



Clarkson PLC  
Interim Report 2015

# Enabling global trade



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It is now over six months since the completion of the RS Platou acquisition. Our two leading businesses are now working together as one team to offer the shipping and offshore industry an even more integrated service with unparalleled knowledge and global reach.

## Group performance

as at 30 June

### Revenue

**£145.3m**

(2014: £111.7m)

### Profit before taxation

(Before exceptional items and acquisition costs)

**£23.6m**

(2014: £15.8m)

### Earnings per share

(Before exceptional items and acquisition costs)

**54.3p**

(2014: 62.2p)

### Profit before taxation

(After exceptional items and acquisition costs)

**£10.8m**

(2014: £14.1m)

# Chairman's review



**Our full service client offer across shipping and offshore, broking and banking is truly unique.**

**James Hughes-Hallett** Chairman

The global shipping markets have been weak in recent years and in many sub-sectors still remain highly challenged. These headwinds have driven a flight to quality as clients look to work with the most experienced and creative advisors.

At Clarkson's our robust business model has been proven in these challenging times. Our full service client offer across shipping and offshore, broking and banking is truly unique and we have continued to build market share and leverage opportunities across our business as the number one shipping services provider.

The acquisition of RS Platou ASA was completed during the first quarter of this year and the integration has continued at great pace. I congratulate the entire team for the rapid progress that has been made. New London and Oslo offices reflect our long-term vision for the business and the priority that we place on research and technology to support our teams and to give them the best tools to justify our position as the industry leader.

**James Hughes-Hallett** Chairman

14 August 2015



## The breadth and depth of our 'best in class' fully integrated offer positions us strongly.

**Andi Case** Chief executive

The multi-cyclical and volatile nature of our markets has once again been demonstrated by the sudden shift in oil and other commodity prices which, when coupled with the evolving global economic environment, has given rise to a consequential change in the demand supply balance in many markets. Across our broking business, this backdrop has contributed to a strong performance in some markets, particularly tankers, specialised products and gas. Our teams have also taken advantage of the encouraging activity, which started during the second quarter, in the sale and purchase and container markets.

However, the severe challenges faced by the dry bulk markets have been well documented, with average rates in the first six months falling to half that of their prior year comparatives, and indeed 30 year market lows. In the offshore markets, the depressed oil price has forced operators to review their strategies for 2015 and beyond, resulting in a marked slippage of activity and in the capital markets.

Whilst our business is not immune to these conditions, the breadth and depth of our 'best in class' fully integrated offer positions us strongly to meet the challenges in our markets. The acquisition of RS Platou ASA (Platou) extends our integrated offer still further and in more challenging markets it is this breadth which ensures that where there is activity, our teams have been at the forefront.

As previously reported, this turbulence caused activity levels in the capital markets to almost completely stop in the first quarter. By the end of the first half however, the market started to improve, and the team at Clarksons Platou Securities, our investment banking operation, completed a number of significant transactions. The pipeline has continued to develop as we enter the second half of 2015.

Our support business has traded satisfactorily, delivering a robust performance despite the weak oil price impacting the trading environment for some areas of our agency operations and our industrial supplies business.

Clarkson Research has also performed strongly in the first half of the year, supported by a robust performance from service-related business, particularly valuations and service contracts and continued demand across the enlarged business for our market-leading digital products.

### Team integration

Following the completion of the acquisition of Platou in February, I am delighted to report that the pace of integration of our two businesses has been going well. Culturally our teams are very well aligned, working together with the 'can do' approach we have always valued at Clarksons and taking full advantage of collaborative opportunities and our extended ability to offer clients full service support.

During the period we completed the rebranding of our broking and financial services operations as Clarksons Platou to reflect the strength of both brands in their respective market places. Our support and research businesses will continue to trade as Clarksons, testament to the longstanding heritage of the Clarksons brand in these markets.

During the first half, we have also successfully brought together our teams in both Oslo and New York, and our teams in Singapore and Dubai will be fully integrated during the second half. Since the year-end we have also moved our London and Oslo teams into new offices.

In recent years Clarksons has invested in ensuring our teams have the best tools at hand to empower them. The strength of our updated infrastructure in new offices around the world has been crucial in facilitating the integration. Our own technology platforms help ensure the enlarged teams across the business and globe have access to the wealth of knowledge and research we have in our business, underpinning everything we do.

## Results

Including the five months post-acquisition results of Platou, Clarksons increased revenues by 30% to £145.3m in the first six months of 2015 (2014: £111.7m). Administrative expenses increased by 29% to £115.4m (2014: £89.3m) reflecting the additional costs from the acquired business, however cost synergies identified and implemented will amount to an annualised benefit of some £4m. Underlying profit before taxation was £23.6m (2014: £15.8m), which after acquisition costs of £9.1m and £3.7m exceptional costs (2014: £1.7m acquisition costs), resulted in a reported profit before taxation of £10.8m (2014: £14.1m). Underlying earnings per share, before exceptional items and acquisition costs, was 54.3p (2014: 62.2p). Basic reported earnings per share was 15.0p (2014: 53.1p).

The income statement shows both exceptional and acquisition-related costs. Exceptional costs comprise onerous property lease expenses along with costs associated with restructuring and integration of the two businesses; neither amount is expected to increase significantly for the full year. Acquisition costs includes charges relating to previous acquisitions, the fees payable on completion of the Platou acquisition and amortisation of the separately identifiable intangible assets referred to below; it is expected that the full year acquisition costs will amount to £15.8m.

## Balance sheet effects of the acquisition of Platou

The acquisition of Platou was completed during the first quarter. The balance sheet now combines the assets and liabilities of both Clarksons and Platou. A provisional purchase price allocation has confirmed that a major proportion of the acquisition price, adjusted to the fair value at closing, relates to goodwill. A number of specifically identifiable intangible assets amounting to £21.9m are now included in the balance sheet and are subject to amortisation over a five year period. Long-term interest-bearing bank loans held by Platou were repaid in the first half of the year. Deferred consideration, in the form of vendor loan notes, is held on the balance sheet, repayable in two instalments in June 2016 and June 2017. Overall the net assets of the group have increased by £180.1m. Merger relief was applied to the new shares issued by Clarkson PLC, resulting in an increase in other reserves.

## Cash and dividends

Following completion of the Platou acquisition, the balance sheet remains strong with cash balances at 30 June 2015 of £130.3m (31 December 2014: £152.9m) and a further £5.9m (31 December 2014: £25.3m) in short-term investments, being 95 day notice deposits at UK banks. Net funds, after deduction of bonus entitlements, but including short-term investments amount to £86.7m (31 December 2014: £115.7m); this is stated before the payment of the interim dividend, the repayment of loan notes and non-controlling interests.

The board has declared an increased interim dividend of 22p per share (2014: 21p per share) which will be paid on 25 September 2015 to shareholders on the register at the close of business on 11 September 2015.

