMs used within this announcement are denoted by an asterisk (*).

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 Group's unrivalled expertise and knowledge with leading technology.

The Group employs over 1,700 people in 52 different offices across its four divisions and is number one or two in all its market segments.

The Company has delivered 19 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 opportunities 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

This announcement contains inside information as defined in Article 7 of the retained EU law version of the Market Abuse Regulation No 596/2014 ('UK MAR') and has been announced in accordance with the Company's obligations under Article 17 of UK MAR.

Chair's review

I was privileged and honoured to take up the position of Chair on 2 March 2022, and have spent the first few months of my tenure meeting with many of Clarksons' stakeholders. I have always been impressed with the breadth of expertise and management across the Group and, having spent time with various teams across the business both in the UK and overseas, this view has been further strengthened. Clarksons is a very diverse business with an outstanding team of people and a strong, client-focussed culture. The breadth of knowledge across the entire business on the energy transition and the central role we are playing in helping our clients navigate this most complex of long-term trends is exceptional. I have also been encouraged by the support shown by shareholders for the business, its strategy and leadership, and look forward to continuing my dialogue and engagement.

Clarksons has a clear strategy and has continued to invest in the business over the last decade when the shipping markets were over-supplied and freight rates subdued, ensuring it is now best positioned to benefit from the trends we have anticipated for more than five years. We have invested in a global footprint in 23 countries and we have market-leading positions in all of the shipping industry's diverse verticals. This, enhanced by sector-leading technology and a Group-wide investment in, and understanding of, the green transition, clearly sets us apart.

This positioning has provided both a platform for growth and resilience across the business and, despite the macro-economic backdrop of inflation and ongoing geo-political tensions, the first half of 2022 has been a record period for Clarksons in terms of revenues and profits. All business units have performed well, with the Broking division being the standout sector in the first half. The strong performance has been driven by the long-term supply/demand dynamics of the shipping market, which has put upward pressure on rates.

As a result of the trading performance of the business, cash momentum that has followed and our confidence in the outlook, the Board has declared an increased interim dividend of 29p per share (2021: 27p per share). It is notable that the Company enters its 20th consecutive year of dividend increases.

None of this success could be achieved without the hard work and dedication of the outstanding teams throughout Clarksons and I would like to take this opportunity to thank every single one of our colleagues for their focus and commitment. I have no doubt that we have the best team in the industry.

The outlook for the Company is positive with favourable supply/demand dynamics in the shipping markets set to continue; increasing seaborne trade; a global shipping fleet which is having to navigate both supply disruptions from geo-political events; and the continued acceleration of investment in the green transition. The Board looks to the future with confidence.

Laurence Hollingworth
Chair
5 August 2022

Chief Executive Officer's review

I am pleased to report that Clarksons has had a strong first six months of 2022, with a positive performance across all divisions. The Broking division, which has a market-leading position in all key shipping sectors, has performed particularly well.

Clarksons' deep understanding of the evolution of the shipping sector, allied with what I strongly believe are the best teams in the market, means that we have the expertise, scale and presence across all sectors of the industry to provide the highest-quality service and advice to our clients. We strive to be the meeting place for the best minds in the sector and I thank all of my colleagues for their dedication and hard work. Every day the teams at Clarksons go above and beyond for our clients in each of our business activities.

Market backdrop

We have spoken for several years about the challenges arising from a changing supply/demand balance, where a shortage of supply of overall tonnage, due to years of low newbuilding ordering, yard closures and tightness of ship finance, would lead to rising freight rates as increased demand outstrips supply. Additionally, as expected, we are now seeing the impact of this shortage of tonnage exacerbated by the demands and complex nature of the green transition and regulation. The dislocation of trade and disruption brought about by the war in Ukraine and the lingering impact from the pandemic has further added to the shortage of supply and the higher rate environment.

The current geo-political situation will accelerate strategic investment into renewables as governments and businesses seek greater independence and become increasingly willing to invest in medium to long-term local alternatives to fossil fuels. At the same time, oil has returned to the fore, at least in the medium term, as solutions to immediate energy requirements are sought. As a result, our offshore business has seen activity increase in both the oil and gas and renewables markets.

As macro-economic headwinds and inflation pressures build, the rate of growth in seaborne trade has slowed. However, changing trade patterns driven by the geo-political situation, ongoing congestion tying up capacity and a complex sanctions regime have all created inefficiencies, and overall demand continues to outstrip supply.

Demand for advice and support regarding the green transition continues apace. The breadth of knowledge across the business of all aspects of the green transition has ensured strong engagement with clients seeking advice on how best to navigate a highly complex transitional period. Final solutions are still not in sight, so deciding which alternative fuels are going to successfully deliver the reductions needed in greenhouse gas ('GHG') emissions over the lifetime of a new ship is very difficult. This has resulted in lower numbers of new ships being ordered, particularly in the two largest fleets, tankers and dry bulk. Meanwhile, consumers and corporates are demanding a commitment to decarbonise the entire supply chain, further increasing demand for low carbon fleets, particularly in the container and car carrier markets. Of the US$56bn of newbuild orders placed in the first six months of 2022, 61% were alternative fuelled.

Broking

The Broking teams delivered a very strong first half, with standout performances in the dry cargo, sale and purchase and tanker markets as sustained volumes and rates buoyed profits. Ongoing supply chain disruption as a result of the COVID-19 pandemic, including continued high levels of port congestion, reduced vessel speeds and the onset of the war in Ukraine, further disrupted seaborne trade.

In dry cargo, fears over future shortages, particularly of grains, resulted in clients securing supplies from further afield, adding to tonne-mile demand. Subsequent sanctions on Russia have led to strategic stock builds, resulting in record commodity prices across the board. Container shipping market conditions remained very strong in the period on the back of continued congestion, supply line issues and very limited vessel availability in most size segments. Tankers had a slower start to the year, however the disruption of shipping and trading activity precipitated a significant rise in tanker freight rates across the deep sea tanker market, with the exception of the Very Large Crude Carrier ('VLCC') market which has continued to be affected by restrained Chinese demand, although this is projected to recover in the second half. The rate environment in specialised products was unprecedented in the first half, with congestion in Asia and increasing demand adding to the fundamentals causing the increase in freight rates we now see across the marketplace. The gas markets have also been very active, enhanced by a positive rate environment.

Overall, divisional profit from Broking of £47.0m was up £16.7m on the same period last year, reflecting a margin of 22.3%.

Financial

The capital markets have been challenged since Russia's invasion of Ukraine in February, with increased uncertainty around the macro-economic backdrop, rising inflation and the increasing cost of debt. Despite this, our project finance teams successfully closed a number of deals in the period in both the real estate and shipping sectors. Our securities team have also concluded a range of transactions in the first half and have a good pipeline of activity for the second half that we expect to be supported by the underlying fundamentals of shipping, commodities, renewables and offshore energy.

Overall, our Financial division produced a profit of £5.7m on revenue of £27.6m in the first half compared with a profit of £5.3m on revenue of £24.7m in the same period last year.

Support

Our Support division has enjoyed a busy half in both agency and supplies income from increased investment in renewables and offshore oil. Planned investment in offshore wind in the UK and across the world is encouraging and we are investing in the business to further diversify and expand our services. The Support division performed well producing £2.0m profit and a 10.9% margin in the first half of 2022 (2021: £1.5m and 10.6%).

Research

Our Research business provides the highly-rated intelligence that clients and staff use for their decision-making and is central to the Group's strategy. The division delivered a strong performance in the first half as the team worked hard to produce a constant flow of high-quality and market-relevant insights and intelligence, including well-received coverage of the impact of the Russia/Ukraine conflict on shipping markets. Green transition products have enhanced our product range and driven growth, with our Renewables Intelligence Network performing strongly and complementing our Shipping Intelligence Network and World Fleet Register. The division increased profits by 10% to £3.4m (2021: £3.1m).

Digitalisation

In April, we were delighted to announce the appointment of Peter Schrøder as CEO of Maritech. Peter has a wealth of experience spanning more than 20 years in the technology world across a wide variety of industries including telecoms, gaming, publishing and, most recently, shipping, where he was Chief Digital Officer of Maersk Tankers. Peter has spent the last few months embedding himself in the business, which is focussing on meeting the digital needs of our clients and becoming an important part of the pre-fixture analysis and at-fixture execution in the physical shipping markets. Client and product adoption momentum of the **Sea/** platform has continued and the pipeline for the second half is strong.

Results

Total revenue in the first half was £266.7m (2021: £190.1m) and underlying administrative expenses* were £213.7m (2021: £153.9m). Underlying profit before taxation* was £42.2m (2021: £27.5m), which resulted in a reported profit before taxation of £42.0m (2021: £27.3m). Underlying earnings per share* were 98.9p (2021: 64.0p). Reported earnings per share were 98.5p (2021: 63.5p). As a significant proportion of Group revenues are earned in USD, the Group has benefitted from the relative weakness in GBP compared to USD. The average exchange rate during the first half of 2022 was 1.29 compared to 1.39 in the first half of 2021.

Cash and dividends

Clarksons has generated strong levels of cash in the period and maintains a healthy balance sheet, with cash balances at 30 June 2022 of £231.6m (31 December 2021: £261.6m). Net cash and available funds*, after deducting amounts accrued for performance-related bonuses but including short-term investments, amounted to £125.8m (31 December 2021: £122.3m). This amount was after the payment of the 2021 final dividend in May and includes an increase in trade debtors arising from particularly high invoicing late in the first half which will be converted into cash in the second half. Free cash resources*, after deducting monies held by regulated entities, amounted to £102.5m (31 December 2021: £92.3m).

The strength of our business and our balance sheet means that we are well placed to take advantage of market conditions and are actively looking at incremental, accretive acquisition opportunities and at hiring outstanding individuals and teams to further optimise the Company's leading market position.

Due to confidence in the current year business outlook, and continuing its 19 consecutive year progressive dividend policy, the Board has declared an interim dividend of 29p per share (2021: 27p per share) which will be paid on 16 September 2022 to shareholders on the register at the close of business on 2 September 2022.

Outlook

Whilst we are mindful of continued geo-political uncertainties, macro-economic challenges including inflationary pressures and disrupted shipping supply chains, nevertheless the outlook for the business remains strong due to the structural supply shortage in the global shipping fleet, which is positive for both freight rates and asset values.

