Clarkson PLC Annual Report 2013

The heart of global shipping

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Our depth of knowledge, global network, specialist teams and range of skills make up Clarksons' world-leading integrated shipping service.

Intermediating between maritime owners and their assets, and cargo providers and their freight, to keep commodities and finished goods moving around the world makes our services critical to enabling global trade where…

…our research, probably the best in the world, tracks 114,000 vessels carrying over 1,000 different grades of bulk commodity across 100,000 global trade routes.
Our online databases, publications, reports and bespoke analysis tailored to clients' needs, underpin knowledge throughout the maritime and offshore world…

Enabling global trade

No.1
Oil is the number one seaborne traded commodity: 1.9 billion tonnes annually

Enabling global trade

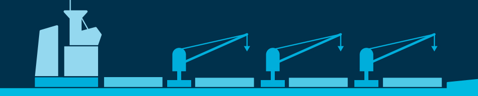
…where our brokers, and their analysts, consult with clients and execute their transactions, in either the assets or the use of those assets, across every market segment of the maritime world, using our unparalleled network of intelligence, contacts and market expertise…

200%

expected increase in US LPG export capacity by 2017

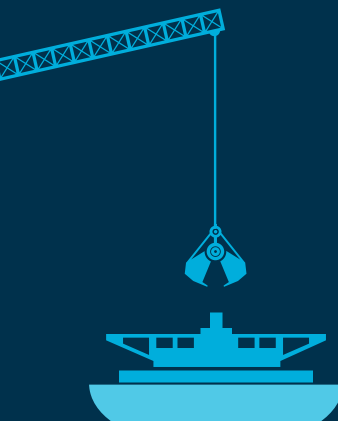
…whilst our financial teams help clients in either their search for finance from the debt, private equity or public markets or by assisting in managing the financial risks associated with the cost of freight or the value of commodities carried…

Enabling global trade



400m

tonnes of agriculture commodities are transported annually by sea



Enabling global trade

…and all maritime and offshore transactions need day-to-day **support** in and around ports, where the final link in our integrated value chain is to provide 24/7 services and supplies to ensure uninterrupted trade.

1.2bn

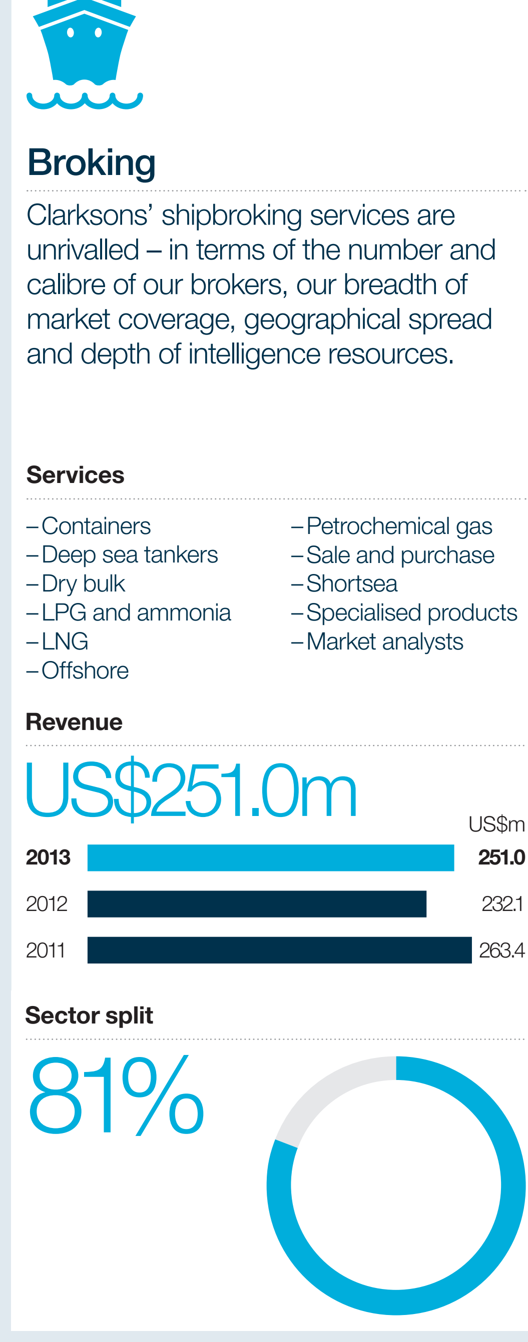
International seaborne coal trade has doubled in the last 10 years to reach 1.2 billion tonnes per year

Clarksons' business model provides an unrivalled level of service and information that creates value from being the heart of global shipping… to enabling global trade.

Global Trade
Assets
Owners
Cargo
Freight
Broking
Shipping
Support
Research
Financial
Broking
Offshore

Group at a glance

Our unique breadth enables us to support clients in every area of need, develop our relationship with them and ensure that even in challenging trading conditions the group can be at the forefront of activity, whichever sector of the market it is in.



Broking

Clarksons' shipbroking services are unrivalled – in terms of the number and calibre of our brokers, our breadth of market coverage, geographical spread and depth of intelligence resources.

Services

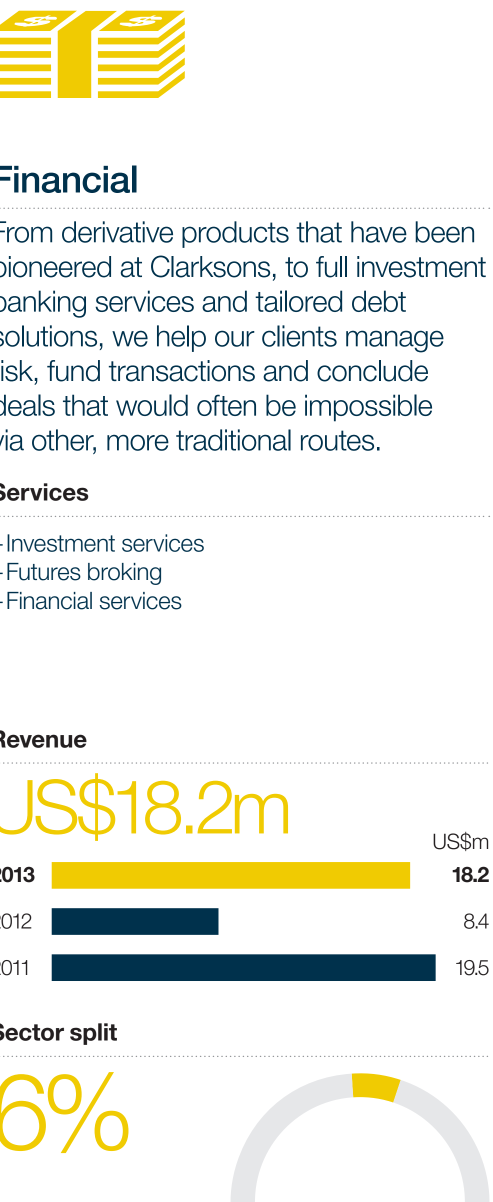
- Containers
- Deep sea tankers
- Dry bulk
- LPG and ammonia
- LNG
- Offshore
- Petrochemical gas
- Sale and purchase
- Shortsea
- Specialised products
- Market analysts

Revenue

US$251.0m

Sector split

81%



Financial

From derivative products that have been pioneered at Clarksons, to full investment banking services and tailored debt solutions, we help our clients manage risk, fund transactions and conclude deals that would often be impossible via other, more traditional routes.

Services

- Investment services
- Futures broking
- Financial services

Revenue

US$18.2m

Sector split

6%

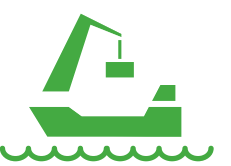
The facts

162 years

1,033 employees worldwide

42 offices

18 countries



Support

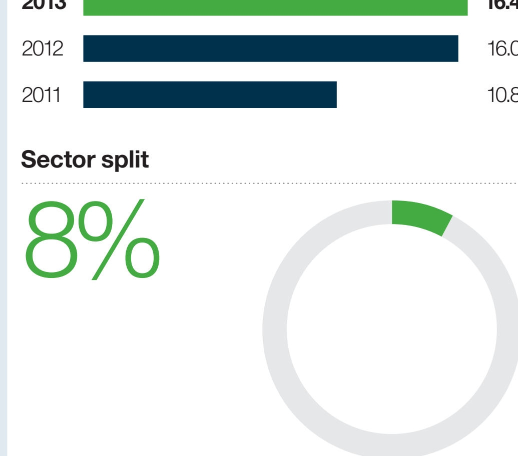
Our port services team provides the highest level of support with 24/7 attendance to vessel owners, operators and charterers at a wide range of strategically located ports.