## Outlook

As outlined at the time of our AGM trading update on 8 May 2015, the delivery profile of our activities in broking and financial will result in a weighting in performance towards the second half of the year. The group has made a solid start in the first six months and activity levels in a number of markets remain strong. Whilst we are mindful of the ongoing challenges in a number of our markets, our strategy has proven to be robust in this trading environment. We have a unique, market-leading offer and with the acquisition integration progressing well and the strong balance sheet underpinning our business model, we have confidence in Clarksons' prospects for the year.



## Broking

### Dry bulk

The dry bulk markets have continued to be severely challenged with freight rates falling during the period to below operating expense. The Baltic Dry Index (BDI) reached its lowest point since 1985 and the average BDI was 43% weaker compared to the prior year. The period markets traded at a slight premium to the spot markets and the freight market remained heavily weighted down under an oversupplied fleet and a slowdown in seaborne demand.

The net fleet growth slowed to 7m dwt, 1% year-to-date, as demolition reached a record 20m dwt and new deliveries slowed to 27m dwt. Dry bulk seaborne demand suffered alongside the decline in China's industrial production. Steel and cement production declined by 1.3% and 5.3% respectively, both contributing to the decline in thermal power demand, which in turn led to the decline in coal imports. Iron ore imports also suffered but to a lesser degree as low cost ore from Australia and Brazil substituted high cost domestic and international supplies.

Against these significant market headwinds, our team have worked hard to further build market share, assisted by the integration of Platou and some important additional hires in a number of regions, ensuring that we have the best teams in place once the markets return.

Seaborne demand is expected to increase during the second half of 2015, after a 15 month destocking period in China, at the same time as significant slowing in fleet growth. Structurally the market is however still oversupplied which is evident in the average vessel speed which is approximately 2 knots below the optimum market speed. An improvement in world GDP and a slower fleet growth will in the medium-term create a stronger freight market and ultimately a sustained recovery.

## Containers

The first half of 2015 has seen new dynamics in the container shipping sector, with boxship charter market earnings showing some positive signs even though time charter rates in general remain below historical average levels. The panamax sector initially led the improved earnings environment and these improvements subsequently filtered down to the sub-panamax sector.

However, box freight displayed not only substantial volatility but also an acute downward trend on many trade lanes, dropping sharply on the key trade from Asia to Europe, putting liner revenues under pressure. The market continued to battle in the face of consistently robust deliveries of larger containership capacity, with liner companies struggling to fill capacity on additional tonnage which in turn put severe pressure onto the box freight environment.

On the demand side, global container trade growth is estimated to have reached 5.1% in 2014. However, in 2015, trade volume growth has been more mixed, with weakness on the Asia-Europe trade, which saw reduced year-on-year growth in the first half of the year. Global container trade is expected to expand 5-6% in the full year, but this is subject to some downside risk.

On the supply side, the fully cellular fleet stood at 19.0m TEU (20-foot equivalent unit) at the start of July 2015 having grown by 6.5% in 2014, and a further 4.1% in year to date 2015; Contracting activity, which had slowed in 2014, comprised 75 boxships of 1.0m TEU in the period. The order book of 3.5m TEU now represents 18% of existing capacity.

Our container chartering team continues to grow volume with the number of fixtures up year-on-year. Container sale and purchase activity also increased in the first half of 2015 on the back of a firm charter rate environment. However, as sellers have been increasing their asking prices accordingly, we now see less liquidity in the market as buyers seek opportunities in other shipping markets.



### Revenue

**£110.1m**

2014: £87.8m

### Segment result

**£22.0m**

2014: £15.1m

## Tankers

The first half of 2015 has been extremely positive for tanker owners irrespective of market sector. Whether vessels are being traded in the crude oil or the clean/dirty refined products market, owners have seen significant increases in their daily earnings.

The VLCC market has seen the most significant percentage rise. In 2014, owners' spot daily earnings were approximately US\$27,500 per day, however, in the first half of 2015 earnings have soared by 118% to approximately US\$60,000 per day. This rise, albeit from what was a disappointing return in 2014, can be attributed to a number of factors including consolidation in the owning community, increased cargo volume with a weaker oil price helping demand, port congestion causing tonnage to be delayed and severe weather disruption adding to uncertainty on the position list.

The suezmax market has also seen a significant increase in returns rising 75% from just below US\$28,000 per day to just below US\$49,000 per day. There is a healthy balance between supply and demand in this sector and with some vessels now performing longer voyages from the West to the Far East on a regular basis, traditional trade flows have changed creating a further squeeze on position lists.

Not to be outshone, the aframax market has risen by 66%. Owners in 2014 were earning roughly US\$24,500 per day, but in first half of 2015 have pushed earnings to in excess of US\$41,000 per day. This improvement is attributable to increased volatility from the conflict in Libya, port congestion, weather delays, an increase in long haul fuel oil movements and the fact that the aframax fleet growth has not kept pace with demand.

The clean and dirty refined products market has also been a good story for shipowners. Concerns over the amount of newbuilding MRs have proven thus far to be unfounded with earnings in excess of US\$21,000 per day – an improvement of 72% over 2014. Larger product tankers such as LR2 vessels have also benefited from a healthy spike in freight levels averaging just above US\$28,000 in the first half 2015, US\$10,000 per day higher than 2014. With refinery margins extremely good and new refineries in the Middle East exporting large volumes of products which are being regularly shipped long haul, there is no reason for owners of product tankers not to feel positive going in to the second half of 2015.

With a lower oil price creating greater demand, owners taking a bullish view and a more positive global growth story there is reason to believe that the market will have further upside, especially as the seasonal demand story impacts in Q4.

Against this market backdrop, Clarksons Platou's deep sea tanker business has strengthened its long-term charter team, extended its client base during the integration and is seeing significantly increased volumes. We continued to maintain our market-leading position in the spot market and feel confident we will be at the forefront of market activity as we enter the second half of the year.

## Specialised products

As we entered 2015, many participants in the specialised products markets continued to be optimistic about the long-term drivers, but remained concerned about a number of fundamental shifts occurring in the short-medium term.

The Clarksons Platou specialised products spot chemicals and spot edible oils indices posted a 3% and 7% increase respectively during the first half of 2015 as a number of key trade lanes experienced upward revisions in freight rates. Cargo volumes and fleet utilisation have generally remained flat, however the overall lower oil price environment compared to the same period in 2014, coupled with a stronger US dollar, has resulted in a number of owners and commercial operators recording improved performance.

The idiosyncrasies of the specialised products markets can be well evidenced by the transatlantic trade lanes, with Houston-Rotterdam 2,000 mts chemicals the best constituent part within the chemicals index, recording an increase of 31% for the quarter, and the westbound 5,000 mts rates the worst performing in the basket with a 9.5% reduction on a US\$ per metric tonne basis.

The chemical tanker fleet has seen almost no growth during the period but we have once again noted some additional contracting within the sector. Whilst the order book in the stainless steel sector is undoubtedly substantial, some concerns remain over potential cancellations and slippage. This, coupled with a meagre coated chemical tanker order book, should restrict overall fleet growth in the medium-term.