The second half of the year has started encouragingly, and we are seeing a continuation of the trends seen in the first half of the year. Clarksons is a truly global business, with 52 offices in 23 countries and we continue to benefit from our international footprint, leading market position, diverse offering and a deep understanding of the energy transition.

We have built this business over many years to service the growing demand for cargo movement, and to benefit from the extensive opportunities arising from the green transition. Our capital and resources have been allocated accordingly and we believe that the Company is consequently very well positioned for the future.

Andi Case
Chief Executive Officer
5 August 2022

Business Review

Broking

Revenue: £211.2m (2021: £142.7m)
Segmental split of underlying profit before taxation: £47.0m (2021: £30.3m)

Dry cargo

The dry bulk freight market started the year positively. Tightness in the sub-capesize sectors resulted in the Clarksons weighted average earnings in Q1 reaching the highest level in the first quarter for 12 years. This was on the back of elevated trade volumes and bottlenecks in ports.

The Russia/Ukraine conflict further disrupted seaborne trade and, although the immediate loss of seaborne cargoes was comparatively small, the fear of future shortages, particularly wheat and corn, saw buyers and governments trying to secure supplies from elsewhere, mostly further afield, adding to tonne-mile demand. Sanctions on Russia have led to strategic stock building.

The Clarksons Average Weighted Earnings All Bulkers reached US$26,519 per day in the second quarter, the highest second quarter since the 2008 peak, with the 2022 first half average 16% higher year on year. This reflects the robustness in seaborne trade in the Atlantic which offset the weakness in the Pacific following China's lockdowns and the easing of port congestion. Capesize market freight earnings underperformed by 33% year on year whilst sub-capesize sectors improved across the board with panamax up by 3%, supramax up by 30% and handysize up by 31% year on year.

The dry bulk fleet has expanded in the first six months but at a slower pace than last year with the orderbook for future deliveries manageable.

The second half of the year should see some improvements in seaborne trade and more tonne-mile gains as the shipping market will need to contend with new trading routes as the EU seeks to rely less on Russian coal, in favour of longer-haul shipping routes. With less Ukrainian wheat and corn available, this will also disrupt traditional trade patterns and add to tonne-mile demand. As China emerges from lockdown, demand is expected to improve, especially for iron ore, following a weak first half which caused capesize rates to underperform. The freight market should remain tightly balanced in the second half of the year.

Containers

Container shipping markets remained in very strong territory in the first half of 2022 despite the emergence of major trade headwinds. Severe logistical disruption, including continued record levels of port congestion, ensured that container shipping rates and vessel earnings ended the first half of 2022 just below the record highs set earlier in the year. However, this reflects fewer transactions as carriers look to maximise their returns on the capacity they already have either through ownership or charter.

There has been pressure on global seaborne container trade in the first half of the year, and global box volumes decreased by 2.6% year on year. Concerns about the effects of the Russia/Ukraine conflict and inflation have resulted in significant downgrades to 2022 global GDP growth projections by major forecasters. However, global containership port congestion in the first six months reached near record highs with the level of containership capacity 'at port' globally averaging 36% of total fleet capacity. Regional congestion hotspots have included the US East Coast, UK/Continent and China in 2022.

Containership timecharter rates remained high and multi-year period charters continued to be the norm. At the end of June 2022, the Clarksons 'Basket' Containership Timecharter Rate Index was just 5% down from the April 2022 all-time record. Spot box freight rates and costs for shippers globally also remained at high levels, and liner companies reported record profits.

Containership secondhand prices also remained at very high levels, although with limited liquidity on the back of a lack of available charter free candidates. Boxship fleet capacity grew by just 1.6% in the first half. The first half of the year saw continued newbuild containership ordering with 1.7m 20-foot Equivalent Units ('TEU') contracted, taking the orderbook to 28% of overall fleet capacity.

The containership fleet's greenhouse gas footprint remains firmly in focus. Over the last decade, slower operating speeds and an increased share of 'eco' vessels (34% of fleet capacity was 'eco modern' at 30 June 2022) have helped reduce boxship emissions but there remains much to do. Interest in alternative fuelling technologies has resulted in a record 58% of contracted capacity in the first six months being alternative fuel capable (2021: 23%). Average containership operating speeds remained steady.

Container shipping market conditions appear likely to remain highly positive in the near term, despite clear trade headwinds. However, as and when disruption winds down, market conditions are expected to ease. Material supply side-driven market pressure appears likely in 2023 with 8.2% fleet capacity growth projected and a further 6-7% expected in 2024.

Clarksons' containers team has had a strong first half, maintaining a strong dialogue with clients through our research and analysis offering and further introducing our green transition offering to our clients, enabling them to act as opportunities arise.

Tankers

The first few weeks of 2022 saw a continuation of the weak tanker market that had been seen for most of the previous 18 months. However, the Russia/Ukraine conflict and consequent disruption precipitated a significant rise in tanker freight rates across the deep sea tanker market, with the exception of the VLCC market which has continued to be affected by restrained Chinese demand.

Clarksons assessed average earnings for non-eco and non-scrubber fitted VLCCs slipped into negative territory in the first half of 2022. VLCC demand was restrained by a decline in Chinese crude imports due to environmental controls around the time of the winter Olympics and other events in Beijing in the first quarter, and lockdowns in the second quarter that led to weak oil demand.

The Suezmax and Aframax sectors, in contrast, were heavily influenced by the impact of the Russia/Ukraine conflict, which is leading to a rearrangement of crude oil trading patterns, including longer transport distances for European crude oil imports and Russian crude oil exports. Clarksons assessed average earnings for non-eco, non-scrubber fitted Suezmaxes in the first half of 2022 rose by 221% when compared to the low average level seen in the second half of 2021, and 235% when compared to the average level for the first half of 2021. In the Aframax sector, Clarksons assessed average earnings rose by 434% when compared to the low level seen in the second half of 2021, and 336% when compared to the average level for the first half of 2021 which was also low. Aframax earnings were particularly volatile in March and April, however they have generally remained elevated globally since then due to the distortion of trading patterns that is taking place.

Products tanker earnings have also strengthened considerably since the start of the Russia/Ukraine conflict largely due to a combination of very high refining margins and hence refinery output, as well as distortion of products trade patterns. These factors have exacerbated longer-term structural changes in the global refining industry that were already expected to drive increases in products trade tonne-miles in 2022, with the closure of older refineries in established demand centres, and the opening of newer capacity predominantly in the Middle East and Asia.

Assessed earnings for Long Range 2s ('LR2s') on the benchmark Middle East to Far East route increased by 168% in the first half of 2022 when compared to the second half of 2021, and rose by 289% when compared to the very weak levels seen in the first half of 2021. Assessed earnings for Long Range 1s ('LR1s') on the same route rose 185% in comparison to the second half of 2021 earnings, and by 250% when compared to the levels in the first half of 2021. Meanwhile, assessed average clean Medium Range ('MR') earnings increased by 224% in the first half of 2022 compared to the second half of 2021 and by 236% when compared to the first half of 2021.

Looking ahead, major oil market agencies are projecting a recovery in Chinese oil demand in the second half of the year, which would imply a rebound in Chinese crude imports and an increase in VLCC demand. Meanwhile Suezmaxes and Aframaxes are likely to see further lengthening of trade routes as crude oil trade patterns continue to be reshaped. Products tankers are also expected to see strong demand due to the continuation of high levels of refinery utilisation and output and lengthening of trade routes as diesel trade in particular is redistributed.

While uncertainties surrounding potential economic headwinds, the pandemic, geo-political developments and other unpredictable events may continue to influence vessel demand, rapidly thinning orderbooks for both crude and products tankers point to diminishing fleet growth over the next 18 months and potential shrinkage of fleets in 2024.

Specialised products

The first six months of 2022 in the specialised products markets were unprecedented.

2022 started with congestion in Asia which, at its height, reached over 14 days for chemical tankers, adding considerable rises in both intra-Asia and Asia to US/Europe freight rates. The lockdowns in China had a considerable impact on port operations. However, demand for bulk chemicals for use in end manufacturing processes remained robust throughout the first quarter. Additionally, the petroleum products market began to firm as traditional trade flows were changed overnight as Europe, the US and other areas looked to reduce their reliance on Russian oil and products.

As of the end of the first half of 2022, the Clarksons Bulk Chemical Spot Freight Rate Index recorded a 72% rise from January 2022, whilst the Clarksons Edible Oil Freight Rate Index saw a 94% increase over the same period. The market is now at the highest on record with the levels seen prior to the 2008 financial crisis exceeded by some margin.

In the short term, fundamentals point towards the current status quo remaining in place. However, macro-economic headwinds and the inflationary pressures may impact consumer purchasing power and could have a knock-on effect on chemical tanker tonnage demand.

Fundamentals remain stable with a year-on-year increase in seaborne trade and average haul expected. The resilience of the sector in the wake of market turbulence has been well documented, particularly throughout the COVID-19 pandemic. We expect seaborne trade to grow by 1.3% this year and by 2.8% in 2023, whilst we expect the average haul of the fleet to increase by around 0.4% in both 2022 and 2023. Additionally, the chemical tanker fleet is expected to contract by 6.3% between now and 2025, a position which is unlikely to change due to tight yard space, a lack of financing, high pricing and historically poor returns in the sector leading to low investment appetite. Scrapping levels may also increase because of the environmental regulations, although the delay of the EU Emissions Trading Scheme ('EU ETS') until January 2024 alleviates this somewhat.

Due to our critical mass, we have been able to greatly improve the breadth and depth of market information generated by our team and use this to add value to our existing portfolio and develop our business across the globe.

Gas

2022 started on a relatively buoyant note for most size sectors of the Liquefied Petroleum Gas ('LPG') carrier market. Very Large Gas Carrier ('VLGC') earnings for the month of January averaged just over US$43,100 per day, underpinned by Asian import demand. As the quarter progressed, earnings increasingly came under pressure from slowing US export growth and high bunker prices, resulting in earnings falling to just over US$20,000 per day in February before rebounding to slightly below US$27,000 per day in March. However, progressing through the second quarter, earnings had rebounded to around US$60,000 per day by May. In the first six months of this year, a total of seven newbuildings have been delivered and a further 12 will follow in the second half, although the impact of these may to some extent be offset by forecasts of growth in US natural gas liquids ('NGL') supply and exports, a return of congestion through the NeoPanamax locks and a heavy dry dock schedule.