Services

- Port services
- Property services

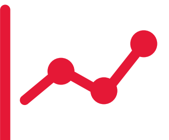
Revenue

£16.4m



Sector split

8%



Research

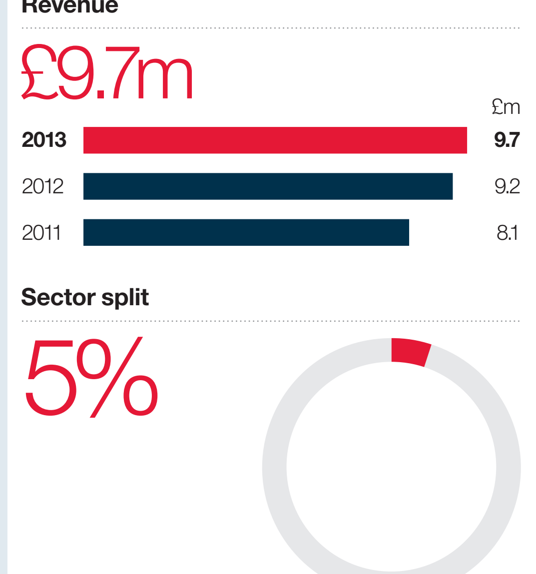
Clarkson Research Services is respected worldwide as the most authoritative provider of intelligence for global shipping, and is at the heart of everything we do.

Services

- Offshore and energy
- Shipping and trade
- Valuations

Revenue

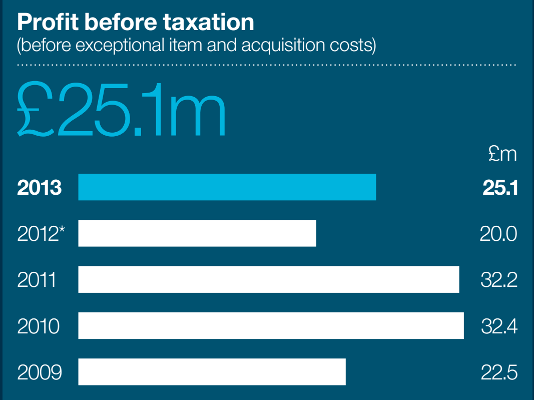
£9.7m

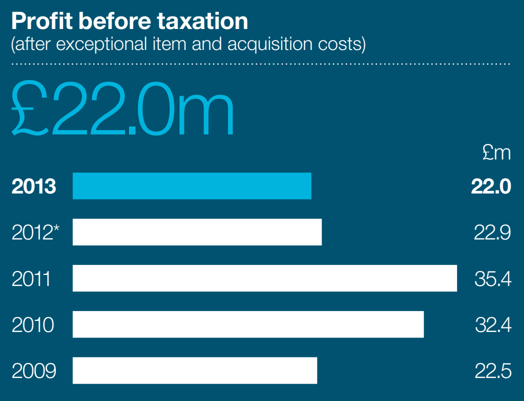


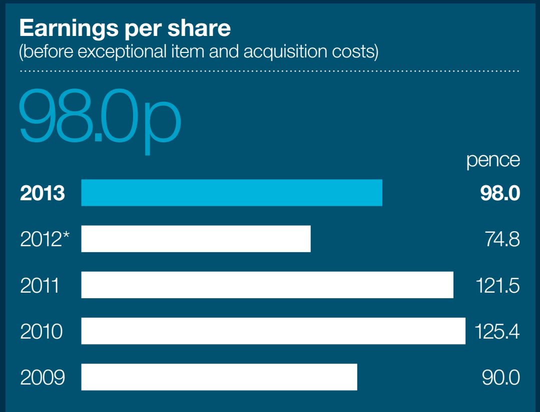
Sector split

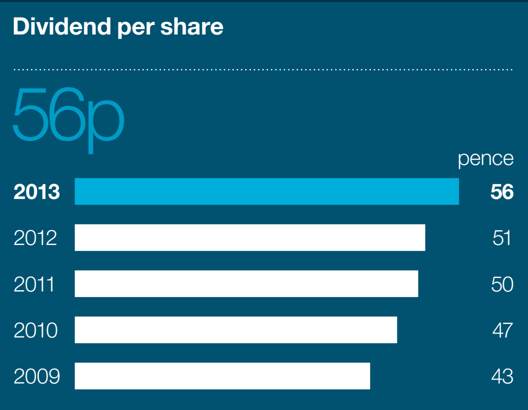
5%

Group performance









* Restated for the effects of IAS 19 (revised)

The shipping markets have begun to show signs of improvement, and we are confident that our strategy to provide the best service to our clients should in turn provide enhanced shareholder return.

Bob Benton Chairman

Overview

I am delighted to report that Clarksons has delivered a strong result for the year. Whilst the last quarter of 2013 saw significant improvement in the trading conditions of some of our markets, the year as a whole was not without its challenges, following an extended period where markets reached historic lows.

This good performance demonstrates that despite the ongoing challenges of recent years, Clarksons has remained focused on the future. Andi and the management team have refined the group's strategy and carefully invested in the business. This investment in technology, tools and, most importantly, people, will ensure that as the markets start to improve we will continue to be able to take full advantage by being at the forefront of market activity.

Results

Underlying profit before taxation of £25.1m (2012: £20.0m) was 26% higher than the prior year. This was ahead of expectations, reflecting improved trading conditions in the fourth quarter, with activity levels across the group during December being particularly strong.

Underlying earnings per share were 98.0p (2012: 74.8p) and basic earnings per share, after the exceptional item and acquisition costs were 82.2p (2012: 85.2p).

Dividend

Once again, for the eleventh consecutive year, Clarksons intends to raise the dividend paid to our shareholders. The board is recommending a final dividend of 37p (2012: 33p). The interim dividend was 19p (2012: 18p), giving a total dividend for the year of 56p (2012: 51p).

The dividend will be payable on 6 June 2014 to shareholders on the register as at 23 May 2014, subject to shareholder approval.

Acquisitions

During the year, Clarkson Port Services (CPS) acquired the Aberdeen-based specialist tool supplier Gibb Tools Limited.

In line with our clear business goal to further strengthen and improve our unique product service breadth, this acquisition provides an important step change in CPS's client offer, complementing its existing port & agency and supply services with Gibb Tools' leading tool supply offer.

People

One of the characteristics that has struck me most during my time as chairman is the expertise and dedication of the Clarksons team and the 'can-do' cultural approach.

Management are committed to not only recruiting and retaining the best people, but ensuring they have the right tools to do their job, investing in training and technology to enable them to offer the market-leading service our clients have come to expect from Clarksons.

These results are testament to the hard work of 'Team Clarksons' and on behalf of the board I would like to thank each and every member of the team.

Chairman

As previously announced, Philip Green stepped down as chairman on 6 March 2014 and will be leaving the board from the AGM on 9 May 2014. Consequently, as requested by the board, I have resumed the role of chairman until a new chairman is firmly in place. On behalf of the board, I thank Philip for his valuable contribution over the past year and wish him well with his new endeavours. Peter Backhouse, the senior independent director, will lead the search process for a new chairman.

The future/current trading

An increased forward order book within broking, momentum in revenue growth from both the financial and research divisions, and an enlarged support team incorporating Gibb Tools, means that we begin 2014 with a degree of optimism. The shipping markets have begun to show signs of improvement and, with that, increased interest in shipping within the capital markets. We are confident that our strategy to provide the best service to our clients should in turn provide enhanced shareholder return in the future.

Bob Benton Chairman

Strategy and operations

Market trends are encouraging but are still in their infancy; importantly the long-term drivers for our markets remain clear.

Andi Case Chief executive

The market

Since the credit crunch of 2009 we have witnessed some of the worst market conditions ever seen in shipping, with rates in the first half of 2013 often below operating costs and asset values reaching all-time lows in some sectors. This has led to significant distress within the industry. Nevertheless, demand for seaborne trade, the ultimate driver of any shipping cycle, has continued its increase, with 10bn tonnes (1990: 4bn tonnes) of cargo now being moved around the globe, representing approximately 1.4 tonnes per person on the planet (1990: 0.8 tonnes); this at a time following a period of reduced availability of credit, a fall in newbuildings contracted and increased scrapping. When last year we spoke about the signs of recalibration in the shipping markets, with demand and supply getting closer, we saw the potential for 2013 and more specifically the second half, entering the 'spike zone' where localised demand/supply imbalances could lead to significant rate improvements, albeit not necessarily sustained, showing that markets are tighter, fast to react and hence much closer to a more sustained recovery.