The long-term trade outlook for our markets continues to be encouraging. Both seaborne trade volumes and tonne-mile demand for specialised products should continue to grow, not least due to significant new production capacity which is yet to be added in the US Gulf.

Clarksons Platou have continued to extend our delivery to existing and potential clients via our unique and inter-connected nine office presence with new ventures located in Melbourne, Morocco and Rotterdam. Our ability to deliver real time and best in class broking and operational services supported by top quality analytical support across the globe sets the business apart from the competition.

## PCG and small LPG

The first half of 2015 in the petrochemical sector could best be described as a roller coaster. Q1 was hugely disappointing for those owners reliant on the spot market as trading opportunities were limited due to the balanced nature of the market. Those with term cover fared better, although those owners reliant on the usually strong ethylene export region of the Middle East suffered long idle periods on the back of production issues. The owners' fortunes in Q2 improved as Middle East exports of ethylene returned and European plant production issues gave way to US ethylene exports as well as stimulating global long haul propylene and C4 movements to cover the shortfalls. Whilst tonnage tightened, the freights remained stable and failed to gain upward momentum before demand fell again.

The depressed market has dampened prospects for newbuildings, with no new announcements over the period, although the market does have a healthy order book for both pressure and ethylene ships.

After the dramatic fall in pressure rates in the 4th quarter of last year, European spot rates are showing signs of rebounding and this may in time reflect in time charter levels as the owners take a wait and see approach. Asia remains depressed and with the start-up of the Chinese PDH plants this may reduce their trading opportunities. Fleet growth is also a concern with the order book standing at 39 units totalling 250,000 cbm (1,500-11,000 cbm) and with a relatively modern fleet there is little in the way of potential scrapping.

Despite the difficult trading conditions the Clarksons Platou petrochemical and coastal LPG team has increased its market share and following the integration of the Platou team, we are delighted to have extended our geographic reach, further strengthening the support we can offer to clients.

## Gas

### LPG and ammonia

The VLGC market has continued to consolidate the gains seen during the first half of 2015 and assessed time charter equivalent earnings for the market breached the US\$4m a month mark in July, supported by high spot freight levels and weaker bunker prices than those seen in the earlier half of last year. Average market earnings for the first half of this year are up 34% on the equivalent period last year which has also served to support freights for the size categories below. The factors underpinning this have been the continued growth in US LPG exports, an increase in Middle Eastern volumes and continued arbitrage movements West-East in the year to June which already represented 80% of the volume moved during the whole of 2014. Adding additional strength has been the slippage in newbuilding deliveries with only ten units being added to the fleet. For the balance of the year, the outlook for trade growth remains encouraging, although freights may come under some pressure as the balance of the order book, 26 units, is absorbed.

In 2016, a further 47 units are scheduled for delivery. The ability to absorb these units will be highly dependent on the levels of export growth from the US. Terminal capacity there continues to expand at very high levels, but relative price levels with markets in the East, the continued impact of prolonged low oil prices and the opening of the new Panama locks remain wild cards. With demand levels in Asia registering double digit growth in some countries, however, the prospects for long haul trades remain positive.

The Clarksons Platou team has performed well in an environment where shipping liquidity has been at a low, but rates have remained at historic highs across most size ranges. Importantly the team have taken market share, in particular on term business, which has shown an upward trend compared to recent years. We have been focused on developing our geographic reach and strengthening our team with key hires. Our strong and cohesive team work well together internationally, utilising cross selling opportunities and leveraging the group's unique blend of analysis, asset, commodity and shipbroking. This has put us in a good position looking forward, a platform from which to build on our existing business.

## LNG

We have strengthened the team with key hires during the period and this has positioned us well for when the market rebounds from its current disappointing levels. First half 2015 saw rates for the most modern LNG vessels slip from US\$72,000 per day in 2014 to a disappointing US\$41,000 per day average so far this year. The older steam turbine vessels suffered equal pain sliding from US\$49,000 per day down to US\$29,000 per day.

The outlook for the second half of the year looks set to remain very challenging. Long-term fundamentals remain unchanged with demand for natural gas growing globally. LNG trade growth is expected at around 5% CAGR through to 2025. This will add an additional 160m tonnes of new demand. We must await the new waves of supply coming between 2017-2019 as a catalyst for a more bullish sentiment from the owning community. The increase in volume over the next ten years means that the current order book will need to be added to significantly to keep pace with demand.

## Sale and purchase

### Secondhand

Over recent years, the sale and purchase market for modern tonnage has increasingly been influenced by the capital markets. The rapid change in commodity prices has put stress into many investment theses which in turn has severely impacted first half sale and purchase activity. 2015 started very much as previously reported with dry cargo freight rates in the doldrums for much of the first half whilst the tanker markets (both crude and clean) continue at extremely firm seasonal levels. This has translated into a more challenging six months of 2015 for both wet and dry but for differing reasons.

For dry cargo, values fell week by week as buyers remained nervous that a cheap vessel today may be an expensive one tomorrow. Approximately 40% of values were lost across the board, however a floor in values appeared as values hit 15-20% below newbuilding prices for a prompt resale and a number of the stronger, more traditional private family companies started to come into the market as buyers. Prices have started to firm, particularly in the kamsarmax and cape sectors.

The only silver lining to this dry cargo story is the increase in tonnage being scrapped; an example being that 70 capesize bulkers have been scrapped since the start of 2015 compared with 26 units during the whole of 2014. We are pleased to have increased our market share in this sector due to our maintenance of a specialist demolition desk. There is now a lot of underlying interest to invest in the market and a return in freight rates would see a continued investment from the heritage players.

Within the tanker sector, we have enjoyed a good firm freight market in the first half for the first time in a while and there is belief that these freight levels may remain. Accordingly, period charter rates have increased which in turn supports asset prices. Secondhand volumes have been fairly thin, partly because despite improved rates and earnings, public tanker companies have not really seen a big increase in valuation especially not with respect to NAV, and about half of the dry bulk fleet is owned by tanker owners so the private buyers were not moving in the first quarter. But we have started to see this change and we have thus been able to conclude a number of high capital transactions so far this year.

With good earnings finally coming into owners' coffers in some markets, the ability to reinvest across shipping is material, especially as a number of markets are at low points in the cycle. Having true cross-market expertise has been essential to capture this.

### Newbuilding

2015 has seen a return to a more conventional newbuilding marketplace compared to the high volume of capital markets-backed transactions seen in 2013 and 2014 and an increased presence from the traditional shipowning markets who are now ordering lower volumes.

In spite of this, healthy earnings in the crude tanker market have resulted in contracting activity, primarily in both suezmax and aframax sectors. The large container market has also seen significant business concluded. There remains a steady stream of contracting activity, albeit not at the higher volume levels seen in 2013 and 2014.

Shipyards have maintained, what are for them, challenging pricing levels over the past two years and this, coupled with increased governance from creditor banks in Korea has meant that newbuilding pricing has remained relatively flat. With dry and offshore clearly challenged, most yards are having to face further losses and a reduction in capacity, which overall is positive to the correction in demand/supply balances.