In the Midsize category the assessed 12-month timecharter rate for a 38,000 m^3 vessel has been relatively stable around the mid US$26,000 to US$27,000 per day range. This was due to the repositioning of tonnage to compensate for the loss of Ammonia tonnes from the Black Sea and Baltic as well as support from the LPG side from a buoyant VLGC market, although they have suffered some occasional periods of idle time. The assessed 12-month timecharter rates on the handysizes have been around US$22,000 to US$24,000 per day which represented an increase on levels seen in the second half of 2021. Ethylene export volumes rose from around 220,000 mt in the first quarter to an average level of approximately 270,000 mt over the second quarter, although fewer cargoes were destined for Asia which resulted in some periods of idle time in the fleet intermittently over the second quarter. Nevertheless, some relief was provided by the opportunistic movement of Ethane into Asia and India over the second quarter due to the dry dock of some larger units which traditionally service these trades.

Marginal increases in handysize rates provided some support to the smaller units, namely in the 8,000 to 9,000 m^3 range. Turnarounds at units in North West Europe were also beneficial for ethylene movements into Europe. Reflecting this, the timecharter rates for the 8,000 to 9,000 m^3 size range rose from US$15,300 per day at the start of the year to US$15,950 per day by the end of the first half. This was on the back of healthy employment during April and May as a result of the transatlantic ethylene trade from the US, combined with intra-regional movements within Europe and Asia. The Eletson 12,000 m^3 ships, which had been idled over periods during the first quarter, appear to have been absorbed back into the market and have been well employed from May onwards in the East. The assessed rates for the 12,000 m^3 Ethylene units have stabilised at US$525,000 pcm which was a US$50,000 pcm increase on the rates over most of last year. In the smaller sizes, timecharter rates have also firmed slightly across both the smaller Semi-Ref and pressure units, rising from US$300,000 pcm to US$315,000 pcm on a 3,200 m^3 Semi-Ref unit and from US$230,000 pcm to US$240,000 pcm on a 3,500 m^3 pressure unit trading East.

Liquefied Natural Gas ('LNG')

Spot LNG freight rates fell sharply in the first half of 2022 on the back of the firm closing of the Atlantic-Pacific arbitrage and reduced tonnage demand. Spot LNG cargoes were pulled to Europe and away from Asia amid plentiful tonnage availability, especially in the first quarter of 2022. The market tightened to some extent in the second quarter of 2022, primarily on the back of a 16% increase in ports waiting time and 12 units rise in LNG carriers either idled or in dry dock, compared to the first quarter, and a pickup in LNG demand from Asia. The spot headline rates for conventional 160,000 m^3 Tri-Fuel Diesel Electric ('TFDE') tonnage fell 31.5% year on year, averaging US$48,900 per day in the first half of 2022.

The spread between the northeast Asia LNG price and the European Title Transfer Facility ('TTF') natural gas prices moved to a discount of US$1.89 per million British Thermal Unit ('BTU') in the first half of 2022, from a premium of US$2.19 per million BTU in the first half of 2021. The negative spread led to spot cargoes from the Atlantic basin being delivered to Europe instead of Asia, decreasing tonnage demand eventually.

The spread between the northeast Asia LNG price and the US Henry Hub natural gas prices increased by 235% year on year to US$23.65 per million BTU in the first half of 2022, from US$7.06 per million BTU in the first half of 2021. This wider spread led LNG export facilities in the US to produce at close to maximum capacity.

LNG tonnage demand dropped in the first half of 2022 by 1.6% to 856bn tonne-miles, driven by a fall in LNG trade flows on a long-haul voyage. Trade between the Atlantic Basin and the Pacific Basin declined by 35.5% to 20.2m mt. The average laden distance sailed by LNG carriers was down 7.0% to 4,183 nautical miles in the first half of 2022, compared to 4,500 nautical miles a year ago, as an equivalent of 140-160 standard LNG cargoes were diverted from Asia to the more profitable European market.

Global LNG trade volumes rose by 5.9% to 204.7m mt in the first half of 2022, as higher volumes from the US, Australia, Russia, Peru and Oman were partially offset by losses from Algeria, Nigeria, Qatar, Brunei and Trinidad & Tobago.

On the demand side, Japan-Korea-Taiwan ('JKT') remained the largest demand area but imports dropped by 1.0% year on year to 71.4m mt in the first half of 2022 on the back of mild weather, comfortable stock inventories and competition from Europe. LNG imports into China fell by 21.9% to 31.1m mt in the first half of 2022. Imports into Europe (including Turkey) increased by 55.8% or 23.4m mt to 65.5m mt in the first half of 2022.

Tonnage demand is expected to increase in the second half of 2022 on the back of Asian restocking demand; Japan's tight power outlook; and global LNG supply growth driven by the ramp-up of the US Calcasieu Pass plant, exports from Egypt, the commissioning of the 3.4m mt Coral South FLNG in Mozambique and the return from maintenance of the Freeport LNG plant in early October. Logistical inefficiencies at ports might reduce fleet productivity.

In the first half of 2022, 11 conventional LNG carriers were delivered from shipyards, 18 less than in the first half of 2021. 93 conventional LNG carriers were ordered in the first half of 2022 compared to the 16 ordered in the first half of 2021.

Newbuild ordering is expected to continue in the second half, supported by several shipyard berths expected to be declared and assigned to shipowners in relation to the Qatar Energy's North Field Expansion; liquefaction projects which anticipate reaching final investment decision this year; by portfolio players holding long-term forward order book supply contracts from projects under construction; and by players looking at renewing existing tonnage with more efficient LNG carriers. A further boost is expected to come from European buyers looking at diversifying away from Russian gas supplies with more contracted LNG.

Sale and purchase

Secondhand

In the secondhand sale and purchase markets, strong transaction volumes in 2021 continued into the first half of 2022, with sales representing over 73m deadweight tonne ('dwt') and US$28bn reported (full year 2021: 145m dwt, US$48bn). Sales volumes have slowed marginally in the containership sector (around 140 sales of US$6bn in the first half) following significant activity in 2021, but against the backdrop of relatively strong underlying shipping and charter markets, tanker and bulker sales have also seen strong transactional volumes. Asset pricing has continued to trend upwards in the year so far (latest Clarksons S&P Index: 212, up from a late 2020 low of 87 points). Containership pricing remained relatively stable in the first six months of 2022 after significant increases last year, while bulkcarrier pricing has trended upwards over the first half along with more recent increases on tanker pricing. Ongoing ownership trends in the sale and purchase market have largely continued, with Greek owners still the biggest buyers and sellers of secondhand tonnage.

Recycling activity has been weak with just 8m dwt reported sold, the second lowest six-month period since 2008, although this is expected to increase in the second half of the year as upcoming emissions regulations start to have more effect on the older tonnage.

Across all offices we have been able to benefit from these high volumes of secondhand vessel transactions. With short-term sentiment being fairly optimistic across all the major sectors, our teams remain busy working on numerous high-value instructions and mandates.

Newbuilding

The newbuild market remained active in the first half of 2022, with orders representing over 21m Compensated Gross Tonnage ('CGT') and US$56bn placed (full year 2021: 51m CGT and US$115bn).

Although down on 2021 levels, generally strong ordering has continued in the containership (8.3m CGT and US$21.5bn) and car carrier segments while ordering of LNG vessels in the first half, supported by both energy transition and energy security focus, already constitutes a record ordering year (7.9m CGT and US$19.7bn).

Newbuild prices have continued to trend upwards, albeit at a slower rate than in 2021, with the Clarksons Newbuilding Price Index reaching its highest level (162 points) since early 2009. With the capacity situation across the major builders now looking quite saturated and input costs for shipbuilders showing little signs of abating, it is likely that we will see this upward trend continuing into the second half of the year. Whether this will stifle demand remains to be seen, but for the moment certain sectors continue to accommodate these increases, against the absence of forward availability of capacity.

The green transition and fuelling transition remain the key drivers of fleet renewal, with new IMO and EU emissions regulations due for introduction and alternative fuel capable orders representing 61% of tonnage contracted in the first six months of 2022. While LNG has gained good traction, uncertainty around future fuel remains and a number of projects are opting for fuel optionality by ordering designs that are LNG duel fuel capable combined with being ammonia or methanol ready.

Tanker and dry orderbooks are now also at their lowest levels since 2008 and this, coupled with the green transition drive, may well serve as strong drivers for market performance into the second six months of the year and 2023.

Offshore

General

The global offshore market continues to improve with activity levels, utilisation and rates across several regions and asset classes increasing. The Russia/Ukraine conflict will add further momentum to the demand side of the offshore market, as both exploration and development activities are likely to be intensified on the back of high oil and gas prices and the efforts to diversify energy supply. In addition to spurring higher investment levels in oil and gas, the conflict has also led to several European countries further increasing ambition levels for future renewables capacity generation. A combination of increasing investments in oil and gas and even stronger momentum within renewables will overall constitute a positive backdrop for the offshore segment for the coming years.

The global market for offshore services has started to see a significant recovery on the back of the combination of increasing demand and reduced asset supply. Global exploration and production spending is likely to increase by 10-15% this year, and global active offshore rig count is increasing. Overall, offshore activity and demand for offshore assets globally is currently well above pre-pandemic levels. The global rig and Offshore Support Vessel ('OSV') fleets have seen significant reductions since 2014 with almost no newbuilding activity, beyond assets tailor-made for offshore wind. This combination of increasing demand and reduced asset supply has pushed utilisation levels higher across asset categories and regions. Active utilisation for high-end Platform Supply Vessels ('PSVs') (above 4,000 dwt) is for example currently above 95% and utilisation for 6th and 7th generation drillships globally is above 90%. On the back of significantly rising utilisation levels and limited available stacked capacity, rates have strengthened significantly across several asset categories and regions. Ultra-deepwater ('UDW') drillship day rates in the US Gulf of Mexico are, for example, consistently above US$300,000 per day. A number of OSV rates have more than doubled from their lowest point and global rates are currently well above pre-pandemic levels. Transaction activity for most offshore assets accelerated through the first half of 2022. This led to higher asset prices, and we expect this trend to continue.

Drilling rig market

As a measure of total offshore rig demand there were 368 jackup rigs on contract at the end of June 2022 compared with 358 at the end of 2021. Tendering activity remains high with particularly the Middle East likely to increase the number of contracted rigs going forward. In the floater segment, 132 rigs were on contract at 30 June 2022 compared with 121 units at the end of 2021, with activity likely to see further improvement both in deep water and harsh environments throughout the year. Working utilisation is currently at 84% for jackups and 82% for floaters, up from 80% and 73% respectively at year end. The jackup segment has so far seen limited improvements in day rates, whereas we are seeing firming rates in several regions for the floaters, particularly high-end/modern assets. Financial restructuring of the offshore drilling sector is largely complete and we have started to see more M&A activity and asset transactions following this.