Although volatile, the second half of 2013 did indeed bring with it some tentative signs of that recovery. The year ended with the ClarkSea index up 79% (from an all-time low) and seaborne trade, growing by a healthy 3.8%, close to the 50-year average. Changes to the fundamental supply/demand balance and rate spikes have caused renewed interest to both acquire secondhand vessels and order new more efficient tonnage. Although many despair at new tonnage being ordered when the markets are already over supplied, the necessity to address bunker consumption has been a real driver and in many cases orders were placed at prices below the cost of building. As new more fuel efficient designs start to deliver they will begin to put pressure on older tonnage. The overall improvement in shipping rates has resulted in additional interest and activity in the capital markets. Clarksons' performance over the period shows once again the strength of our strategy and understanding of the markets.

Our strategy

Clarksons' history dates back to 1852 and whilst 162 years of marine broking heritage are ingrained throughout our business, our strategy and business model are now more than ever focused on the needs of our clients, both today and for the future, and are aligned to the long-term fundamental growth drivers behind our markets.

Clarksons offers the 'best in class' service to an increasingly diverse client base across all sectors of the shipping and offshore industry by providing those clients with unrivalled professionalism and support in all the markets where they operate. There are also many opportunities to assist clients and investors who are in multiple markets.

Whilst our world-class broking operation remains core to our business, we have enhanced our client offer in recent years, pre-empting clients' needs and global market trends, to develop an integrated maritime financial services and risk management business as well as a comprehensive support function all underpinned by our market-leading research and analysis. We are the only truly global operator, able to offer clients breadth and depth of service on an international scale, placing us at the heart of global trade. To maintain and extend our industry position, we work towards a clear strategy, based on six key objectives; Global reach, Strength in depth, Validation, People, Client focus and Growth.

Clarksons has 42 offices
in 18 countries

Clarksons aims to be the
best in class intermediary
in every major sector
of maritime trade

Progress against our plans

1. Global reach

Our global presence enables us to meet client needs wherever and whenever they arise; both on a local and a global scale. Our goal is to give clients global reach on a local level. The year saw us expand further to 42 offices across 18 countries with new broking offices in Morocco and Sweden and further investment to grow our Singapore and Dutch offices. Within Clarkson Capital Markets (CCM), we refocused our activities, exiting from Dubai DIFC as announced last year, but investing in growing the team in New York and Houston; the profits achieved in the second half by CCM indicate that this strategy was the right one for the business, and stands us in good stead for the future. Across our port services business we were also pleased to open a new branch of our industrial supplies business in Great Yarmouth, and new agency offices in Leith and Lerwick.

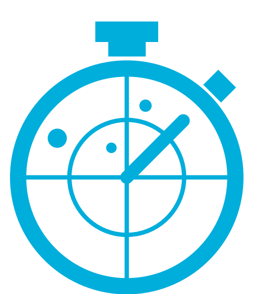
Today over 46% of our workforce is based outside of the UK with 42% of group revenue generated overseas. Our ability to deliver a truly local service worldwide is key to our international growth and we share understanding, culture, IT platforms and the highest standards of corporate governance across our business to ensure this.

2. Strength in depth

With an industry-leading range of products and services that span the maritime and financial markets, we believe we are uniquely placed to deliver the best, bespoke commercial solutions to all our clients – large or small. We are one of the leading service providers in every major sector of maritime trade, where we aim to be best in class in every operation, with no single company being our lead competitor in more than one market. This unique breadth enables us to support clients in every area of need, develop our relationship with them and ensure that even in challenging trading conditions the group can be at the forefront of activity, whichever sector or geography of the market it is in. And in line with our consultancy and execution model, each area of the business is supported by leading research and analysis. It is this research and analysis that has also assisted us in the significant growth of banking transactions undertaken by CCM during 2013.

During 2013 and into 2014 we continue to make further organic investment, extending our business services into barge broking, increasing our team within iron ore swaps broking and improving our sale and purchase capabilities in container and specialised product assets. In October we were also delighted to announce the acquisition of Aberdeen-based Gibb Tools, a leading specialist tool supplier to the industrial maritime and offshore sector. The acquisition extends further the strategy for our established port and agency and supplies businesses, providing a step change to our client offer, and significantly increasing our capability to tender for larger offshore and renewable contracts.

Clarksons processes 10,500 vessel positions each minute of every day



Clarksons' client base is second-to-none

3. Validation

Clarksons is the industry's leading provider of data and market intelligence on the shipping and offshore industries. Clarkson Research Services (CRS) is by far the largest commercially-led research unit in the maritime world, providing historic intelligence through registers, databases, periodicals and on a more client bespoke level through valuations and consulting. Our databases track around 114,000 vessels and 6,000 offshore fields and Shipping Intelligence Network is viewed more than two million times per year.

In 2013, CRS delivered excellent underlying revenue growth of 10% as we continued to enhance our offer and develop our branding with two particular areas of focus being our offshore intelligence data and further development of our World Fleet Register.

The CRS client base is extensive and ever-evolving, with good market penetration across the financial, vessel owning, marine equipment, insurance, private equity, governmental, energy company, shipyard, fabrication and oil service sectors. Sales to Asia Pacific have grown particularly strongly and our headcount in the region has also expanded during 2013. Our valuation business now produces more than 20,000 ship values per annum and is used by the majority of maritime debt providers.

In addition, the company has further invested to expand the market analysis team, which works within the broking division to bring real-time sentiment and analysis to our broking clients, fundamental to Clarksons' consultancy and execution model, and important in assisting our clients take decisions that can be stress tested and validated.

Finally, the 9 analysts within CCM now publish research on 113 listed companies across 5 verticals: shipping, oil services, E&P, coal and mining and Master Limited Partnerships (MLPs).

Overall just over 10% of the group is now dedicated to giving clients better information and tools to conduct their business; far bigger than any of our competitors. But we are also committed to developing the best technology to support our research offer, incorporating the capture and reporting of information internally across global offices ensuring our broking and banking teams have the best and most up-to-date information to service our clients. Further development of client-facing systems also ensures efficient dissemination of information, not only through more traditional methods but the use of social media tools as well.

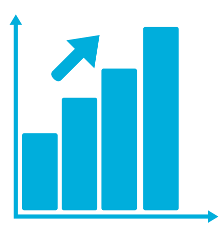
4. Client focus

From oil majors, raw materials producers and other multinationals, to long-established shipowning families, listed shipowners and other operators, and investors, our client base is second-to-none. We have worked with many of these clients for generations, building a deep understanding of their businesses and providing the services that have helped them prosper.

Increasingly we are working towards a consulting and execution model with continued investment in research and analysis underpinning this offer. Further investment in international offices over recent years has also ensured that we can help clients on both a global and local level. Most importantly however, the unique product breadth of our offer means that once working with a client, we are able to facilitate all areas of their global trade requirements, and guide on other influences that are not always taken into account.

Clarksons' employees include 14% who have more than 10 years' service

11 years of increased dividends



5. People

We believe in empowering our people to fulfil their potential. We want Clarksons to be recognised as the place where the best people are empowered to do their best work. We hire the brightest and most dedicated talents and give them the tools to shine, including leading edge in-house developed IT systems, high quality training and development and the best market information. Continued investment in the best tools for trade ultimately helps drive team results and thus financial reward.

We believe it is important to develop our own talent and run internships and recruitment schemes for both school leavers and graduates, helping them to develop their skills and equipping them for a career in our industry. We also organise a number of lunchtime and evening training programmes focusing on clients' needs, market operations and technology.

6. Shareholder value

Despite a turbulent market backdrop, which saw the average annual ClarkSea index fall from 30,753 in 2008 to 9,586 in 2012, Clarksons has been consistently profitable and cash generative. This has enabled the board to continue to invest in the business during these challenging times, thus ensuring that we are positioned for growth as activity in our markets resumes.

In 2013 we continued to invest in the business, growing head count to 1,033 (December 2012: 964) and expanding our office network to 42 locations. One area of particular focus in 2013 was to continue the progress within CCM, where following significant increases in revenue and cost rationalisation from the exit in Dubai, the second six months showed a profit and the platform is now proving the strategy for combining financing with execution of use of proceeds.

Our strong balance sheet has enabled us to make selective acquisitions where appropriate to further strengthen our product breadth and we will continue to look to invest organically and acquisitively where appropriate.

We remain focused on shareholder returns and are delighted to have increased dividends each year for the past 11 years.