## Offshore

The fallout of the oil price continued in the offshore markets where charter and spot rates have, in general, continued to fall in the first half of 2015. H1 has been characterised by dropping utilisation and increasing availability as assets come off existing contracts. We also continue to see early termination of contracts and pressure on existing rates which have continued to drop across all key asset categories (drilling, subsea, OSV). Oil companies are now targeting 20-30% cost reduction across the board, and remain relentless in their pursuit of cost savings, which has only strengthened over the first half.

We continue to see strong global oil demand as a result of the current oil price which the market anticipates will remain under pressure for the short-term. However recent Chinese turmoil creates demand uncertainties. On the oil supply side the potential sanction deal with Iran can be expected to add new oil to the market in 2016 if and when fully approved.

The offshore market will remain very challenging through the remainder of 2015. Oil companies are expected to maintain their focus on cost reduction, and will likely continue to defer exploration and development activities. MMO and IMR work beyond what is absolutely required will also likely be further deferred. This will hamper offshore activity in general. We also expect oil companies to continue to idle drilling rigs and offshore vessels. Rig fixing activity has been exceptionally low in the first half of 2015, extending the negative trend from 2014. There are currently no indications of a near-term upswing in fixing activity. Offshore companies are likely to experience increasingly challenging markets as more units come off legacy contracts and struggle to find new work at reasonable levels. This will play out to a larger extent in the second half of the year and into 2016. As a result, we expect to see increased stacking/attrition activity both within drilling and the OSV-space.

With weakening utilisation, few new contracts available in the market and dropping asset values, more companies will struggle financially, and we expect increasing refinancing and restructuring activity in the second half of 2015 and into/through 2016.

Energy demand does however continue to grow and offshore oil and gas will be required to meet a substantial part of this growth. There is however increased uncertainty and debate in the oil market regarding how long the supply glut will last due to Saudi Arabia/OPEC maintaining very high production, the potential of Iran increasing exports in 2016, and signals of some increase again in US shale activity. We believe that these factors do not alter the longer-term fundamental outlook for the industry, but they create increased uncertainty about the potential longevity of the current downturn.

Whilst the Clarksons Platou offshore team were not immune to the challenging markets during the first half of the year, we have seen a slight increase in OSV term chartering activity and fixing volumes remain encouraging despite generally weak spot market rates. Wherever there are signs of activity our teams continue to be at the forefront, including some sale and purchase activity towards the end of H1, partly due to distressed counterparties. Having had a period of free fall we now have buyer interest willing to price transactions. We expect this trend to continue through H2 and take further strength in 2016. Newbuilding activity is marginal to non-existent but again we are pleased to report that our team have been involved in some of the very few resale and newbuilding transactions in the marketplace.

## Futures

The dry bulk market endured market conditions as depressed as we have ever recorded for the first six months of the year with capes averaging US\$4,591, panamax US\$4,996 and supramax US\$6,597 for the first half. Volumes were poor with capes trading 282,953 lots (318,769 same period 2014), panamax 194,974 lots (226,034 in 2014) and supramax trading 56,995 lots (60,085 in 2014). Iron ore pricing has fluctuated wildly from a low of US\$46.92 to a high of US\$70.67 providing plenty of volatility; iron ore market volumes were 313,747,700 compared to 226,348,200 for the same period last year.

The Clarksons Platou futures broking team has performed well throughout this tough first half with a particularly strong performance on the options side. We are adding to our iron ore team in Singapore with further options expertise and have similarly strengthened our FFA team there to reflect the increased liquidity that is emerging from the region.

The second half of the year seems likely to be an improvement on the first half though optimism should be tempered by the reality of the over-supply situation which prevails in most sectors. Volatility is likely to be a feature which is the key component for improved liquidity.



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#### Revenue

**£17.3m**

2014: £5.1m

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#### Segment result

**£2.2m**

2014: £0.1m

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## Financial

### Debt and leasing solutions

Clarksons Platou Debt and Leasing Solutions continue to work on a healthy pipeline of mandates and are actively engaged with new banks and financial institutions to expand bandwidth and financing options.

In addition to enhancing our network with non-conventional lenders, we have also been proactive in our discussions with commercial banks in all corners of the market.

Although there is a current general lack of appetite for lending to the offshore and oil services sector in light of the collapse in oil prices, coupled with a somewhat negative outlook from lenders in the dry bulk space, this has given rise to some good financing opportunities especially for clients with assets that have long-term charters.

### Project finance

Shipping project finance was active in the first half, especially within the tanker and feeder container segments where we have seen renewed investor confidence. In the offshore market there are opportunities for sale and leaseback transactions, but there is an increased emphasis on long-term contract coverage and counterparty risk from both investors and banks. In the dry bulk market, the recent drop in secondhand and vessel resale values has created opportunities for asset play projects that can be financed using 100% equity.

The Nordic real estate market reached an all-time high in H1 2015, and yields on prime assets are under pressure from institutional funds seeking reliable dividends in stable Nordic economies and from an increase in appetite from foreign investors for the Norwegian market. Even though yields on prime assets have declined, the yield gap is historically high.

We have grown both the shipping and real estate teams during the period, placing a number of shipping projects within the crude, product and container segments along with a significant number of real estate transactions.

### Securities

The global equity markets remained suppressed in the first half of 2015 as Greek debt woes dominated attention and concerns over Chinese growth rate and the Fed rate normalisation left investors risk averse.

In the corporate bond markets we have seen very little new issue activity in the offshore and oil services space due to exceptionally weak market fundamentals and corporate issuers struggling with weaker cash flow and high gearing levels. Several restructuring processes are under way and we are advising corporates and investors in different restructurings. We believe that we will see increased activity within this advisory product over the next six to twelve months. The depressed market for offshore and oil services bonds has resulted in a significant increase in trading volumes and, combined with reduced liquidity and larger trading spreads, we have seen increasing profitability within our secondary corporate bond trading business. Within shipping we have seen increased activity in primary issuance for higher quality industrial shipping companies and we expect that this activity will continue to remain high for the remainder of the year.

The drop in oil price combined with a record high newbuilding order book for offshore drilling rigs has left the market for offshore drilling and related services in a more challenging state than seen in many years. As a result, share prices have fallen by 50-80% in many segments. Consequently, few listed players are prepared to increase exposure or to raise capital for new projects given the significant dilution this would require. On the other hand, the resulting picture will be one where operators need to restructure balance sheets, consolidation is a must, and assets are bound to change hands from the weakest to the strongest with the largest leveraging capacity.

Mindful of these market conditions we were early to structure and promote transactions where clients would raise capital to take advantage of distressed opportunities. At the other end of the spectrum we started preparations for restructuring advisory work to help issuers or lenders address unsustainable capital structures and this has resulted in ongoing processes for a number of clients. Until the down cycle in oil services has recovered we believe that we are well positioned to see a significant market share in restructuring advisory in this space.