Subsea field development market

The subsea field development market continues to improve with more projects being sanctioned across regions. The combined backlog for the three leading subsea engineering, procurement and construction ('EPC') contractors now stands at US$23bn. Lead time from order intake to offshore execution is typically 12-24 months, and we expect to see a significant increase in offshore activity for these companies from 2023 onwards. Overall fleet utilisation has strengthened meaningfully over the last year or so. This has affected day rates with average rates across the sector assessed up some 20-30% and charterers increasingly asking for longer-term contracts. While traditional oil and gas-related subsea demand is strengthening, activity remains high within the offshore windfarm sector, which has demanded significant tonnage from the subsea sector over the last years. Given the combination of strengthening oil and gas demand and continued high demand from the windfarm sector, we expect subsea fleet utilisation and day rates to increase further. Sale and purchase activity has also strengthened over the last year, with some notable asset transactions.

OSVs

The market for OSVs also continues to strengthen. Globally, PSV activity is currently above pre-pandemic levels and the number of vessels in layup has come down to or below levels witnessed prior to the pandemic. Charter day rates have strengthened across regions, naturally with some significant differences between PSVs and Anchor Handling Tug and Supply Vessels ('AHTS'), and within the vessel categories depending on size and specifications. The global OSV fleet has been meaningfully reduced over the last years and there is limited to no newbuilding activity. With demand likely to continue to strengthen on the back of increasing offshore rig count and field development activity, we expect to see further increasing utilisation and day rates across the OSV sector.

Developments in the North Sea offshore market mirror what we are seeing in the global market with utilisation and rates coming up significantly across relevant OSV categories, and particularly on the Norwegian side as a result of the tax incentive package established in 2020. This will lift overall activity levels significantly from 2023 onwards. On the UK side, the recently announced windfall tax may provide some near-term challenges, but this is also engineered to incentivise operators to pursue short-term investments. The European gas supply situation also adds incentives to operators to pursue near-term investments to potentially increase production capacity. We are likely to see demand for rigs and OSVs continue to strengthen significantly in the North Sea over the coming years. In addition, other regions (Africa and Brazil in particular) also demand North Sea assets, and we might see some vessels exit for term contracts elsewhere. Asset supply is already tight, particularly for high-end OSVs, and there are very few, if any, remaining relevant assets in layup. Average PSV term rates for 900+ m^2 vessels have already improved to currently around £16,000 per day across the North Sea, with NCS rates increasing to around NOK 170,000 per day. The North Sea AHTS market has also strengthened, with rates recently achieving new record levels and the highest spot fixture so far concluded at £190,000 per day. Given the continued expected activity increase and a tight supply situation going forward, we expect the overall North Sea OSV market to remain firm with potential further strengthening of rates ahead.

Offshore renewables (wind)

The offshore renewables industry has seen high activity levels in the first six months of 2022. Construction activity is running high in those countries in Europe who already have offshore wind projects, and the first turbines are now also being installed in key new markets such as France and the US. Increased ambitions and targets, such as the Green Deal in Europe and other initiatives elsewhere, have been reinforced by the current Russia/Ukraine conflict, leading to enhanced focus on energy security and less reliance on imported Russian gas. For many countries in Europe, offshore wind has been launched as one of the key drivers for this transition.

We have increased our estimate for end-2030 capacity to 200 GW, excluding mainland China. Key positive revisions over the last year have been shown in Germany, the Netherlands, Taiwan, and Poland. Final Investment Decision ('FID') activity has had a somewhat slow start in 2022 following a strong 2021, however we are awaiting several big projects to be sanctioned. There is currently good visibility of projects across phases, from awarded, finally decided and under construction in our key markets. Governments are increasingly showing detailed bi-annual or yearly auction plans, building up confidence in high targets. Based on announced government policies, we also see the potential for upwards revisions going forward in key markets such as the UK, Germany and the US, with Brazil potentially being included later.

Uncertainty related to inflation, supply chain issues and delays is also impacting the offshore wind market. Increases in costs of materials and supply chain bottlenecks may influence the cost of energy, however we do not expect offshore wind to be negatively affected relative to other renewable energy sources. There is also a growing concern about lack of suitable ships to serve the market, given the high trajectory for the industry. The Clarksons Renewables team has raised this for some time and developers and vessel owners have, to a large degree, responded to this. Developers have started to charter in tonnage earlier and for longer periods, and owners have followed up a very busy newbuilding market in 2021, with an active first six months of 2022. Clarksons has been involved in several of the transactions covering newbuildings, sale and purchase, and chartering.

Clarksons has launched a new advisory service called Advisory, Intelligence and Research ('AIR'). AIR is targeted at clients already working in the sector, or looking to break into it, and will offer development of engineering, procurement, construction and installation strategies, as well as operations and maintenance guidance for both fixed and floating wind.

Futures

Dry Forward Freight Agreements ('FFAs')

Dry FFAs have been a tough market for the first six months of 2022 as market expectations were affected by factors such as the Russia/Ukraine conflict and lockdowns in China. As a result, market volumes have fallen by approximately 7%, however average market rates have been higher to offset this decline. The options desk remains a strong performer.

Wet FFAs

First half 2022 volumes were at record highs in the Tanker FFA market. Managing freight exposure has become ever more important for every company involved and we have seen a big uptick in the number of participants trading. LPG/LNG FFA has been quieter than in 2021 but recently we have seen interest from counterparts to start trading LNG FFAs.

Carbon

The EU ETS market reached a high of €98.49 on 8 February. We then saw an immediate drop in the market as the Russian invasion of Ukraine led to an overall bearish view of the European economy which was compounded by reductions in natural gas flows and huge volatility in all energy-based products. More recently, we have seen a correction in the EU ETS as the market has risen, although a high level of uncertainty remains. The EU's adoption of shipping into the EU ETS is set for 2024.

We update clients daily on changes in the market and any policy adjustments.

Financial

Revenue: £27.6m (2021: £24.7m)
Segmental split of underlying profit before taxation: £5.7m (2021: £5.3m)

Securities

General

Capital markets remained under pressure in the second quarter following the declines in the first three months of 2022 and, as the Russia/Ukraine conflict continued, sanctions on Russia fuelled energy price hikes and central banks acted aggressively to slow inflation. Major equity indices in the US and Europe saw double-digit percentage declines as investors anticipated slowing economic growth due to rising prices, higher interest rates and energy shortages. Value stocks generally outperformed growth stocks but still posted steep declines. Interest rates accelerated in the quarter with 10-year Treasuries surging from 2.3% at the beginning of the quarter to over 3% by the end of the quarter, having briefly touched 3.5%. Risk-off sentiment has become entrenched in capital markets, which is reflected in the strong performance of the US dollar, now at 20-year highs against the Euro and other major currencies. Heading into the third quarter, investors are watching how central banks will react to signs of slowing growth, while Europe's economy will be tested by the ongoing energy crisis as winter approaches.

Secondary trading

In spite of volatile markets and general risk-off, secondary trading activity has seen record levels and revenues are up 40% on last year. Equities have been very active, and the sales desk has done numerous block trades in a number of clients. These have arisen from a combination of private equity exiting on the back of strong share price performance and creditors selling equity in restructured oil services companies.

Shipping

The average shipping stock gained 20% in the first half of this year, while the S&P 500 index dropped 19%. The main driver is a lack of cargo supply to satisfy increasing demand. The limited fleet growth means the recession risks in shipping are less concerning than in the past. China remains a potential source of optimism for the shipping industry, and infrastructure-related growth could accelerate in the coming year. In the shipping industry, inflation has been mostly positive: rising commodity prices led to increased output and volumes. Furthermore, upward pressure on the pricing of newbuilds, secondhand vessels, and the net asset values of shipping companies has been a fundamental driver of stock performance. Strong cash inflows are also resulting in dividends and stock repurchases in segments such as product tankers. Trading liquidity in several shipping equities has increased significantly, enabling larger investments and sales. The outlook for shipping equities is particularly appealing given increasing commodity demand, limited shipyard capacity, and a rerouting of the global trade map.

Shipping capital market activity remained in line with historical levels during the first half of 2022, despite volatile equity markets in general. Clarksons participated in two IPO transactions with Cool Company Ltd in the LNG sector and Gram Car Carriers ASA in the pure car and truck carrier ('PCTC') sector, in addition to a follow-on equity offering for Hafnia Limited. Primary issuance activity for shipping bonds remained muted, however, Clarksons acted as financial advisor in two bilateral loan transactions within the dry bulk market. In the secondary market, Clarksons was active with block trades in containers, car carriers, tankers and LNG equities. The upcoming environmental regulations from organisations such as the International Maritime Organisation ('IMO') and EU create uncertainties for owners, operators and investors in the sector.

Energy services

During the second quarter, most oil services stocks declined caused by falling oil prices in June on the back of recession fears. However, on a fundamental level, demand and supply dynamics continued the positive trend from the first quarter, resulting in higher day rates across multiple segments. For offshore drilling, the UDW floater market seems to have cemented leading edge day rates in the upper end of the US$300,000 to US$400,000 per day range and there is a clear trend that oil companies are willing to contribute towards the reactivation cost for stacked capacity. For jackups, leading edge rates have passed US$110,000 per day in several regions. In the OSV space, utilisation has also improved in most basins, and certain contracts have been signed at rates not seen in seven to eight years. Amid recent volatility in the capital markets, there continues to be an increasing number of engagements with our analysts, as well as from investors that have been away from the space for a while.

The capital markets activity for offshore energy services in the first half of 2022 has been slow in line with global capital markets in general. Within oil services, however, we have observed continued increased investor appetite throughout the first half of 2022. This is largely driven by the unprecedented demand recovery due to several years of underinvestment coupled with recent global focus on energy security. As a result, Clarksons has been involved in two funding transactions in the first half and is preparing several more for execution in the second half. The overall market sentiment for offshore wind remains strong. Here, investor interest is more muted due to global market sentiment, and most listed wind service players are trading at a significant discount to net asset values.