Andi Case Chief executive

Clarksons delivered a strong trading performance over the course of 2013, against a challenging market backdrop. Market conditions started to improve in the fourth quarter and activity levels across the group were particularly strong. As a result, and as announced in our pre-close statement on 6 January 2014, the full year result was ahead of expectations.

The results are summarised in the chairman's review on page 15.

Revenue	Segment result	Forward order book for 2014
US$251.0m	£27.5m	US$100m*
2012: **US$232.1m**	2012: **£25.2m**	At 31 December 2012 for 2013: **US$81m***

* Directors' best estimates of deliverable FOB

Dry bulk

In the first half of the year dry bulk freight rates were under pressure as anticipated and 11% weaker year-on-year. On capesizes, seasonal iron ore supply disruption affected Brazilian exports, which in turn reduced sea miles. For the smaller vessels, record South American grain crops and severe port congestion in those grain ports buffered the slide in the Baltic Dry Index.

The second half of the year saw economical/slow steaming and an increase in Brazilian exports and iron ore imports into China creating good sea miles. Capesize rates rose just under fourfold in the first 6 months of the year. The panamax market showed a good improvement in the final quarter of 2013 with the larger panamaxes lifting additional coal cargoes. Supramax vessels traded well for most of 2013, ending with a very robust fourth quarter.

Deliveries slowed by 43% year-on-year while scrapping slowed by 28%. This led to a net fleet growth of 6.3%. Fleet expansion continued into the second half of the year, with a total of 106 capesizes delivering, and a final scrapping of 45 ships. This left an increase on the capesize fleet of 14m tons dwt. The panamax sector saw 249 ships delivered and only 64 scrapped, and in the supramax sector there were 247 deliveries and 68 scrapped.

Seaborne demand growth is increasing in all sectors, from grain to steel to coal. As mining supply logistics improve, export volumes rise, specifically in iron ore volumes from Australia. The global economy is forecast to grow by 3.6% in 2014 and this will help towards a forecast growth in seaborne dry bulk trade of 4.9%.

Clarksons is well placed to increase its volumes and activities in line with the increase of world trade in all sectors. We have strengthened our broking teams worldwide from Shanghai to Singapore to Dubai and across into London and Europe.

Containers

In the face of a challenging market, Clarksons' container team has performed well with increased volumes fixed on the chartering desk. Strong interaction in the group resulted in multiple secondhand sale and purchase and newbuilding transactions as well as a major project deal concluded in the final quarter, as funding was again available in the market.

By nature, the containership business is forward business and our container team has managed to build a solid forward book for the group.

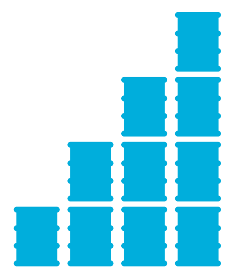
The new Panama Canal will be a 'game-changer' for the industry as it allows for new containership designs to be deployed with significantly better fuel economy.

2013 was going to be a difficult trading period when looking at the newbuilding delivery schedules early in the year. Notwithstanding the scale of the post-panamax deliveries, economically the world failed to recover sufficiently to absorb fully these super 'eco' giants. There is no doubt of the economies they provide, and with the Panama Canal's now imminent widening about to impact, 'big is beautiful' is the way forward. However, as always, it is a question of timing, which to date is still out of sync.

Against this rather uninspired prevailing market, the container team has managed to perform well. With period business not the order of the day, the lines continued to fix short with optionality, meaning that revenue levels from broking remained under extreme pressure. However we have managed again to grow our volumes of business concluded and our client base in the period.

Broking

All of our deep sea tanker offices are performing well in the crude market



We have seen a reduction in the supply/demand imbalance in our specialised sector

Tankers

Deep sea

2013 proved to be another challenging period for the deep sea tanker business. Early in the year rates were low and the returns for shipowners handling crude oil were set to be even lower than in 2012. Average earnings in the first nine months of the year for a VLCC were US$7,296 per day compared to US$16,573 for the whole of 2012. However there was a significant spike in the fourth quarter and daily earnings averaged US$36,258 to give a full year average of US$14,536. The suezmax and aframax markets also suffered depressed rates for most of the year, but as with the VLCC market, the final quarter has shown significant improvement as the global economic recovery continues and the seasonal winter market kicks in.

Many challenges remain, but our global strategy has Clarksons extremely well placed to develop our team further. As ever the market remains sensitive to the geo political situation, but there is a greater sense of optimism in the market than at any time since the economic crash in 2008.

All of our deep sea tanker offices are performing well in the crude market and our most recently established office in New Delhi is showing positive growth signs.

Should the positive sentiment in the fourth quarter be replicated in 2014, our global coverage and extensive client portfolio will allow us to capitalise further still.

Products

The larger vessels in the product market have seen a slight fall off in rates whilst the medium sized vessels saw a reasonable increase. Average earnings for MR clean tankers in 2013 increased by 25% to US$13,226 per day relative to 2012. Our global strategy continues to pay dividends with a number of our overseas offices achieving significant growth.
Market share remains the focus of our business and we will look to strengthen our Houston operation to capitalise on the greatly increased export volumes from the US.

The ability for all of our teams around the globe to work together cannot be underestimated as this allows the company to leverage its unrivalled position.

Specialised

Clarksons' specialised products team entered 2013 in a robust position whilst recognising that the year ahead would be challenging.

We have seen a reduction in the supply/demand imbalance throughout the year. A number of encouraging structural demand drivers have come to the fore, and a dearth of delivered newbuildings has constrained fleet growth.

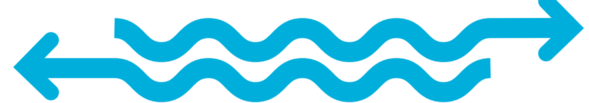
The overall order book remains at a lower level compared to historical highs, but we have seen investor appetite around a small number of sub-sectors which has resulted in fresh contracting activity and secondhand deals. The specialised product sector is now beginning to resonate with the wider investment community. A relative scarcity of shipbuilding expertise and capacity exists especially at the more sophisticated end of the spectrum.

Although undoubtedly there is still some distress in the owning markets, the majority of those listed participants are now profitable again, echoing the gradually changing market dynamics. Despite this, some established specialty chemicals players continue to seek an all-important critical mass of tonnage through strategic joint ventures in order to leverage trading opportunities.

With the global specialised products markets inherently linked with wider macroeconomic performance, there remains a degree of uncertainty for all participants. Chinese appetite for specialised products imports remains a major driver for global seaborne demand, though concerns remain about the sustainability of this performance. In the US Gulf there are new exports as a result of the shale gas phenomenon. These two factors have resulted in long-haul volume growth to the East and an increase in overall tonne-day demand throughout the year.

Broking

90% of world trade by volume is transported by sea



The seasonality continues to affect the specialised product spot markets, however at the year-end a considerable upswing was only noted on the transpacific trade lane, with other main arterial routes trading in a narrow range. Contracts of affreightment, a useful barometer for the wider sector due to the sheer volume of tonnage procured under this method, have generally been renewed at increased levels and likewise the period charter markets have typically experienced positive trends.

The long-term outlook for the specialised products market continues to be healthy. Fleet growth looks set to be limited, amidst steadily improving seaborne demand fundamentals, despite a recent concentration of ordering activity in some sectors.

The range of services offered by Clarksons now encompasses barging and projects in a drive to increase market share within the organic and inorganic commodity sector.

PCG and small LPG

The European petrochemical sector has continued to face challenging trading conditions, as a result of competition from US shale gas. Consequently some European crackers were running below capacity and a number of loss-making plants were closed. That said, the coaster semi-refrigerated/ethylene market enjoyed good employment prospects as a result of relatively static fleet supply with earnings also stable. Looking into 2014 we anticipate this will continue with little in the way of newbuildings to alter this balanced position.

The market for the 8-12,000 cbm's, which is more reliant on long haul, proved challenging as seaborne petrochemical trade contracted year-on-year and as the units were further marginalised by the handygas sector who were able to offer charterers better economies of scale. The expectation is that employment prospects are unlikely to change near-term as the market absorbs new deliveries.

The coastal pressure market fared well with increases in time charter rates being witnessed across the sizes, although spot activity has had seasonal challenges to overcome. Overall, the market welcomed increased shipping opportunities over the period with notable increases in exports from the Black Sea.