The steep fall in oil and gas prices has however triggered a paradigm shift in shipping with oil and product tankers reaping rewards from the new macro climate. In the second quarter, the general expectation in the market was that there would be growth opportunities in the crude tankers sector as well following strong and counter-seasonal rates, however stock prices for publicly listed companies failed to gain the expected momentum as leveraged investors were unwinding their bets instead of placing new ones. As a consequence we did not see big M&A or ECM activity in Q1. Momentum gained however into Q2 as freight rates, contrary to expectations held high. We continue to see real recovery on higher oil demand and refinery runs, not just storage.

In the challenged dry bulk market, weaker cargo demand put pressure on rates and earnings and listed dry bulk companies turned to the market to raise equity to strengthen their balance sheets. The current timing is attractive as we are seeing high scrapping levels and no new orders. The current weak demand is partly temporary inventory adjustments and the lowest valuation in years gives attractive return potential.

The first half of this year has seen its challenges, and the traditional shipping banks are using their lending position to secure capital market business, but we have managed to maintain our global market share in shipping equity offerings. We believe the shipping sector remains rich in capital market opportunities. We expect the fear of financial market turmoil caused by Greek politics and a US rate move will gradually fade by the end of Q3, and look for investors' risk appetite for equities to come back in Q4 as the global economy recovers further. In our view the change in oil dynamics has yet to be properly reflected in estimates and valuation for the key beneficiaries of the paradigm shift. We find the outlook attractive in the tanker sector, chemical carriers and container sector amidst elevated rates, rising estimates and improving valuations and have a strong pipeline of business for the second half of 2015.





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#### Revenue

**£12.9m**

2014: £14.1m

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#### Segment result

**£2.0m**

2014: £2.5m

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## Support

### Port services

In recent years we have focused on the expansion and broadening of our port and agency services business. The various changes seen in the oil and gas and grain markets over the last six months are not without impact, however we are in a strong position to react to and exploit new opportunities as they arise.

#### Agency

The Southern port services offices had an excellent start to the year albeit that we have seen a reduction in coal and grain throughputs in the second quarter.

Coal volumes imported into the UK have been adversely affected by the rise in the carbon credit price from 1 April 2015. We are, however, signing new contracts with importers of biomass who will be unaffected by the rising carbon credit price and therefore intend to increase their UK imports.

In the first half of the year UK grain exports were shipped predominantly in handysize vessels moving a revenue stream away from our short-sea ports but we are now starting once again to see increased movements in UK ports.

In the North East of England and Scotland, we remain active albeit at a reduced level, due to lower confidence levels in the oil and gas sector following weakness in the oil price.

#### Gibb Tools and Opex Industrial Supplies

The downturn in the oil and gas sector has resulted in a weaker than predicted start to the year as customers attempt to reduce their outgoings. Both Gibb Tools and Opex Industrial Supplies have importantly retained their core customer base, but with a reduced volume of sales, causing a reduction from 2014 sales, although continuing to trade in line with the board's expectations.

### Stevedoring

The weak Euro resulted in short-sea European destinations proving cost inefficient for grain exports with the preference being for larger vessels. This has impacted our stevedoring business in Ipswich as a result of the ports' inability to handle larger tonnage vessels.

However, due to the repositioning of several major UK grain exporters, we now have enquiries for a significantly increased tonnage to be exported through Ipswich in the second half of this year.

### Property services

Included within the support segment are the revenues and profits that the group derives from property services.

In 2014 the group signed a 15 year lease for a new flagship head office at Commodity Quay, St. Katharine Docks, commencing from the last quarter of 2014. The group moved into this new head office on 20 July 2015. Additional rent and service charges in relation to Commodity Quay and an onerous lease provision for a property in Singapore totalling £2.2m are disclosed separately in the income statement as exceptional items.

Clarkson PLC also owns the freehold of Hamilton Barr House in Godalming, which is let on a full commercial rent.

## Research

Clarkson Research performed strongly in the first half, with sales up 6% to reach £5.0m (2014: £4.7m). This continues a long-term growth profile, supported by a robust performance from service-related business, particularly valuations and service contracts, and continued demand for our market-leading digital products.

Digital sales continued to grow during the first half, with strong growth from both offshore-related data sales and the World Fleet Register (WFR), our leading online ship register. Our flagship maritime commercial database, Shipping Intelligence Network (SIN), benefited from the roll out of a major upgrade in the first half which has been particularly well received by our client base. Sales across our offshore and energy offering grew on an overall basis despite the challenging markets, with our offshore intelligence report series, including a number of recent improvements, continuing to gain traction in the market. Clarkson Research continues to expand its provision of customer service contracts to a range of large corporate and institutional clients across the shipping industry. Clarkson Valuations Limited has performed well in the first half of the year while absorbing a number of business integration costs.

Clarkson Research is respected worldwide as a market-leading provider of authoritative intelligence across shipping, trade, offshore and energy. Our broad and international client base provides us with excellent market penetration across a wide range of sectors, including asset owning, cargo interests and financial. The majority of sales are derived from annuity revenue and significant investments in personnel, our proprietary database and our product offering continue. Clarkson Research continues to develop its geographic profile, with expansion of operations in Shanghai and Singapore during the first half, and its support of the broader Clarksons group.

**Andi Case** Chief executive  
14 August 2015



### Revenue

**£5.0m**  
2014: £4.7m

### Segment result

**£1.5m**  
2014: £1.4m

# Statement of directors' responsibilities

The directors confirm that:

- these condensed interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union; and
- the Interim Report includes a fair review of the information required by:
  - (a) DTR 4.2.7, being an indication of important events that have occurred during the first six months of the financial year ending 31 December 2015, and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
  - (b) DTR 4.2.8, being material related party transactions that have taken place in the first six months of the financial year ending 31 December 2015; and any material changes in the related party transactions described in the 2014 Annual Report.

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

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

On behalf of the board

**James Hughes-Hallett** Chairman

14 August 2015

# Independent review report to Clarkson PLC

## Report on the condensed consolidated interim financial statements

### Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the Interim Report of Clarkson PLC for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

### What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Clarkson PLC, comprise:

- the consolidated balance sheet as at 30 June 2015;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

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

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

### What a review of condensed consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial

Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

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

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

## Responsibilities for the condensed consolidated interim financial statements and the review

### Our responsibilities and those of the directors

The Interim Report, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the Interim Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the 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  
14 August 2015