Metals & minerals

The first half of the year started strong for metals and mining stocks across the board, as commodity prices saw an uptick. The ASX 300 Metals & Mining index gained 15% in the first quarter while the S&P 500 index slipped 5% in the same period. However, those gains were wiped out during the second quarter on sluggish Chinese demand due to lockdowns, high inflation and interest rate hikes, all of which created uncertainty for the demand outlook. Several junior battery metals developers were particularly punished by rising interest rates due to initial production being out in time, while producing companies were aided by strong battery mineral prices, such as lithium prices. For the more basic materials, like ferrous metals and copper, the lockdowns in China during the second quarter impacted smelter capacity and downstream demand, slicing both commodity prices and stocks. Looking forward, there is potential upside in returning activity in the Chinese economy.

The first quarter started with high activity and new deals brought to the market for the mid to large capitalisation companies that meet investors' requirement for liquidity. Compared to the first half of 2021, this year was more challenging for small caps. Despite higher interest rates and increased volatility in capital markets, as the Federal Reserve started to increase the base rate, the underlying commodity markets continued on historical strong levels, supporting profit margins for our clients, reflected in continued risk appetite from investors for our sector when compared with growth stocks. In the middle of April, sentiment in both the equity and debt markets for commodity securities deteriorated, and the second quarter has experienced risk-off, reducing the number of new deals launched. Clarksons participated in multiple transactions in the first half of 2022 and the pipeline for the second half is strong, although execution is dependent on market conditions.

Renewable energies

Renewables stocks delivered mixed performance in the second quarter as investors digested the negative effect of rising interest rates on growth stocks, as well as the positive impact from higher fossil fuel and electricity prices due to the sanctions on Russia. Policymakers' attention with regard to renewables has shifted from emission reductions to energy security, in part by increasing the share of renewables. Within offshore wind, several European governments lifted their targets for 2030 capacity to boost energy security and avoid imports of expensive and emitting fossil fuels.

Underlying markets for our clients in the renewable energy-related industries continue to grow and we have seen several positive policy changes the last few months. Even though a number of transactions have slipped into the second half, we continue to see fundamental interest in the sector from investors and need for services among our clients. In line with this development, the team has grown its pipeline.

Debt capital markets

The global high yield market activity continues to be severely affected by the increased volatility, macro uncertainty and rising cost of debt. The volatility has limited borrowers' access to the market. Fears that slowing economies and aggressive polices to curb inflation will cause a recession have resulted in investors demanding higher returns for the risk they are assuming. Issuance volume across US, Europe and Norway is down 60-75% compared to the same period in 2021 and in several markets the lowest since the financial crisis. It remains difficult to foresee how the high yield markets will evolve in the second half. However, Clarksons is working on several transactions targeted towards direct lenders who remain active and open for new opportunities.

Project finance

Shipping

During the first half of 2022, the shipping project finance team structured and placed a total of seven vessels with a transaction volume of approximately US$130m through different structures. The segments invested in during the period included Drybulk (five vessels) and PSVs (two vessels). During the period we also successfully sold five vessels from existing Drybulk and MPP/Heavylift projects, returning capital and profits to investors. All existing projects under our corporate management are performing well as the shipping freight rates have returned to profitable levels in all segments.

Over 2022, we see a shift of focus towards offshore supply and tankers, where the markets have recovered significantly in the last two quarters. We also see increased interest from international shipping banks in the project finance market being able to offer more competitive terms than earlier as competition among banks is increasing.

Looking ahead towards the second half of 2022, we are optimistic that our projects will continue to perform well, backed by strong market fundamentals including record low orderbooks, high newbuilding prices and limited global yard capacity.

Real estate

Geo-political turbulence, record high energy prices, raw material shortages and increasing interest rates did not prevent the Norwegian real estate market from almost reaching new record highs in the first half of 2022. However, in the last part of the first half, market forces finally impacted the real estate market. Financing became more expensive, values were renegotiated, and two significant sales that were agreed at attractive levels collapsed because the buyers were unable to provide sufficient financing. We also see this trend in other parts of the market, as transactions are put on hold because the parties are unable to navigate the current turbulent market.

Despite the turbulence in the market, the first half of 2022 was one of the busiest ever for the real estate area of project finance. We launched a new industrial real estate company focusing on properties with proximity to the city centres of the largest cities in northern Norway. Furthermore, we have concluded several exciting value-add/development projects in both Drammen and Fredrikstad in co-operation with reputable partners. We have also launched a new ESG fund with a special focus on environmental improvements of existing buildings. EU legislation on taxonomy and sustainable finance was adopted at the end of 2021 and will have a major impact on the entire industry. The fund had originally planned to raise NOK 500-750m in the first half but decided to close at approximately NOK 300m. Many more investors have indicated their interest for the fund but are monitoring the market situation over the summer.

Our real estate funds continue to grow. Oslo Opportunity 1 is in the process of realising its latest properties and has already paid back approximately 85% of committed capital to investors. Oslo Opportunity 2, which closed at NOK 750m in equity in the spring of 2021, has invested approximately 50% of committed capital. Clarksons Real Estate Investment Management strengthened its administration in 2021 and is now well equipped to present several exciting fund initiatives going forward.

Structured asset finance

The first half of 2022 continued in a similar way to the second half of 2021, with many sectors showing increased earnings. It is now a time for reflection, balance sheet optimisation and deleveraging of higher interest rates facilities.

The senior debt banks have increased their lending appetite on the back of the stronger markets and many can now consider a wider range of companies in each of their target sectors. Debt margins remain under competitive pressure as many senior debt banks are targeting the same names and same green projects. It is now debt pricing rather than term or leverage that is driving many decisions as owners seek to deploy their increasing cash balances.

The alternative lenders continue to grow both in number and in terms of capital deployed and continue to see plenty of opportunities to finance or refinance slightly older tonnage not favoured by the senior debt lenders.

Japanese leasing continues to play a role both in the form of Japanese Operating Leases with Call Options (‘JOLCOs’) and those provided otherwise by Japanese owners.

Chinese leasing is still available. Margins have continued to reduce, but with demands for high leverage reducing, many Chinese lessors find themselves trying to compete head on with the senior debt banks with less success. In addition, particularly in the container sector, they are receiving numerous requests for early pre-payment of significant volumes, and as such it would not be surprising to see a slight reduction in some portfolio sizes notwithstanding the Chinese lessors’ proactive actions to continue to seek new business.

Clarksons’ structured asset finance team remains active, having closed a number of vessels already this year and with a couple of significant transactions well advanced for the second half of 2022.

Support

Revenue: £18.3m (2021: £14.1m)
Segmental split of underlying profit before taxation: £2.0m (2021: £1.5m)

Gibb Group

There has been a limited recovery in the traditional tools and consumables sector year on year following the contraction in the oil and gas sector caused by the effects of COVID-19. Activity levels have improved but the amounts are modest. Our Safety and Survival business continues to grow markedly year on year with strong growth in Great Yarmouth and a successful beginning in Aberdeen. Ijmuiden is finding traction as we develop the business with a greater stock holding of our in-house safety brand. We have expanded our footprint in the North East, which offers much opportunity for the future in this developing region.

The weakness of sterling impacts Gibb as much of its product is sourced from outside of the UK. This will be a continuing drain on margins whilst current exchange rates last.

Overall, the outlook for the second half remains positive with the business looking to grow and develop.

Agency - UK

2022 is proving to be a quiet year for offshore wind energy construction in the North Sea and our incomes are down in this area compared to 2021. Income from agri bulks and biomass have held up whilst income from aggregates continues to grow.

Customs clearance revenues were markedly higher than in 2021. We expected more customs clearance income sources for the first half of 2022, but the UK government has delayed the full implementation of Brexit border controls, particularly on imports to the UK. The date for full implementation is now scheduled in 2023.

The outlook for the second half is positive with more offshore income and what is traditionally a stronger half for grains, animal feeds and biomass. The recent allocation round for offshore windfarms gives more confidence that this fallow year for installation income should not be a regular feature of future trading periods. Again, we are looking to invest in our business to expand our services, diversify and grow.

Egypt

Port calls

Throughout Egypt port calls increased in the first quarter but fell back in the second to decline by 6% compared with the first half of 2021. The decline resulted from the sharp increase in commodities prices, particularly for commodities where Russia and Ukraine are key exporters to Egypt including grains and fertilisers, and the volatility in commodities prices. We expect the market will continue to decline in the second half.

Our agency business increased volumes by 13% during the first six months as we focussed on finding other opportunities to offset the current challenges we are facing. The total number of vessels we operated in the first half of 2022 was 104 compared with 92 vessels in the first half of 2021 and we have managed to increase our full agency services by 39%.

Transits

The Suez Canal transit market performed strongly during the first six months of 2022 compared with the first half of 2021. The Suez Canal remains the shortest route for the transport of crude oil, products, chemicals, LNG and LPG, albeit with a slight decline in dry bulk vessels. The total market has increased by 18% in the first half of 2022 compared with the same period in the previous year.

Our transit business increased volumes by 109% compared with the first half of 2021. The number of vessels operated during the first six months of 2022 was 505 vessels compared with 241 vessels in the same period in 2021. We continue to expand and diversify our client base.

Liner business
We generated a steady performance in counter services during the first half on behalf of Maersk and have added, from 1 April 2022, an equivalent service for all Hamburg Sud locations.

Research

Revenue: £9.6m (2021: £8.6m)
Segmental split of underlying profit before taxation: £3.4m (2021: £3.1m)

Research performed robustly through the first half, with revenues increasing by 11% year on year to reach £9.6m (2021: £8.6m) and profits reaching £3.4m (2021: £3.1m). Supporting its market-leading position and continued growth trajectory, Research produced a constant flow of high-quality and market-relevant insights and intelligence during the first half, including well-received coverage of the impact of the Russia/Ukraine conflict on shipping markets. We also maintained a strong investment programme to expand the depth of our propriety database and enhance our digital offering. Wide-ranging data, research and profile supporting the broking, banking and port services business units of Clarksons continued whilst the scope of data provision and synergies with the technology arm of Clarksons, Maritech, was enhanced.

Clarksons Research, the data and analytics arm of Clarksons, is the market-leading provider of independent data, intelligence and analysis around shipping, trade, offshore and energy transition in the maritime context. Millions of data points are processed and analysed each day to provide trusted and insightful intelligence supporting the workflows and decision-making of thousands of organisations across the complex and dynamic maritime industry. Recurring revenue has reached over 85% of total sales with consistently high renewal rates and an expanding global client base. Targeted headcount expansion is being executed, including into our data analytics team, product development teams and a strengthening of our regional presence.