Gas

Main gas team

2013 provided the team with several challenges as the gas markets prepared for some very significant structural changes in export and fleet supply. The year started with a contraction in LPG trade and fairly depressed rates on the larger vessels. This was compounded by a very illiquid spot market in the ammonia markets. Some new LPG projects which were expected to come on-line by the end of the year were pushed back and downgraded.

In contrast the commodity brokerage business was strong in all areas of activity, including Asia, Europe, West Africa and the Americas and this increase in activity remained positive throughout the year. Handy to mid-size shipping benefited from more stable rate levels where we were able to record some success on term business. Asset-related business was steady although the number of deals concluded was not greatly up on last year. The second half of 2013 saw much better rate levels on the large LPG sectors which helped to turn the year into an overall success.

We are prepared for changing industry dynamics and we are already seeing the benefit of efforts we have made developing an expanded cross-section of clients and emerging markets. LPG commodity broking is expected to face competition from screen-based trading platforms which are currently under development. However, shipping markets are expected to remain fairly buoyant.

LNG

Although we saw a significant fall in both spot and time charter rates in 2013, rates are still at reasonably strong levels with spot market fixtures in December still around US$100,000 per day.

Broking

Vessel values have risen as much as 30% from January through to December

Vessels were contracted with a value in excess of US$5.5bn

The number of deals concluded has started to increase as a result of this fall. We are beginning to gain traction in the market and a number of interesting deals with new charterers have been concluded; we concluded the last significant time charter deal of 2013. As the market matures, the opportunity to do more business irrespective of market conditions will allow our team to develop further. We continue to provide consultancy services as this remains a key entry point to many of the longer term time charter projects and newbuilding contracts.

Sale and purchase

Secondhand

The positive momentum of the first half of the year, continued to strengthen throughout the second half which allowed us to conclude a pleasing number of high capital transactions towards the end of the year. Some of these were on the basis of very prompt income for 2013 and some of which show in our forward book for 2014 and beyond.

Whilst we have no doubt been assisted by the steady increase in vessel values from January through to December (as much as 30% across the board in dry cargo and only slightly less in tankers), our successes were enhanced once again by the excellent dovetailing of resources from our chartering teams, having specific market knowledge of containers, gas and specialised tankers, with newbuilding, secondhand and projects desks and valuable assistance from our colleagues in the capital markets. This has allowed us to deliver some of the larger, more complex transactions which were concluded in the market during 2013.

Looking into 2014 we are confident that with continued hard work and provision of a professional, all round service to our clients, we will continue to be rewarded, via their loyal support, with similar levels of success.

Offshore

In contrast to merchant shipping, offshore has seen a more cautionary approach to new investment with many companies preferring to concentrate on fixing their assets away on term charters before adding to an already swollen order book.

The chartering teams in Aberdeen and Singapore have been able to take advantage of this increased focus on chartering and we have continued to grow market share across all sectors with particular focus on Asia, North Sea, West Africa and Latin America. During 2013, we have made significant in-roads into a number of oil companies and subsea contractors and feel extremely well positioned to grow these relationships further in 2014.

On the newbuilding and secondhand side of our offshore business, a number of transactions that we had hoped would be completed by year-end have in fact been pushed into 2014. However, we are extremely well positioned for 2014 with a number of significant projects in the pipeline.

Newbuilding

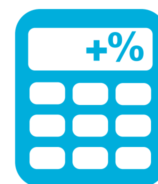
2013 saw a strong performance from the newbuilding team which worked closely with most departments in the group, and exceeded previous peak volumes placed under considerably more conducive market conditions. We improved market share in a lower volume market, and ordered vessels in every major category, giving the benefit of a broader forward order book. The depth of service and internal synergies that the Clarksons team both leverages and delivers, allowed us to grow and build our presence into the corporate and financial segments of the market and this has been key in an evolving newbuilding climate, where sources of capital showed a notable shift in 2013 from the historical bedrock of private investment.

We continue to push forward with a strong forward order book and with the start of 2014 active, we are poised to deliver promising results.

Financial

Revenue	Segment result
US$18.2m	£3.3m loss
2012: **US$8.4m**	2012: **£9.9m loss**

The need for financing and capital in the shipping sector has remained an essential component required to facilitate new investment



Investment services

For Clarkson Capital Markets (CCM), 2013 was a transformative year in which the group participated and closed twenty transactions raising a total of over US$3.9bn versus four transactions in 2012. The deals included private equity, Initial Public Offerings (IPOs), follow-on equity offerings, convertible bonds, high yield bonds and financial advisory assignments.

Market sentiment picked up dramatically in the spring of 2013 from the institutional investor community as they focused on investing at what they believed to be the bottom of the current cycle in shipping. Product tanker interest was the first to pick up, followed by the LPG sector in the summer and then the dry bulk sector in the fall. In the very recent past, interest in the crude sector picked up dramatically as it was one of the last sectors to show evidence of a turn and investor interest heightened.

Due to this interest, we saw the first IPOs for shipping companies in the US in over 15 months in the second half of the year. The first to market was Ardmore Shipping, in which CCM acted as a joint book runner on the transaction. There was also a very large pick-up in activity on the Oslo OTC market as institutional investors largely in the US and issuers capitalised on the often quicker model of the OTC market to raise in excess of US$2bn for largely start-up ventures partnered with establishing shipping operators. Many of these projects funded newbuildings across most major sectors of shipping and will be listed either on the Oslo Bors or the stock exchanges in New York in the coming years.

Futures broking

The first five months of the year were weak with the cape 4tc index averaging roughly US$5,500 up to mid-June. From here, values rose sharply with the index doubling, trebling and reaching a peak of over US$42,000 by the end of September. A slump ensued down to the lower US$16,000s from which we have only recently elevated back up to low US$30,000s.

A very poor start developed into a highly volatile market which provided Clarkson Securities with a better platform from which to perform. The panamax and supramax sectors have been less volatile but suffered from a similar first-half malaise. Volumes were poor in the first half but responded well as the market rose. The higher volatility has benefited the options market where our team have performed well and increased market share.

In Singapore we have increased our iron ore team to reflect the increase in volumes being transacted in the Asian day. We have similarly identified more trading in dry FFAs within the Asian hours and have moved one of the team to cover that market from our Singapore office. Whilst the early months of 2013 displayed some of the worst conditions possible in which to operate, the performance in the second half has been strong and we anticipate that volatility and improved volumes will be a feature of the FFA market into 2014.

Financial services

In terms of investment appetite, the landscape post the 2008 financial crisis, particularly in the financial markets, has been extremely challenging. Nonetheless, the need for financing and capital in the shipping sector has remained an essential component required to facilitate new investment. Additionally, it is not just the volume of finance/capital that is needed; it also needs to be structured in such a way as to permit the borrower to achieve its strategic and operational objectives. The assistance that we are able to offer through Team Clarksons is the ability to help a client achieve their objectives through our validation and deep seated knowledge of the market fundamentals in which it operates, providing independent confirmation to the financiers of the project parameters whilst mitigating risk factors to assist with their approval processes.

Revenue

£16.4m

2012: **£16.0m**

Segment result

£3.1m

2012: **£4.2m**

2013 has been another year of expansion for Clarkson Port Services

Port services

2013 has been another year of expansion for Clarkson Port Services (CPS) with the opening of the Leith and Lerwick offices, the acquisition of Gibb Tools and the opening of a branch of Opex Industrial Supplies (OIS) in Great Yarmouth.

Gibb Tools and Opex Supplies

On 31 October 2013 CPS acquired the Aberdeen-based specialist tool supplier Gibb Tools Limited (GTL). This acquisition complements CPS's existing port & agency and supply services and also significantly increases our capability to tender for larger offshore and renewable contracts. Trading since the acquisition has been in line with our expectations and we are already beginning to see the efficiencies of GTL and OIS working together.

OIS have experienced reduced sales in 2013 compared with the previous year, caused by reduced project requirements in the North Sea oil and gas sector. We are confident that as EnShip are starting to see new enquiries for projects in the early part of this year this will also lift OIS's figures. On 1 September 2013 we opened a branch of OIS in Great Yarmouth to take advantage of the offshore market in that area. Whilst the Great Yarmouth branch will specialise in safety work wear, it will also be able to offer the full range of services supplied by OIS and GTL in Aberdeen.

Agency

The southern CPS offices experienced record profits despite the UK harvest being poor. This was largely due to the increase in imports of high quality grain in to the UK to satisfy domestic demand. Coal, bio fuel, and animal feed import volumes have also remained high.

For 2014 the grain plantings have been good, indicating a better harvest and a return to our more traditional export business.