# Consolidated income statement

for the half year to 30 June

		2015				2014		
	Notes	Before exceptional items and acquisition costs £m*	Exceptional items (note 4) £m*	Acquisition costs (note 5) £m*	After exceptional items and acquisition costs £m*	Before acquisition costs £m*	Acquisition costs (note 5) £m*	After acquisition costs £m*
<b>Revenue</b>	3	<b>145.3</b>	–	–	<b>145.3</b>	111.7	–	111.7
Cost of sales		(5.9)	–	–	(5.9)	(6.8)	–	(6.8)
<b>Trading profit</b>		<b>139.4</b>	–	–	<b>139.4</b>	104.9	–	104.9
Administrative expenses		(115.4)	(3.7)	(8.7)	(127.8)	(89.3)	(1.7)	(91.0)
<b>Operating profit</b>	3	<b>24.0</b>	<b>(3.7)</b>	<b>(8.7)</b>	<b>11.6</b>	15.6	(1.7)	13.9
Finance revenue		0.6	–	–	0.6	0.3	–	0.3
Finance costs		(0.8)	–	(0.4)	(1.2)	–	–	–
Other finance costs – pensions		(0.2)	–	–	(0.2)	(0.1)	–	(0.1)
<b>Profit before taxation</b>		<b>23.6</b>	<b>(3.7)</b>	<b>(9.1)</b>	<b>10.8</b>	15.8	(1.7)	14.1
Taxation	6	(6.4)	0.7	1.1	(4.6)	(4.3)	–	(4.3)
<b>Profit for the period</b>		<b>17.2</b>	<b>(3.0)</b>	<b>(8.0)</b>	<b>6.2</b>	11.5	(1.7)	9.8
<b>Attributable to:</b>								
Equity holders of the parent		15.2	(3.0)	(8.0)	4.2	11.5	(1.7)	9.8
Non-controlling interests		2.0	–	–	2.0	–	–	–
<b>Profit for the period</b>		<b>17.2</b>	<b>(3.0)</b>	<b>(8.0)</b>	<b>6.2</b>	11.5	(1.7)	9.8
<b>Earnings per share</b>								
Basic	7	<b>54.3p</b>			<b>15.0p</b>	62.2p		53.1p
Diluted	7	<b>53.5p</b>			<b>14.8p</b>	60.6p		51.8p

\* Unaudited

# Consolidated statement of comprehensive income

for the half year to 30 June

	2015 £m*	2014 £m*
Profit for the period	<b>6.2</b>	9.8
Other comprehensive income:		
<i>Items that will not be reclassified to profit or loss:</i>		
Actuarial gain/(loss) on employee benefit schemes – net of tax	<b>4.1</b>	(3.0)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign exchange differences on retranslation of foreign operations	<b>(1.3)</b>	(1.3)
Foreign currency hedge – net of tax	<b>0.8</b>	0.1
<b>Total comprehensive income for the period</b>	<b>9.8</b>	5.6
<b>Attributable to:</b>		
Equity holders of the parent	<b>8.2</b>	5.6
Non-controlling interests	<b>1.6</b>	–
<b>Total comprehensive income for the period</b>	<b>9.8</b>	5.6

\* Unaudited



# Consolidated balance sheet

as at 30 June

	Notes	2015 £m*	2014 £m*	31 December 2014 £m†
<b>Non-current assets</b>				
Property, plant and equipment		19.5	8.3	7.7
Investment property		0.3	0.3	0.3
Intangible assets	10	288.6	40.5	40.4
Trade and other receivables		0.9	0.6	0.4
Investments		1.9	1.8	1.9
Deferred tax asset		12.9	11.6	15.0
		<b>324.1</b>	<b>63.1</b>	<b>65.7</b>
<b>Current assets</b>				
Inventories		1.2	1.2	1.4
Trade and other receivables		69.9	50.4	42.7
Income tax receivable		3.0	3.7	1.5
Investments	11	5.9	25.2	25.3
Cash and cash equivalents	12	130.3	75.1	152.9
		<b>210.3</b>	<b>155.6</b>	<b>223.8</b>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings	12,13	(30.4)	–	–
Trade and other payables		(106.8)	(66.1)	(102.2)
Income tax payable		(5.8)	(1.3)	(2.9)
Provisions		(3.4)	–	(3.0)
		<b>(146.4)</b>	<b>(67.4)</b>	<b>(108.1)</b>
<b>Net current assets</b>		<b>63.9</b>	<b>88.2</b>	<b>115.7</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings	13	(22.7)	–	–
Trade and other payables		(3.3)	(2.3)	(1.8)
Provisions		–	(2.2)	–
Employee benefits	14	(8.9)	(4.9)	(10.3)
Deferred tax liability		(5.7)	(2.5)	(2.0)
		<b>(40.6)</b>	<b>(11.9)</b>	<b>(14.1)</b>
<b>Net assets</b>		<b>347.4</b>	<b>139.4</b>	<b>167.3</b>
<b>Capital and reserves</b>				
Share capital	15	7.5	4.7	5.2
Other reserves		213.5	35.4	35.5
Retained earnings		123.8	99.3	126.6
<b>Equity attributable to shareholders of the parent</b>		<b>344.8</b>	<b>139.4</b>	<b>167.3</b>
Non-controlling interests		2.6	–	–
<b>Total equity</b>		<b>347.4</b>	<b>139.4</b>	<b>167.3</b>

\* Unaudited

† Audited

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# Consolidated statement of changes in equity

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

Notes	Attributable to equity holders of the parent				Non-controlling interests £m*	Total equity £m*
	Share capital £m*	Other reserves £m*	Retained earnings £m*	Total £m*		
<b>Balance at 1 January 2014</b>	<b>4.7</b>	<b>35.7</b>	<b>97.3</b>	<b>137.7</b>		
Profit for the period	–	–	9.8	9.8		
Other comprehensive income:						
Actuarial loss on employee benefit schemes – net of tax	–	–	(3.0)	(3.0)		
Foreign exchange differences on retranslation of foreign operations	–	(1.3)	–	(1.3)		
Foreign currency hedge – net of tax	–	0.1	–	0.1		
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>(1.2)</b>	<b>6.8</b>	<b>5.6</b>		
Transactions with owners:						
Gain on ESOP shares	–	–	0.8	0.8		
Net ESOP shares utilised	–	0.6	–	0.6		
Share-based payments	–	0.3	–	0.3		
Tax on other employee benefits	–	–	1.2	1.2		
Tax on other items in equity	–	–	0.1	0.1		
Dividends	8	–	(6.9)	(6.9)		
	–	0.9	(4.8)	(3.9)		
<b>Balance at 30 June 2014</b>	<b>4.7</b>	<b>35.4</b>	<b>99.3</b>	<b>139.4</b>		