There was strong expansion of our digital offering during the first half, with unique users of our single access integrated platform now exceeding 10,000. Sales of our market-leading Shipping Intelligence Network ('SIN'), our module providing data and analysis tracking and projecting market supply/demand, freight, vessel earnings, vessels values and macro-economic data around trade flows, remained robust with excellent client retention and growth. This was supported by a constant flow of high-quality and market-relevant content, including a series of Ukraine and Russia: Shipping Market Impact Assessments, a new report profiling the Chinese leasing market and the continued expansion of near-term data generated by our data analytics team and their work in developing proprietary algorithms. During the first half, shipping markets have seen further exceptional market conditions, with our cross segment ClarkSea Index averaging a near all-time high of US$38,884 and congestion levels, as tracked by the Clarksons Port Congestion Index, also remaining at elevated levels. In May, a note downgrading economic and trade projections for 2022 was released onto SIN whilst also profiling the various mitigating factors which are likely to be supportive of shipping markets including congestion, increased tonne miles and inefficiencies across the seaborne transportation system. An upgrade to SIN is currently in progress, leveraging new content, expanded data and improved functionality, with release planned for the summer. The release of a rebrand for our digital offering is also imminent.

Our long-term strategy to focus on data, intelligence and insights around the energy transition and green transition continues to provide content flow across our offering. Benefitting from its topical focus on emissions policies, alternative fuels and Energy Saving Technologies ('ESTs'), our World Fleet Register ('WFR') saw sales increase by an encouraging 29% year on year. A further update of our fuelling transition report was released in the first half, profiling the 40% of the current orderbook tonnage that is alternative fuelled. A new module on "green" investments at ports is under development. Sales of our offshore oil and gas module (Offshore Intelligence Network, 'OIN') remain robust, with sales benefitting from improvements in offshore oil and gas investment, vessel utilisation and day rates. An upgrade to OIN is planned for late 2022. Renewables Intelligence Network ('RIN'), our module focusing on the offshore wind industry and forming part of our energy transition strategy, has seen excellent client feedback and adoption following its release last year. Research is providing wide-ranging support to Clarksons Group-wide initiatives to partner clients through their decarbonisation pathways, besides contributing to internal awareness initiatives and providing emissions benchmarking data and vessel intelligence used within the carbon module of the **Sea/** suite.

Our dedicated services and consultancy activities, including the development and management of important long-term and recurring revenue relationships with key corporates across maritime, performed well in the first half. Interest remained high in tailored data, that often becomes embedded into client systems and includes API delivery via our platform, whilst our provision of specialist insights, forecasting and scenario modelling to key partners also expanded. During March we hosted our industry-leading semi-annual Shipping Forecast Forum and Offshore Energy Forecast Forum via webinar. We aim to host an in-person event in September. Our dedicated business development team has a strong sales pipeline and benefitted from a successful offsite workshop in the first quarter. Clarksons Valuations, our market-leading provider of valuation services to shipowners and financiers, grew sales in the first half, benefitting from their investments in analysis and technology to support banking clients to meet new European Banking Authority ('EBA') guidelines and to understand the emissions profile of their debt portfolios.

Sea/

Enhancing the way shipping professionals work

Our focus on the pre-fixture and at-fixture stages of the chartering process continues. With the successful launch of **SeaFix**/ last year, there has been a drive over the first half of 2022 on furthering market adoption both within this transactional platform as well as in the **SeaIntelligence**/ platform. With **SeaFix**/ we continue to onboard key mining majors, brokers and owners, whilst expanding into other major bulk dry commodities, as well as new market sectors. Meanwhile, with **SeaIntelligence**/ we continue to expand within our core segments and gained traction in new sectors such as financial markets, news providers, agents and bunkering groups. Customer satisfaction and product delivery remains at the forefront of our tech offering, strengthened by successive roll-outs of features and enhancements across our product suite.

We furthered the experience and skillset of the Maritech leadership team with the appointment of Peter Schrøder as CEO of Maritech on 19 April 2022. Peter has a wealth of experience spanning more than 20 years in the technology world across a wide variety of industries including telecoms, gaming, publishing and, most recently, shipping. His role as Chief Digital Officer of Maersk Tankers yielded numerous innovations including the creation of ZeroNorth, the vessel optimisation platform, the launch of VesselTruth and the co-operation with CargoMetrics to develop data-driven, evidence-based chartering and fleet allocation signals.

SeaFix/ has seen month-on-month increases in revenue for the first half of 2022 with strong growth in fixture volumes on both contracts being created and transactions being negotiated and concluded. To date, there have been 267m mt of cargo negotiated, representing total gross freight of US$4.4bn. We have seen strong fixture growth on contracts created both in the dry bulk markets and the wet markets, where our contracts manager is licenced to the London Tanker Broker Panel.

We continue to innovate and invest in the **SeaIntelligence**/ platform which delivers key information and data, focussing on commodity flow and marine analytics. Helping clients understand the impact of vessel supply and port congestion is a cornerstone, providing powerful and clear insights amidst the noise of information overload.

We have experienced increased adoption year on year, due in part to consistent innovation and expansion of product functionality. With the shipping industry transitions towards net zero, the CO_2 and Energy Efficiency Operational Indicator (‘EEOI’) figures of voyages will become increasingly important. We now have the ability to view a vessel’s estimated carbon emissions per voyage, providing key strategic information pre-fixture. Feature releases within the platform are complemented by our carbon offering, a complete CO_2 shipping toolkit for the maritime industry, enabling our customers to track, manage and report actual CO_2, which was launched in the second half of 2021. Adoption for this feature has grown rapidly and we’ve tracked more than 2,000 voyages, equating to 15m nautical miles, resulting in 5.75m mt of CO_2 since inception.

The pipeline for the second half of 2022 remains strong. Despite a number of significant events impacting economies globally, there remains an ever-increasing demand for digital solutions across maritime sectors. We continue to collaborate with our existing customer base as well as focussing on expanding the **Sea/** client network to new chartering and owning groups and their extended network of counterparties and brokers.

Risk management

Full details of our principal risks and how we manage them are included in the risk management section of the 2021 Annual Report, together with our viability and going concern statements.

Our principal risks are:

- Loss of key personnel – Board members
- Economic factors
- Cyber risk and data security
- Loss of key personnel – normal course of business
- Adverse movements in foreign exchange
- Financial loss arising from failure of a client to meet its obligations
- Breaches in rules and regulations
- Changes in the broking industry

The risk factors associated with economic factors, cyber risk and data security and the loss of key personnel – normal course of business have increased since the year end.

Whilst not a principal risk for the Group at this time, we consider climate change to be a thematic risk which potentially impacts a number of our principal risks.

There are no significant known emerging risks which could materially impact on the achievement of the Group's strategic objectives in the near term.

Directors' responsibilities statement

The Directors confirm that:

- these interim financial statements have been prepared in accordance with UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by DTR 4.2.4R; 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 2022, 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 2022, and any material changes in the related party transactions described in the 2021 Annual Report.

A list of the 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

Laurence Hollingworth
Chair
5 August 2022

Independent review report to Clarkson PLC
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Clarkson PLC's condensed consolidated interim financial statements (the "interim financial statements") in the Interim results of Clarkson PLC for the six-month period ended 30 June 2022 (the "period").

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Consolidated balance sheet as at 30 June 2022;
- the Consolidated income statement and Consolidated statement of comprehensive income for the period then ended;
- the Consolidated cash flow statement for the period then ended;
- the Consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim results of Clarkson PLC have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council 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 results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The Interim results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Interim results, including the interim financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Interim results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
5 August 2022

Consolidated income statement
for the half year to 30 June

	Note	2022 Before acquisition-related costs £m+	2022 Acquisition-related costs (note 4) £m+	2022 After acquisition-related costs £m+	2021 Before acquisition-related costs £m+	2021 Acquisition-related costs (note 4) £m+	2021 After acquisition-related costs £m+
Revenue	3	**266.7**	**-**	**266.7**	190.1	-	190.1
Cost of sales		**(10.4)**	**-**	**(10.4)**	(7.9)	-	(7.9)
Trading profit		**256.3**	**-**	**256.3**	182.2	-	182.2
Administrative expenses		**(213.7)**	**(0.2)**	**(213.9)**	(153.9)	(0.2)	(154.1)
Operating profit	3	**42.6**	**(0.2)**	**42.4**	28.3	(0.2)	28.1
Finance income		**0.6**	**-**	**0.6**	1.2	-	1.2
Finance costs		**(1.2)**	**-**	**(1.2)**	(2.1)	-	(2.1)
Other finance income - pensions	9	**0.2**	**-**	**0.2**	0.1	-	0.1
Profit before taxation		**42.2**	**(0.2)**	**42.0**	27.5	(0.2)	27.3
Taxation	5	**(9.0)**	**-**	**(9.0)**	(5.9)	-	(5.9)
Profit for the period		**33.2**	**(0.2)**	**33.0**	21.6	(0.2)	21.4
Attributable to:							
Equity holders of the Parent Company		**30.2**	**(0.2)**	**30.0**	19.5	(0.2)	19.3
Non-controlling interests		**3.0**	**-**	**3.0**	2.1	-	2.1
Profit for the period		**33.2**	**(0.2)**	**33.0**	21.6	(0.2)	21.4
Earnings per share							
Basic	6	**98.9p**		**98.5p**	64.0p		63.5p
Diluted	6	**98.2p**		**97.8p**	63.8p		63.3p

* *Unaudited*

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

	2022 £m+	2021 £m+
Profit for the period	**33.0**	21.4
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gain on employee benefit schemes – net of tax	**2.8**	6.8
Changes in the fair value of equity instruments at fair value through other comprehensive income	**-**	(1.7)
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences on retranslation of foreign operations	**10.6**	(3.0)
Foreign currency hedges recycled to profit or loss – net of tax	**0.7**	(1.2)
Foreign currency hedge revaluations – net of tax	**(7.0)**	0.7
Other comprehensive income	**7.1**	1.6
Total comprehensive income for the period	**40.1**	23.0
Attributable to:		
Equity holders of the Parent Company	**37.1**	20.9
Non-controlling interests	**3.0**	2.1
Total comprehensive income for the period	**40.1**	23.0