In the North we have seen a slower year due to the decrease in activity of our major offshore oil and gas customers in the North Sea. We have, during 2013, concentrated on strengthening our teams and are now able to offer unrivalled agency, project and logistic services. We have started to see an increase in enquiries, with new major projects commencing in December and January.

Our newly opened offices in Leith and Lerwick have remained busy; Lerwick supporting offshore oil and gas, and Leith handling both offshore and conventional bulk tonnages.

Stevedoring

Our facility in Ipswich experienced lower than normal volumes in 2013 due to the poor 2012 harvest, and although grain export from the UK picked up in the second half of 2013, this was predominately fixed in larger tonnage unsuitable for Ipswich.

In order to minimise the effects of the poor exports, CPS have sought to find new areas of business, such as the import of rice and seed, and have ensured that overheads have remained under control.

Freight forwarding

CPS's Great Yarmouth-based freight forwarding business has continued to expand in 2013, and continues to perform ahead of expectation, with major contracts from offshore drilling rig operators, along with support from CPS's existing activities.

Property services

Within the support segment are the revenues and profits derived from property services. Clarkson PLC holds the head lease of St. Magnus House in Lower Thames Street, London EC3, with an unexpired term of just under two years. Clarksons occupies 33% of the available space, with the remainder sublet on full commercial rents. Clarkson PLC also owns the freehold of Hamilton Barr House in Godalming, which is also let on a full commercial rent.

Research

Revenue	Segment result
£9.7m	£3.0m
2012: **£9.2m**	2012: **£2.8m**

Sales from digital products increased by 11% during the year

Research revenues grew strongly during 2013, with an increase in underlying revenues of 10%, supported by strong demand for our market-leading digital shipping products and a good performance by our service contract and valuation business.

The Clarkson Research Services (CRS) client base remains extensive with good market penetration across the financial, vessel owning, marine equipment, insurance, private equity, governmental, energy company, shipyard, fabrication and oil service sectors. Sales to Asia Pacific have grown particularly strongly in recent years while the CRS headcount in the region has also expanded during 2013.

Income is derived from the following principal sources:

Digital sales

All of our publications are available digitally and new e-reader solutions have been developed during 2013. Sales from digital products increased by 11% during the year, taking our share of revenue from digital to 41%. Sales of Shipping Intelligence Network (SIN), our flagship commercial database, grew despite the difficult shipping markets. The roll-out during the year of an upgrade to World Fleet Register (WFR), our leading online vessel register, helped grow sales significantly and the WFR is now firmly established as an authoritative source across our corporate and institutional client base.

Continued data and product enhancements have helped CRS remain the leading provider of offshore data to the insurance market while the development of a broad digital offering within offshore is now well advanced. Our offshore database now offers our clients comprehensive access to market intelligence on structures and companies, oil and gas fields, offshore project intelligence, global Geographical Information System coverage and wide-ranging commercial data. CRS continues to develop new data areas within their offering including trade and commodity flows, machinery packages on board ships and subsea and pipeline infrastructure.

Publications

CRS produces weekly, monthly, quarterly and annual publications, registers and maps. Over recent years our well-established shipping range has been supplemented by a comprehensive offshore offering to which we made a number of enhancements in 2013. Publications remain an important aspect of CRS's overall offering besides generating important provenance.

Customer services and valuations

CRS continues to expand its provision of customer service contracts to a range of large corporate and institutional clients in both the shipping and offshore industries. A specialist team concentrates on managing retainers and providing bespoke research, valuations and data for banks, shipyards, fabricators, engineering companies, insurers, governments and other corporates. This continues to be an important growth area, with sales growing by 27% in 2013. CRS continues to be a leading provider of data to clients, producing capital market prospectuses, while Clarkson Valuations remains the leading provider of valuation services to the industry.

Financial information

Reflecting improved trading conditions, Clarksons' underlying profit before tax was £25.1m, 26% higher than the prior year.

Jeff Woyda Finance director

Underlying profit before taxation was £25.1m (2012: £20.0m) and is before the exceptional item and acquisition costs. Profit before taxation was £22.0m (2012: £22.9m).

Exceptional item

During the year, as previously reported, Clarkson Capital Markets was restructured and an exceptional charge of £1.0m incurred.

Acquisition costs

Acquisition costs of £2.1m are shown in the 2013 income statement. The increase over 2012 reflects the initial impact of the Gibb Tools acquisition. Estimated acquisition costs for 2014 will amount to £3.2m.

Taxation

The group's effective tax rate, before the exceptional item and acquisition costs, was 27.4%, a decrease of 2.8% on the 30.2% rate incurred in 2012. After the exceptional item and acquisition costs, the rate was 30.5% (2012: 30.6%).

Earnings per share (EPS)

Basic EPS before the exceptional item and acquisition costs was 98.0p (2012: 74.8p). After the exceptional item and acquisition costs the basic EPS was 82.2p (2012: 85.2p).

Dividends

The board is recommending a final dividend of 37p (2012: 33p). The interim dividend was 19p (2012: 18p) which, subject to shareholder approval, would give a total dividend of 56p (2012: 51p).

In taking its decision, the board took into consideration the 2013 performance, the strength of the group's balance sheet and its ability to generate cash and the forward order book. The dividend is covered 1.5 times by basic EPS.

Foreign exchange

The average sterling exchange rate during 2013 was US$1.57 (2012: US$1.59). At 31 December 2013 the spot rate was US$1.66 (2012: US$1.63).

Cash and borrowings

The group remains cash generative. The group ended the year with cash balances of £96.9m (2012: £89.4m); this is after allowing for increased dividends, cash required for working capital and acquisitions. Additionally £25.2m (2012: £25.2m) was held in short-term notice accounts; these are classified as current investments on the balance sheet. During 2014 cash payments relating to 2013 will be made including performance-related bonuses. After deducting these items, net cash and available funds amounted to £75.0m (2012: £75.2m).

Balance sheet

Net assets at 31 December 2013 were £137.7m (2012: £126.0m). The balance sheet quality continues to improve with net current assets and investments exceeding non-current liabilities (excluding pension provisions) by a further £5.3m to £77.4m.

A detailed review of our business has determined no requirement for an impairment charge in 2013.

The overall provision for impairment of trade receivables has reduced by a net £2.5m, of which £1.4m was amounts written off as no longer recoverable and £1.1m net was due to the successful conclusion of discussions on various previously provided trade receivables.

The group's pension schemes have a combined liability before deferred tax of £1.8m (2012: £9.4m). This improvement was as a result of positive investment returns, contributions by the company and an increased discount rate which were partially offset by an increase in the CPI.

Net assets

£137.7m

2012: **£126.0m**

Earnings per share*

98.0p

2012: **74.8p**

* Before exceptional item and acquisition costs

Dividend per share

56p

2012: **51p**

Principal risks

Credit risk

The group has an extensive client base, across all regions of the world, and is exposed to credit-related losses from the non-payment of invoices by these clients. The group mitigates this risk by closely monitoring outstanding amounts, both locally and globally, and by adopting a conservative approach to accounting for bad debt. Uncertainty in freight markets continues to affect the amount of debt that may be irrecoverable.

Liquidity risk

The group's policy is to maintain sufficient funds to meet all of its foreseeable requirements. The strong generation of cash flow in the business, combined with the cash available in the balance sheet, means that the group is well placed to fund future developments of its global business.

Foreign exchange risk

The major trading currency of the group is the US dollar. Movements in the US dollar relative to other currencies, particularly sterling, have the potential to impact the results of the group both in terms of operating results and the revaluation of the balance sheet. The group assesses the rate of exchange and non-sterling balances held continually, and has predominantly sold in the spot market during 2013, though some forward cover for 2014 and 2015 has been taken.

Interest rate risk

The group has no borrowings. Monies held on longer 100 day notice accounts earn interest based on a margin above LIBOR, the actual interest rate is reset each month.

Reputational risk

The group has built an enviable reputation in the market over the past 162 years, and relies upon this to attract business from all major participants in its markets. Clarksons protects against reputational risks by promoting an ethical work environment and providing training programmes where appropriate. A dedicated training officer has been appointed and a training programme implemented to improve consistency and approach. Investment in compliance, quality assurance and legal functions also act to ensure that best practices are put in place throughout the group.

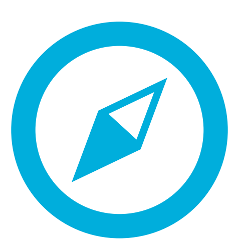
Operational risk

Operational risks are where the group may suffer direct or indirect losses from people, systems, external influences or failed processes. The group continually reviews the systems in place to mitigate against operational risk, and puts in place plans to protect against such risks wherever they are significant and practicable. Examples include Business Continuity Plans, Staff Contracts and IT security arrangements. The group also keeps in place and under review appropriate levels of insurance cover.