\* Unaudited

# Consolidated cash flow statement

for the half year to 30 June

	Notes	2015 £m*	2014 £m*
<b>Cash flows from operating activities</b>			
Profit before taxation		10.8	14.1
Adjustments for:			
Foreign exchange differences		(0.2)	(0.5)
Depreciation of property, plant and equipment		1.3	1.1
Share-based payment expense		0.9	0.8
Amortisation of intangibles		4.4	0.1
Difference between pension contributions paid and amount recognised in the income statement		(1.2)	(1.0)
Finance revenue		(0.6)	(0.3)
Finance costs		1.2	–
Other finance costs – pensions		0.2	0.1
Decrease/(increase) in inventories		0.2	(0.2)
Decrease/(increase) in trade and other receivables		9.2	(2.8)
Decrease in bonus accrual		(51.8)	(19.9)
(Decrease)/increase in trade and other payables		(10.9)	2.0
Increase in provisions		0.4	0.1
<b>Cash utilised from operations</b>		<b>(36.1)</b>	<b>(6.4)</b>
Income tax paid		(7.3)	(5.0)
<b>Net cash flow from operating activities</b>		<b>(43.4)</b>	<b>(11.4)</b>
<b>Cash flows from investing activities</b>			
Interest received		0.3	0.2
Purchase of property, plant and equipment		(8.7)	(0.5)
Proceeds from sale of investments		6.8	–
Proceeds from sale of property, plant and equipment		0.1	0.1
Transfer from current investments (funds on deposit)		20.0	–
Acquisition of subsidiaries, including deferred consideration	9	(23.5)	(2.3)
Net cash acquired on acquisitions	9	43.2	0.5
Dividends received from investments		0.3	0.1
<b>Net cash flow from investing activities</b>		<b>38.5</b>	<b>(1.9)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(0.8)	–
Dividends paid	8	(11.7)	(6.9)
Repayments of borrowings		(12.0)	–
<b>Net cash flow from financing activities</b>		<b>(24.5)</b>	<b>(6.9)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(29.4)</b>	<b>(20.2)</b>
Cash and cash equivalents at 1 January	12	152.9	96.9
Net foreign exchange differences		(0.9)	(1.6)
<b>Cash and cash equivalents at 30 June</b>	12	<b>122.6</b>	<b>75.1</b>

\* Unaudited

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# Notes to the interim financial statements

## 1 Corporate information

The interim consolidated financial statements of the group for the period ended 30 June 2015 were authorised for issue in accordance with a resolution of the directors on 14 August 2015. Clarkson PLC is a Public Limited Company listed on the London Stock Exchange, registered in England and Wales and domiciled in the UK.

The interim consolidated financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006, and should be read in conjunction with the 2014 annual financial statements. The statutory audited accounts for the year ended 31 December 2014 have been delivered to the Registrar of Companies in England and Wales. The auditors' report on those accounts was unqualified and did not contain statements under Section 498 of the Companies Act 2006.

Copies of the interim financial statements have been circulated to all shareholders and are available from the registered office of the company at Commodity Quay, St. Katharine Docks, London E1W 1BF and also on [www.clarksons.com](http://www.clarksons.com).

## 2 Statement of accounting policies

### 2.1 Basis of preparation

The interim consolidated financial statements of the group for the period ended 30 June 2015 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2014, which were prepared in accordance with IFRSs as adopted by the European Union.

The directors are satisfied that, at the time of approving the consolidated interim financial information, it is appropriate to continue to adopt a going concern basis of accounting.

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 exceptional items and acquisition costs (2014: before acquisition costs). Items which are non-recurring in nature and considered to be material in size are shown as 'exceptional items'. The column 'acquisition costs' includes acquisition-related professional fees, interest on deferred consideration, amortisation of intangibles acquired as part of the Platou acquisition and the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on previous acquisitions.

### 2.2 Accounting policies

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 December 2014, 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.

There were no new IFRSs or IFRIC interpretations that had to be implemented during the year that affect these interim financial statements.

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

- Amendments to IAS 19 regarding defined benefit plans;
- Annual improvements 2014 (2012-2014 cycle);
- Amendments to IAS 1, 'Presentation of financial statements' on the disclosure initiative;
- IFRS 9, 'Financial instruments';
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' on depreciation and amortisation;
- IFRS 15, 'Revenue from contracts with customers'.

The impact on the group's financial statements of the future adoption of these and other new standards and interpretations is still under review, but the group does not expect any of these changes to have a material effect on the results or net assets of the group.

### 2.3 Seasonality

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

### 3 Segmental information

For the half year to 30 June

	Revenue		Results	
	2015 £m	2014 £m	2015 £m	2014 £m
Broking	110.1	87.8	22.0	15.1
Financial	17.3	5.1	2.2	0.1
Support	14.5	15.7	2.0	2.5
Research	5.0	4.7	1.5	1.4
	146.9	113.3		
Less property services revenue arising within the group, included under Support	(1.6)	(1.6)		
<b>Segment revenue/results</b>	<b>145.3</b>	<b>111.7</b>	<b>27.7</b>	<b>19.1</b>
Head office costs			(3.7)	(3.5)
Operating profit before exceptional items and acquisition costs			24.0	15.6
Exceptional items			(3.7)	–
Acquisition costs			(8.7)	(1.7)
Operating profit after exceptional items and acquisition costs			11.6	13.9
Finance revenue			0.6	0.3
Finance costs			(1.2)	–
Other finance costs – pensions			(0.2)	(0.1)
Profit before taxation			10.8	14.1
Taxation			(4.6)	(4.3)
<b>Profit for the period</b>			<b>6.2</b>	<b>9.8</b>

The futures broking division is now reported under the Broking segment, having previously been included under Financial. The comparatives have been restated to reflect this.

### 4 Exceptional items

In 2014, Clarkson PLC signed a 15 year lease on a new flagship head office at Commodity Quay, St. Katharine Docks, London, commencing on 29 September 2014. The existing lease for St. Magnus House, London, expires in December 2015. The additional rent and service charges for Commodity Quay of £1.9m have been treated as an exceptional item in the period. Also included in exceptional items are costs associated with restructuring the group and integrating the two teams of £1.5m and an onerous lease provision of £0.3m for a property in Singapore.

### 5 Acquisition costs

Included in acquisition costs are cash and share-based payment charges of £1.3m (2014: £1.5m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £2.9m (2014: £nil) of legal and professional fees relating to the Platou acquisition, £nil (2014: £0.1m) relating to the Ewings acquisition and £4.4m (2014: £0.1m) relating to amortisation of intangibles acquired as part of the Platou acquisition and previous acquisitions. Interest on the loan notes issued as part of the Platou acquisition consideration totals £0.4m. Further costs of £0.1m for legal and professional fees for potential acquisitions have been incurred.

### 6 Taxation

Income tax expense is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate, excluding exceptional items and acquisition costs, for the year to 31 December 2015 is 27% (the estimated tax rate used for the six months ended 30 June 2014 was 27%). The effective tax rate, after exceptional items and acquisition costs, is 42.6%. This is impacted by the exceptional items and acquisition costs and will therefore vary at the year-end.



## 7 Earnings per share

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

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

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

For the half year to 30 June	2015 £m	2014 £m
Earnings	4.2	9.8
	2015 Million	2014 Million
Weighted average number of ordinary shares	28.1	18.6
Dilutive effect of share options and acquisition-related share awards	0.4	0.4
Diluted weighted average number of ordinary shares	28.5	19.0

## 8 Dividends

For the half year to 30 June	2015 £m	2014 £m
Declared and paid during the period:		
Final dividend for 2014 of 39p per share (2013: 37p per share)	11.7	6.9
Payable (not recognised as a liability at period end):		
Interim dividend for 2015 of 22p per share (2014: 21p per share)	6.6	3.9

## 9 Business combinations

### 2015

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

Platou is a leading international broker and investment bank providing high value brokerage, financial and advisory services focused on the offshore and shipping markets, operating from offices in 11 countries located in key global financial and shipping centres. The Platou group's business comprised four core divisions: offshore and shipbroking (included within the Broking segment) and investment banking and project finance (included within the Financial segment), which are complemented by a variety of research capabilities.