+ *Unaudited*

Consolidated balance sheet
as at 30 June

	Notes	2022 £m+	2021 £m+	31 December 2021 £m#
Non-current assets				
Property, plant and equipment		**22.2**	23.1	22.5
Investment properties		**1.0**	1.1	1.2
Right-of-use assets		**42.6**	42.5	45.1
Intangible assets	8	**182.3**	182.8	183.2
Trade and other receivables		**0.9**	2.5	1.0
Investments		**1.2**	1.3	1.0
Employee benefits	9	**26.3**	24.7	25.8
Deferred tax assets		**8.1**	9.4	10.5
		284.6	287.4	290.3
Current assets				
Inventories		**2.0**	1.4	1.5
Trade and other receivables	10	**133.1**	95.2	117.4
Income tax receivable		**2.8**	0.8	1.0
Investments	11	**6.1**	4.0	10.3
Cash and cash equivalents	12	**231.6**	152.9	261.6
		375.6	254.3	391.8
Current liabilities				
Trade and other payables		**(196.1)**	(126.1)	(235.4)
Lease liabilities		**(8.8)**	(8.2)	(9.7)
Income tax payable		**(15.0)**	(6.5)	(11.6)
Provisions		**(0.6)**	(0.5)	(0.6)
		(220.5)	(141.3)	(257.3)
Net current assets		**155.1**	113.0	134.5
Non-current liabilities				
Trade and other payables		**(7.0)**	(3.0)	(2.7)
Lease liabilities		**(41.2)**	(42.6)	(44.1)
Provisions		**(1.8)**	(1.6)	(1.6)
Employee benefits	9	**(0.8)**	(3.8)	(3.8)
Deferred tax liabilities		**(10.2)**	(12.0)	(11.0)
		(61.0)	(63.0)	(63.2)
Net assets		**378.7**	337.4	361.6
Capital and reserves				
Share capital	13	**7.6**	7.6	7.6
Other reserves		**107.1**	104.0	104.0
Retained earnings		**259.1**	222.0	245.3
Equity attributable to shareholders of the Parent Company		**373.8**	333.6	356.9
Non-controlling interests		**4.9**	3.8	4.7
Total equity		**378.7**	337.4	361.6

+ *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 2022		**7.6**	**104.0**	**245.3**	**356.9**	**4.7**	**361.6**
Profit for the period		**-**	**-**	**30.0**	**30.0**	**3.0**	**33.0**
Other comprehensive income		**-**	**4.3**	**2.8**	**7.1**	**-**	**7.1**
Total comprehensive income for the period		**-**	**4.3**	**32.8**	**37.1**	**3.0**	**40.1**
Transactions with owners:							
Share issues		**-**	**0.3**	**-**	**0.3**	**-**	**0.3**
Employee share schemes		**-**	**(1.5)**	**0.1**	**(1.4)**	**-**	**(1.4)**
Tax on other employee benefits		**-**	**-**	**(1.6)**	**(1.6)**	**-**	**(1.6)**
Tax on other items in equity		**-**	**-**	**(0.3)**	**(0.3)**	**-**	**(0.3)**
Dividend paid	7	**-**	**-**	**(17.2)**	**(17.2)**	**(2.8)**	**(20.0)**
Total transactions with owners		**-**	**(1.2)**	**(19.0)**	**(20.2)**	**(2.8)**	**(23.0)**
Balance at 30 June 2022		**7.6**	**107.1**	**259.1**	**373.8**	**4.9**	**378.7**

	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 2021		7.6	104.6	211.9	324.1	4.3	328.4
Profit for the period		-	-	19.3	19.3	2.1	21.4
Other comprehensive income		-	(3.5)	5.1	1.6	-	1.6
Total comprehensive income for the period		-	(3.5)	24.4	20.9	2.1	23.0
Transactions with owners:							
Share issues		-	0.6	-	0.6	-	0.6
Employee share schemes		-	2.3	1.0	3.3	-	3.3
Tax on other employee benefits		-	-	0.9	0.9	-	0.9
Tax on other items in equity		-	-	0.1	0.1	-	0.1
Dividend paid	7	-	-	(16.3)	(16.3)	(2.6)	(18.9)
Total transactions with owners		-	2.9	(14.3)	(11.4)	(2.6)	(14.0)
Balance at 30 June 2021		7.6	104.0	222.0	333.6	3.8	337.4

+ *Unaudited*

Consolidated cash flow statement

for the half year to 30 June

	Notes	2022 £m+	2021 £m+
Cash flows from operating activities			
Profit before taxation		**42.0**	27.3
Adjustments for:			
Foreign exchange gains		**(5.2)**	(1.8)
Depreciation		**6.5**	6.3
Share-based payment expense		**1.0**	0.9
Loss/(gain) on sale of property, plant and equipment		**1.5**	(0.1)
Amortisation of intangibles		**2.0**	0.4
Difference between pension contributions paid and amount recognised in the income statement		**0.4**	(0.1)
Finance income		**(0.6)**	(1.2)
Finance costs		**1.2**	2.1
Other finance income – pensions		**(0.2)**	(0.1)
Increase in inventories		**(0.4)**	(0.1)
Increase in trade and other receivables		**(8.1)**	(17.4)
Decrease in bonus accrual		**(41.4)**	(31.3)
(Decrease)/increase in trade and other payables		**(7.6)**	2.8
Increase in provisions		**0.3**	0.1
Cash utilised from operations		**(8.6)**	(12.2)
Income tax paid		**(7.2)**	(4.1)
Net cash flow from operating activities		**(15.8)**	(16.3)
Cash flows from investing activities			
Interest received		**0.2**	0.1
Purchase of property, plant and equipment		**(1.6)**	(1.3)
Purchase of intangible assets		**(1.2)**	(1.7)
Proceeds from sale of investments		**0.1**	6.8
Proceeds from sale of property, plant and equipment		**0.2**	0.2
Purchase of investments		**(0.2)**	(1.2)
Transfer from current investments (cash on deposit and government bonds)		**4.7**	20.0
Transfer to current investments (cash on deposit and government bonds)		**(0.4)**	-
Acquisition of subsidiary		**(0.2)**	-
Dividends received from investments		**0.3**	-
Net cash flow from investing activities		**1.9**	22.9
Cash flows from financing activities			
Interest paid and other charges		**(1.2)**	(2.1)
Dividend paid	7	**(17.2)**	(16.3)
Dividend paid to non-controlling interests		**(2.8)**	(2.6)
Payments of lease liabilities		**(6.1)**	(4.3)
Proceeds from shares issued		**0.4**	0.6
ESOP shares acquired		**(2.0)**	(0.1)
Net cash flow from financing activities		**(28.9)**	(24.8)
Net decrease in cash and cash equivalents		**(42.8)**	(18.2)
Cash and cash equivalents at 1 January		**261.6**	173.4
Net foreign exchange differences		**12.8**	(2.3)
Cash and cash equivalents at 30 June	12	**231.6**	152.9

+ *Unaudited*

Notes to the interim financial statements

1 Corporate information

The interim financial statements of Clarkson PLC for the six months ended 30 June 2022 were authorised for issue in accordance with a resolution of the Directors on 5 August 2022. 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 term 'Parent Company' refers to Clarkson PLC and 'Group' refers to the Company, its consolidated subsidiaries and the relevant assets and liabilities of the share purchase trusts.

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 2021 were approved by the Board of Directors on 4 March 2022 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 2022 have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and with UK adopted International Accounting Standard 34 'Interim Financial Reporting' ('IAS 34').

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 2021, which were prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The annual financial statements for the year ending 31 December 2022 will be prepared in accordance with UK-adopted International Accounting Standards.

The Group has considerable financial resources available to it, a strong balance sheet and has consistently generated an underlying profit. As a result of this, the Directors believe that the Group is well placed to manage its business risks successfully, notwithstanding global macro-economic challenges ahead. Management has stress tested a range of scenarios, modelling different assumptions with respect to the Group's cash resources. Three different scenarios were considered:

- Management modelled the impact of a reduction in profitability to £30m (a level of profit the Group has exceeded in every year since 2013), whilst taking no mitigating actions: the Group remained cash generative before dividends.

- Management assessed the impact of a significant reduction in world seaborne trade similar to that experienced in the global financial crisis in 2008 and the pandemic in 2020: seaborne trade recovered in 2009 and 2021 along with the profitability of the Group. Since 1990 no two consecutive years have seen reductions in world seaborne trade.

- Management undertook a reverse stress test over a period of three years to determine what it might take for the Group to encounter financial difficulties. This test was based on current levels of overhead, the cash position at 30 June 2022, the collection of debts and the invoicing and collection of the forward order book. This determined that, in the absence of any management action which would be applied in these circumstances, no new business would be required to remain cash positive for at least the next 12 months.

  Under the first two scenarios, the Group is able to generate profits and cash, and has positive net cash and available funds* available to it throughout the next 12 months. In the third scenario, current net cash and available funds* together with the collection of debts and the forward order book and no new business would leave sufficient cash resources to cover at least the next 12 months.

  Accordingly, 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 amortisation of acquired intangible assets and the expensing of the cash 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 2021, 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.

A number of amended standards were in issue or effective for the current reporting period. The Group has not applied these standards and interpretations in the preparation of these financial statements and does not expect these 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 2021, with the exception of changes in estimates that are required in determining the provision for income taxes.

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

2.5 Forward-looking statements
Certain statements in this announcement 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	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Broking	**211.2**	142.7	**47.0**	30.3
Financial	**27.6**	24.7	**5.7**	5.3
Support	**18.3**	14.1	**2.0**	1.5
Research	**9.6**	8.6	**3.4**	3.1
Segment revenue / Segment operating profit	**266.7**	190.1	**58.1**	40.2
Head office costs			**(15.5)**	(11.9)
Operating profit before acquisition-related costs			**42.6**	28.3
Acquisition-related costs			**(0.2)**	(0.2)
Operating profit after acquisition-related costs			**42.4**	28.1
Finance income			**0.6**	1.2
Finance costs			**(1.2)**	(2.1)
Other finance income - pensions			**0.2**	0.1
Profit before taxation			**42.0**	27.3
Taxation			**(9.0)**	(5.9)
Profit for the period			**33.0**	21.4

All revenue is generated externally.

4 Acquisition-related costs

Included in acquisition-related costs are cash and amortisation of intangible assets of £0.2m (2021:£0.2m) relating predominantly to the Martankers acquisition in 2020.