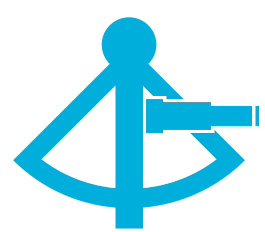
Jeff Woyda Finance director

Corporate responsibility and Clarksons

Our four key principles of integrity, excellence, fairness and transparency have been built up over more than 160 years of servicing the international maritime markets



We align responsible business practices with a sustainable business model to deliver best value to all our stakeholders



As the world's leading provider of integrated shipping services, Clarksons has an enviable, hard-earned reputation for integrity, excellence, fairness and transparency built over more than 160 years of servicing the international maritime markets. These four key principles form our corporate values, detailed in the group's Code of Business Conduct and Ethics, are delivered by our employees in their dealings with our clients, investors, colleagues and suppliers. This approach is mirrored by our commitment to corporate responsibility – aligning responsible business practices with a sustainable business model to deliver best value to all our stakeholders.

Our people

Our people are our business. Without enthusiastic and engaged employees we simply could not do our job delivering the highest quality service to our clients. Employees are expected to use good judgement and act in the best interests of Clarksons and our clients at all times and each and every member of 'Team Clarksons' shares our common values and aspirations to conduct our business in an ethical, honest and professional manner wherever we operate.

The company aims to create a working culture that is inclusive for all and to maintain high standards and good employee relations. We believe that it is vital to look after our staff by making sure that they have a safe place to work. High standards of health and safety are maintained and designed to minimise the risk of injury and ill health of all employees and any other parties involved in the conduct of our business operations.

Clarksons is an equal opportunities employer which depends on the maintenance of its reputation and market lead by entrusting it to more than 1,000 highly motivated and outstanding employees around the world.

We seek to appoint the best candidate for each and every vacancy. All appointments within the group are based on merit, and candidates are considered against objective criteria, having due regard to the benefits of diversity, including ethnicity, gender and age. We give full and fair consideration to all suitable applications for employment from disabled persons and ensure that any reasonable adjustments are made to job content or workplace to accommodate a person's disabilities. As at 31 December 2013, there were seven directors of Clarkson PLC, all of whom were male. Of the 1,033 staff within the group, 263 or 25% were female and of the staff recruited in the last five years, 28% were female. There were 212 senior managers within the group, of which 21 or 10% were female.

Clarksons has undergone significant growth over the last decade, which means that many staff have, by definition, been employed for less than ten years. Nevertheless, we are proud that 14% of Clarksons employees have been with the organisation for more than ten years as staff commitment to the company and its values ensures that there is continuity of practice throughout the organisation and a sophisticated understanding of how the Clarksons' business model is maintained.

We hire the brightest talents and give them the tools to shine

Participation in the company's Save-As-You-Earn share scheme allows UK employees to participate in the company's share price performance, and offers the opportunity, on maturity of the scheme, for employees to become shareholders in the company and share in its continued growth and success.

Communicating with employees is an important priority. Our flat management structure means that any employee has direct access to the senior management team, with divisional managing directors working side by side with the trainees they recruit. All employees have access to the employee intranet which contains current news, details of employee policies and other relevant information. Employees have opportunities to attend briefings about the company's business and Clarkson News, the company's periodic in-house magazine, provides current and former employees with information about the company's operations and colleagues around the world. Employees also have access to the company's financial and regulatory publications, which are available on the company's corporate website.

We are a global business with an international workforce and the combination of languages, cultures and ideas brings a level of diversity and cultural richness that is the envy of our competitors. Our global presence also means that we can offer our employees significant opportunities for mobility and development throughout the Clarksons group.

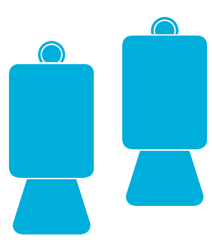
Our investment in our people

We want to be recognised as the place where people are empowered to do their best work. We hire the brightest talents and give them the tools to shine – including leading-edge IT systems and high quality training and development as well as financial reward. Clarksons is committed to investing in talent retention and staff development, ensuring that as we grow (both organically and through acquisition) the right people are identified and developed. Our training schemes remain unique in our industry, blending the collective skilled counsel and guidance of our staff with the tutelage of external experts from all areas of the shipping, trading and commodity markets.

We have opened up our Trainee Broker Scheme to include school and college leavers, in addition to the on-going graduate recruitment programme, believing that the qualities of commitment, talent and passion we seek in a trainee requires a more diverse approach to recruitment. Trainees can expect a fully-rounded education where their individual talents are nurtured and developed into what we hope will enable them to become the future leaders of our business. In addition we offer a small number of paid internships to students each year and through long-standing relationships with schools and academies we are able to offer regular work experience opportunities in our broking and research divisions.

We identified three potential areas towards which support should be focused: maritime causes, children's charities and health issues

Clarksons has supported staff worldwide in their charitable endeavours – supporting more than 30 different charities



Our local community support

Supporting the local community and the wider world has always formed an important part of our attitude to corporate responsibility, whether in terms of direct donations or in supporting our employees as they strive to make a difference to society. In 2013, as part of this continuing commitment, we formalised these activities by establishing a new philanthropy committee, chaired by the finance director and comprising representatives from different parts of our business. The committee identified three potential areas towards which support should be focused: maritime causes, children's charities and health issues. As a result individual donations were made to:

The Docklands Sailing and Watersports Centre which offers sailing, windsurfing and canoeing courses for disabled as well as able bodied participants and runs a weekly youth club and school holiday programmes for local children, many of whom would not otherwise experience watersports.

The White Ensign Association which provides advice and assistance to serving and former members of the Royal Navy, Royal Marines, Reserves and their families on finance, career transition, welfare and personal problems. Last year, its full time staff of four handled over 1,000 enquiries.

Richard House Children's Hospice in the borough of Newham – London's first children's hospice, which began offering home care in 2000 and opened its residential unit two years later.

The School of Hard Knocks – a nationwide charity which uses the game of rugby to help tackle issues including unemployment, crime, disengagement from formal education and anti-social behaviour.

In the latter part of 2013, in recognition of the devastation caused by Typhoon Haiyan in the Philippines we made donations to the Disasters Emergency Committee and the Sailors' Society in order to support relief efforts.

Additionally Clarksons has supported staff worldwide in their charitable endeavours – supporting more than 30 different charities through matched funding. In total during 2013, we donated £174,000 to charities compared to £73,000 in 2012.

In 2013 we also welcomed students from some of the poorest communities surrounding our London headquarters for valuable work placements, building understanding of what we do, raising the expectations of young people and encouraging our staff to act as mentors.

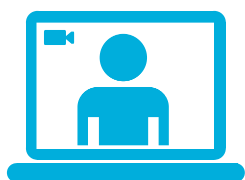
Environment

This section includes the company's mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 for which our reporting year is the same as our fiscal year, being 1 January 2013 to 31 December 2013.

In 2013, a survey was conducted to quantify energy usage across the group. We report all material emission sources which we deem ourselves to be responsible for using an operational control approach to define our organisational boundary. These sources align with our operational control. We do not have responsibility for any emission sources that are beyond the boundary of our operational control (for example, business travel other than by car) including, for example, commercial flights and, therefore, are not considered to be our responsibility.

Emissions data has been reported for our principal trading offices in 12 countries

The company continues to make extensive use of its video conferencing facility in order to contain executive travel



We have undertaken a practicality assessment and excluded from our reported emissions those offices where we have very limited operations and for which it is not practical to obtain energy usage data. However, we will re-assess this practicality in each reporting year and capture such data for future reporting if appropriate.

Emissions data has been reported for our principal trading offices in Australia, China, Germany, Greece, India, Italy, North America, Norway, Singapore, Switzerland, the United Arab Emirates and the UK. The methodology used to calculate our emissions is based on the Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance (June 2013) issued by the Department for Environment, Food and Rural Affairs.