The acquisition complements the group's strategy to expand its geographical reach and broaden its offshore and project finance services to existing and new customers. The goodwill of £231.1m represents the acquired workforce, as well as the potential new customer relationships and revenue expected to be brought in by experienced brokers and senior management team members. It also represents the potential to achieve improved commercial competitiveness and operational efficiency in the long-term. None of the goodwill recognised is expected to be deductible for income tax purposes.

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

Under IFRS the share price as at the acquisition date is applied to record the relevant proportion of the investment in Platou. The provisions of merger relief under the Companies Act 2006 are applicable in relation to the shares issued as consideration such that no share premium is recorded, instead an equivalent merger reserve is recorded, as required under IFRS and permitted by the Companies Act 2006.

The total consideration of £249.9m varies from the £281.2m stated in the circular dated 27 November 2014. The proposed fixed number of shares to be issued was initially determined based on a share price of £22.15. On acquisition, the shares were issued at the closing market price of £18.90.

## 9 Business combinations continued

The following table summarises the consideration paid, the provisional fair value of the assets acquired and the liabilities assumed relating to the acquisition of Platou:

Recognised amounts of identifiable assets acquired and liabilities assumed:	Provisional £m
Intangible assets	21.9*
Property, plant and equipment	4.3
Deferred tax	1.8
Investments	7.4
Trade and other receivables	46.2
Cash and cash equivalents	54.0
<b>Total assets</b>	<b>135.6</b>
Interest-bearing loans and borrowings	(22.8)
Trade and other payables	(66.7)
Income tax payable	(7.4)
Employee benefits	(4.7)
Deferred tax liability	(4.4)*
<b>Total liabilities</b>	<b>(106.0)</b>
<b>Total identifiable net assets</b>	<b>29.6</b>
Non-controlling interests' share of identifiable assets and liabilities	(10.8)
Goodwill	231.1
<b>Total consideration</b>	<b>249.9</b>

\* Fair value adjustment made on acquisition.

Intangible assets comprise customer relationships, forward order book and trade name identified on acquisition.

Net cash acquired was £43.2m, being the cash and cash equivalents of £54.0m and overdraft of £10.8m, included in interest-bearing loans and borrowings.

The revenue included in the consolidated income statement since 2 February 2015 contributed by Platou was £33.3m. Platou contributed profit of £8.4m over the same period.

Had Platou been consolidated from 1 January 2015, the consolidated income statement would show revenue of £151.2m and profit before taxation, exceptional items and acquisition costs, of £25.1m. This information is not necessarily indicative of the 2015 results of the combined group had the purchase actually been made at the beginning of the period presented, or indicative of the future consolidated performance given the nature of the business acquired.

### 2014

On 11 June 2014, Clarkson Port Services acquired 100% of the share capital of Michael F. Ewings (Shipping) Ltd. On the acquisition date, net assets of £1.2m were acquired for an initial cash payment of £1.1m. Additional cash sums up to £1.6m are also payable within three years. The elements which are subject to performance and service conditions will be charged to the consolidated income statement over the service period. The resulting goodwill amounts to £0.4m.

## 10 Intangible assets

Included within intangible assets is £231.1m of goodwill and £17.5m of other intangible assets arising as a result of the Platou acquisition.

## 11 Investments

Included within current investments are £5.3m of deposits with a maturity of 95 days (31 December 2014: £25.3m with a maturity of 95 days). These deposits are held with an A-rated financial institution.

## 12 Cash

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Cash at bank and in hand	128.5	73.7	150.8
Short-term deposits	1.8	1.4	2.1
<b>Cash and cash equivalents included in the balance sheet</b>	<b>130.3</b>	<b>75.1</b>	<b>152.9</b>
Bank overdraft	(7.7)	–	–
<b>Cash and cash equivalents included in the cash flow statement</b>	<b>122.6</b>	<b>75.1</b>	<b>152.9</b>

Net funds, after deduction of accrued bonus entitlements, but including short-term investments, amounted to £86.7m (31 December 2014: £92.3m after deducting £23.4m payable in relation to cash consideration on the Platou acquisition).

## 13 Interest-bearing loans and borrowings

Included within interest-bearing loans and borrowings is £45.5m of loan notes relating to the Platou acquisition. Interest is charged at 12 month LIBOR plus 1.25%. The loan notes are repayable on 30 June 2016 and 30 June 2017.

## 14 Employee benefits

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

As at 30 June 2015 the combined schemes had a deficit of £8.1m (31 December 2014: £10.3m). This amount is included in full on the balance sheet as a non-current liability; the company has recognised deferred tax on this deficit amounting to £1.6m (31 December 2014: £2.1m). The market value of the assets was £173.5m (31 December 2014: £163.0m) and independent actuaries have assessed the present value of funded obligations at £181.6m (31 December 2014: £173.3m).

Triennial valuations for the Clarkson PLC and Plowrights schemes were prepared based on the position as at 31 March 2013 and at 1 September 2012 for the Stewarts scheme. There is a minimum funding requirement on the Plowrights scheme. The excess of the minimum funding requirement over the deficit of £0.8m (31 December 2014: £nil) has been recognised as a non-current liability on the balance sheet. Deferred tax of £0.2m (31 December 2014: £nil) has been recognised on this liability.

## 15 Share capital

	30 June 2015 Million	30 June 2014 Million	31 December 2014 Million	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Ordinary shares of 25p each	30.1	19.0	20.6	7.5	4.7	5.2

On the Platou acquisition date, 9,518,369 ordinary shares were issued, refer to note 9.

## 16 Contingencies

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

## 17 Principal risks and uncertainties

The directors consider that the nature of the principal risks and uncertainties which may have a material effect on the group's performance in the second half of the year is unchanged from those identified in the risk management section of the 2014 Annual Report on page 32. These take into account the acquired Platou group, and include credit risk, in the form of non-payment of invoices; liquidity risk arising from funding requirements; foreign exchange risk from fluctuations in the US dollar to sterling exchange rate; exposures to interest rate movements; reputational risk; and operational risk giving rise to losses from people, systems, external influences or failed processes.

## 18 Related party disclosures

The group's significant related parties are as disclosed in the 2014 Annual Report. There were no material differences in related parties or related party transactions in the period ended 30 June 2015.

## 19 Financial instruments

Fair value measurements apply to the foreign currency contracts of £1.0m asset at 30 June 2015 (£nil at 31 December 2014). These are classified as level 2. The method for determining the hierarchy and fair value is consistent with that used at the year-end, as disclosed on page 103 of the 2014 Annual Report. Investments in unlisted ordinary shares are carried at cost because a fair value cannot be determined reliably.

Loan notes, included in interest-bearing loans and borrowings, were initially recognised at fair value and have not been designated as 'fair value through profit or loss'. These are subsequently measured at amortised cost using the effective interest method. The carrying value of the loan notes and other current and non-current financial assets and liabilities is deemed to equate to fair value at 30 June 2015.

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Thank you.

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