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 annual tax rate, excluding acquisition-related costs, used for the year to 31 December 2022 is 21.5% (the estimated annual tax rate used for the six months ended 30 June 2021 was 21.5%). The effective tax rate, after acquisition-related costs, is 21.5% (2021: 21.6%).

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:

	2022 £m	2021 £m
Underlying profit for the period attributable to equity holders of the Parent Company*	**30.2**	19.5
Reported profit for the period attributable to equity holders of the Parent Company	**30.0**	19.3

	2022 Million	2021 Million
Weighted average number of ordinary shares – basic	**30.5**	30.4
Weighted average number of ordinary shares – diluted	**30.7**	30.5

7 Dividends

	2022 £m	2021 £m
Declared and paid during the period:		
Final dividend for 2021 of 57p per share	**17.2**	16.3
Payable (not recognised as a liability at 30 June):		
Interim dividend for 2022 of 29p per share (2021: 27p per share)	**8.8**	8.2

8 Intangible assets

Included within intangible assets is £165.7m of goodwill (31 December 2021: £165.9m; 30 June 2021: £165.4m), £16.4m of IT development costs (31 December 2021: £17.1m; 30 June 2021: £17.0m) and £0.2m (31 December 2021: £0.2m; 30 June 2021: £0.4m) of other intangible assets. Where these arose on acquisitions, 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 continuing macro-economic and geo-political uncertainty, the Board keeps the carrying value of goodwill under constant review. The Board has considered and not identified any indication of impairment of these assets at 30 June 2022. However, 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 14 on page 180 of the 2021 Annual Report for specific sensitivity disclosures, in particular in relation to the Offshore broking and Securities CGUs.

9 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 charge recognised in the Consolidated income statement.

Recognised in the balance sheet

	30 June 2022 £m	30 June 2021 £m	31 Dec 2021 £m
Fair value of schemes' assets	**156.8**	197.0	201.5
Present value of funded defined benefit obligations	**(124.8)**	(170.5)	(174.2)
	32.0	26.5	27.3
Effect of asset ceiling in relation to the Plowrights scheme	**(6.5)**	(5.6)	(5.3)
Net benefit asset recognised in the balance sheet	**25.5**	20.9	22.0

The above is recognised on the balance sheet as an asset of £26.3m (31 December 2021: £25.8m; 30 June 2021: £24.7m) and a liability of £0.8m (31 December 2021: £3.8m; 30 June 2021: £3.8m). The main driver of the reduction in the pension liability and to a lesser extent the reduction in the pension asset, is a significant increase in the discount rate applied in the actuarial valuations to 30 June 2022.

A deferred tax asset on the benefit liability amounting to £0.2m (31 December 2021: £0.9m; 30 June 2021: £1.1m) and a deferred tax liability on the benefit asset of £6.6m (31 December 2021: £6.5m; 30 June 2021: £6.2m) is also recognised on the balance sheet. Pension scheme administrative expenses for the six-month period to 30 June 2022 is £0.6m.

Recognised in the income statement

	2022 £m	2021 £m
Recognised in other finance income – pensions:		
Expected return on schemes' assets	**1.8**	1.4
Interest cost on benefit obligation and asset ceiling	**(1.6)**	(1.3)
Recognised in administrative expenses:		
Scheme administrative expenses	**(0.6)**	(0.1)
Net pension charge recognised in the income statement	**(0.4)**	-

10 Trade and other receivables

Trade receivables are non-interest bearing and are generally on terms payable within 90 days. As at 30 June 2022, the allowance for impairment of trade receivables was £18.9m (31 December 2021: £12.9m; 30 June 2021: £15.0m). The allowance is based on experience and ongoing market information about the creditworthiness of specific counterparties and expected credit losses in respect of the remaining balances and has increased during the period due to the increase in trading and the strengthening of the US dollar against pound sterling. Included within the movements in the loss allowance were amounts which were provided at the time of invoicing for which no revenue has been recognised, because collectability was not considered probable.

11 Investments

Included within current investments are deposits totalling £3.3m (31 December 2021: £2.8m; 30 June 2021: £2.8m) with maturity periods greater than three months and government bonds of £2.1m (31 December 2021: £6.8m; 30 June 2021 £nil)

12 Cash and cash equivalents

	30 June 2022 £m	30 June 2021 £m	31 Dec 2021 £m
Cash at bank and in hand	**230.8**	151.9	260.7
Short-term deposits	**0.8**	1.0	0.9
	231.6	152.9	261.6

Net cash and available funds*, after deducting amounts accrued for performance-related bonuses but including current investments, amounted to £125.8m (31 December 2021: £122.3m; 30 June 2021: £87.3m). Free cash resources*, being net available funds less monies held by regulated entities, at 30 June 2022 were £102.5m (31 December 2021: £92.3m; 30 June 2021: £73.9m).

13 Share capital

	30 June 2022 Million	30 June 2021 Million	31 Dec 2021 Million	30 June 2022 £m	30 June 2021 £m	31 Dec 2021 £m
Ordinary shares of 25p each, issued and fully paid	**30.5**	30.4	30.5	**7.6**	7.6	7.6

14 Contingencies

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

15 Principal risks and uncertainties

The Directors consider that the nature of the principal risks and uncertainties which may have a material effect on the Group's performance in the second half of the year have not changed from those identified in the risk management section of the 2021 Annual Report on pages 87 to 95 and noted above on page 19.

16 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 2022		30 Jun 2021		31 Dec 2021	
	Assets £m	**Liabilities £m**	Assets £m	Liabilities £m	Assets £m	Liabilities £m
Investments at fair value through Profit or loss ('FVPL') – Level 1	**0.5**	**-**	0.8	-	0.5	-
Investments at fair value through profit or loss ('FVPL') – Level 2	**1.5**	**-**	1.7	-	1.2	-
Investments at fair value through other comprehensive income ('FVOCI') – Level 3	**-**	**-**	4.0	-	-	-
Foreign currency contracts – Level 2	**-**	**7.4**	-	0.4	1.3	0.7
	2.0	**7.4**	6.5	0.4	3.0	0.7

The method for determining the hierarchy and fair value is consistent with that used at the year-end (see note 29 on page 195 of the 2021 Annual Report). The fair values of financial instruments that are held at amortised cost are not materially different from their carrying amounts.

17 Related party disclosures

The Group's significant related parties are as disclosed in the 2021 Annual Report. There were no material differences in related parties or material related party transactions in the period ended 30 June 2022.

Other information

Alternative Performance Measures

The Directors believe that alternative performance measures can provide users of the financial statements with a better understanding of the Group's underlying financial performance, if used properly. Directors' judgement is required as to what items qualify for this classification.

Adjusting items

The Group excludes adjusting items from its underlying earnings metrics with the aim of removing the impact of one-offs which may distort period-on-period comparisons.

The term 'underlying' excludes the impact of exceptional items and acquisition-related costs, which are shown separately on the face of the income statement. Management separates these items due to their nature and size and believes this provides further useful information, in addition to statutory measures, to assist readers of the interim financial statements to understand the results for the period.

Underlying profit before taxation

Reconciliation of reported profit before taxation to underlying profit before taxation for the six-month period to 30 June.

	2022+	2021+
	£m	£m
Reported profit before taxation	**42.0**	27.3
Add back acquisition-related costs	**0.2**	0.2
Underlying profit before taxation	**42.2**	27.5

Underlying effective tax rate

Reconciliation of reported effective tax rate to underlying effective tax rate for the six-month period 30 June.

	2022+	2021+
Reported effective tax rate	**21.5%**	21.6%
Add back acquisition-related costs	**-**	(0.1)
Underlying effective tax rate	**21.5%**	21.5%

Underlying profit attributable to equity holders of the Parent Company

Reconciliation of reported profit attributable to equity holders of the Parent Company to underlying profit attributable to equity holders of the Parent Company for the six-month period to 30 June.

	2022+	2021+
	£m	£m
Reported profit attributable to equity holders of the Parent Company	**30.0**	19.3
Add back acquisition-related costs	**0.2**	0.2
Underlying profit attributable to equity holders of the Parent Company	**30.2**	19.5

Underlying basic earnings per share

Reconciliation of reported basic earnings per share to underlying basic earnings per share for the six-month period to 30 June.

	2022+	2021+
Reported basic earnings per share	**98.5p**	63.5p
Add back acquisition-related costs	**0.4p**	0.5p
Underlying basic earnings per share	**98.9p**	64.0p

Underlying administrative expenses

Reconciliation of reported administrative expenses to underlying administrative expenses for the six-month period to 30 June.

	2022+	2021+
	£m	£m
Reported administrative expenses	**213.9**	154.1
Less acquisition-related costs	**(0.2)**	(0.2)
Underlying administrative expenses	**213.7**	153.9

Operational metrics

The Group monitors its cash and liquidity position by adjusting gross balances to reflect the payment of obligations to staff and restricted monies held by regulated entities.

Net cash and available funds
The Board uses net cash and available funds as a better representation of the net cash available to the business, since bonuses are typically paid after the year-end, hence an element of the year-end cash balance is earmarked for this purpose. It should be noted that accrued bonuses include amounts relating to the current year and amounts held back from previous years which will be payable in the future.

Reconciliation of reported cash and cash equivalents to net cash and available funds reported.

	30 Jun 2022+ £m	30 Jun 2021+ £m	31 Dec 2021# £m
Cash and cash equivalents as reported	**231.6**	152.9	261.6
Add cash on deposit and government bonds included within current investments	**5.4**	2.8	9.6
Less amounts reserved for bonuses included within current trade and other payables	**(111.2)**	(68.4)	(148.9)
Net cash and available funds	**125.8**	87.3	122.3

Free cash resources
Free cash resources is a further measure used by the Board in taking decisions over capital allocation. It deducts monies held by regulated entities from the net cash and available funds figure.

Reconciliation of reported cash and cash equivalents to reported free cash resources.

	30 Jun 2022+ £m	30 Jun 2021+ £m	31 Dec 2021# £m
Cash and cash equivalents as reported	**231.6**	152.9	**261.6**
Add cash on deposit and government bonds included within current investments	**5.4**	2.8	**9.6**
Less amounts reserved for bonuses included within current trade and other payables	**(111.2)**	(68.4)	**(148.9)**
Less net cash and available funds held in regulated entities	**(23.3)**	(13.4)	**(30.0)**
Free cash resources	**102.5**	73.9	**92.3**

+ *Unaudited* # *Audited*