Global greenhouse gas emissions data

For the period 1 January to 31 December 2013	**Tonnes of CO_2e**
Combustion of fuel and operation of facilities	866
Electricity, heat, steam and cooling purchased for own use	2,815
Company's chosen intensity measurement: – Emissions reported above normalised to tonnes of CO_2e per full time equivalent employee	3.75

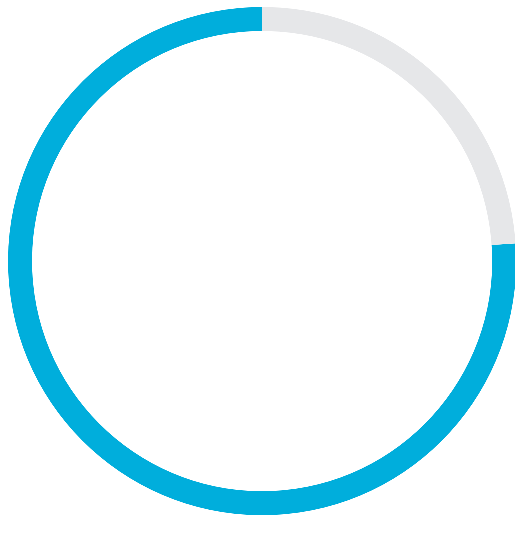
Intensity ratio

In order to express our annual emissions in relation to a quantifiable factor associated with our activities, we have used full-time equivalent employees as our intensity ratio which gives an indication of our growth and provides for the best comparative measure over time.

Clarksons acknowledges the importance of ensuring that its business is conducted with care and consideration for the environment and is continuing to grow and develop an environmental strategy which is integrated into its business strategy and is committed to reducing utility usage and ongoing energy costs.

The company's most critical environmental and sustainability impact areas include carbon emissions linked to energy use and travel and the company continues to make extensive use of its video conferencing facility in order to contain executive travel. In the UK, Clarksons successfully operates a cycle to work scheme which, combined with the provision of a secure bike store and shower facilities where possible, encourages staff to use bicycles.

At the company's biggest office, St Magnus House in London, an environmental management system is in place for lighting and air conditioning controlled by a supervisory PC utilising the latest software and a wide scale cleaning tender exercise, into which a Waste Management Contract has been incorporated, has been carried out. This will result in an increase in the number of recycling streams and a reduction in waste going to incinerators and landfill.



Combustion of fuel and operation of facilities 24%
Electricity, heat, steam and cooling purchased for own use 76%

Board of directors

Bob Benton
Chairman

Bob Benton, 56, joined the board on 25 May 2005 and was chairman from 28 August 2008 to 1 August 2013. He was re-appointed to act as chairman from 6 March 2014 in recognition of the continuity and support he provides to the board. He is managing director of Bob and Co Limited, a media consulting and investment company, and a non-executive director of Talent Group PLC. Former appointments include: non-executive chairman of Handmade PLC, managing director and head of media at Canaccord Adams Limited, chief executive of Ingenious Securities Limited, chairman of Bridgewell Securities Limited, chairman and chief executive of Charterhouse Securities Limited, global head of sales at ABN AMRO, and managing director of HSBC James Capel Limited.

Andi Case
Chief executive

Andi Case, 47, was appointed to the board as chief executive on 17 June 2008, having previously been Clarksons' chief operating officer. He joined Clarksons in 2006 as managing director of the group's shipbroking arm, H Clarkson & Company Limited. He began his shipbroking career with C W Kellock and later Eggar Forrester. Prior to joining Clarksons he was with Braemar Seascope for 17 years, latterly as head of sale and purchase and newbuildings.

Jeff Woyda
Finance director

Jeff Woyda, 51, was appointed to the board on 1 November 2006. He qualified with KPMG and before joining Clarksons was a member of the executive committee of Gerrard Group PLC and spent 13 years at GNI where he was chief operating officer.

Peter Backhouse
Senior independent director

Peter Backhouse, 62, was appointed to the board on 16 September 2013 and became senior independent director on 5 November 2013. He is a non-executive director of BG Group PLC, the international energy company, and is a member of the Advisory Board of private equity firm Riverstone Energy Partners. Peter has 40 years' experience in the international energy business and considerable experience in international gas development. Former appointments include: chairman and chief executive of BP Europe; executive vice-president of global refining and marketing, head of North Sea oil development and head of mergers and acquisitions at BP PLC.

Ed Warner OBE
Non-executive director

Ed Warner, 50, was appointed to the board on 27 June 2008. He is chairman of investment bank Panmure Gordon, derivatives exchange LMAX and the Standard Life European Private Equity Trust PLC. He is a non-executive director of Grant Thornton UK LLP, a leading accountancy and advisory practice, and the Blackrock Commodities Income Investment Trust PLC.
He was previously chief executive of IFX Group PLC and Old Mutual Financial Services UK, head of Pan European Equities at BT Alex Brown, and head of global research at Dresdner Kleinwort Benson. He is chairman of UK Athletics, the sport's governing body.

James Morley
Non-executive director

James Morley, 65, was appointed to the board on 5 November 2008. He is a chartered accountant with 25 years of experience as an executive board member at both listed and private companies.
He is currently senior independent director of Costain Group PLC and The Innovation Group PLC, and a non-executive director of Speedy Hire PLC. Previously he was chief operating officer at Primary Insurance Group, group finance director at Cox Insurance Holdings, group finance director at Arjo Wiggins Appleton PLC, group executive director (finance) at Guardian Royal Exchange, deputy chief executive and group finance director at AVIS Europe PLC, and a non-executive director of The Bankers Investment Trust PLC, W S Atkins PLC and Trade Indemnity Group PLC.

Philip Green
Non-executive director

Philip Green, 60, joined the Clarksons board on 1 April 2013 and was appointed chairman on 1 August 2013. Since his appointment he has taken on a number of new roles, and both he and the board recognise that it would be difficult for him to devote sufficient time to Clarksons' growing business.
Philip stepped down as chairman on 6 March 2014 and will resign as a director of the company with effect from 9 May 2014.

Corporate governance statement

Principles statement

Good corporate governance underpins the company's objectives, strategy and business model, as set out in the strategic report on pages 12 to 33. The board is committed to a high standard of corporate governance, which is critical to maintaining investor trust in the company and in the board as custodian of the company's assets and values.

Statement of compliance

The statement of corporate governance practices set out on pages 34 to 59, and information incorporated by reference, constitutes the corporate governance report of Clarkson PLC setting out how the board has applied the principles of the UK Corporate Governance Code (September 2012) issued by the Financial Reporting Council (the Code), which is available at www.frc.org.uk. As a result of changes to the composition of the board during 2013, there was a brief period prior to Philip Green's appointment, and subsequent to his appointment as chairman, when there was no senior independent director. The group has otherwise complied with the Code during the year.

Leadership

The names and biographical details of the directors who were in office during the year and up to the date of signing the financial statements are set out on pages 34 and 35. On appointment, Philip Green, Bob Benton, Peter Backhouse, James Morley and Ed Warner met the independence criteria set out under the Code. The continuing independence of each non-executive director is assessed regularly and the senior independent director has evaluated the chairman's performance with each of the other directors.

The board provides effective leadership and overall control of the company and is accountable to shareholders for its long-term success.

At the head of the company, the roles of chairman and chief executive are not exercised by the same individual. There is a clear division between the chairman's non-executive responsibility for leading the board, ensuring its effectiveness and promoting high standards of corporate governance, and the chief executive's responsibility for running the day-to-day business and implementing the board's strategy.

The non-executive directors have a vital role to ensure that the strategies proposed by the executive directors are given full and critical debate. They also help scrutinise the performance of management against the board's strategic objectives and monitor the integrity of the company's financial information and systems of control and management. The chairman maintains direct communication with each of the non-executive directors without the executive directors present where necessary.

One of the key tenets of the Code is that all directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively. Since Philip Green's appointment as senior independent director and chairman on 1 April 2013 and 1 August 2013 respectively, he has taken on a number of new roles in light of which both he and the board recognise that it would be difficult for him to devote sufficient time to Clarksons' growing business. Consequently, Philip stepped down as chairman on 6 March 2014 and will resign as a director of the company with effect from 9 May 2014.

It is imperative that the combined experience and knowledge represented by the board of directors is appropriate to lead the company in maintaining its market-leading position and achieving its strategic objectives. The board, with advice from the nomination committee, having regard to the balance of experience and knowledge on the board, appointed Bob Benton as chairman on 6 March 2014. Peter Backhouse, the senior independent director, will lead the search process for a new chairman.

Peter Backhouse was appointed as a non-executive director on 16 September 2013 and, following Philip Green's appointment as chairman, as senior independent director on 5 November 2013. On 25 May 2014 Bob Benton will have served on the board for nine years. The board seeks to strike a balance between refreshment and tenure on the board and recognises the contribution and continuity that Bob, as a long-serving director, brings to the board overall and the support he can provide to Peter Backhouse and the board while the search for a new chairman is conducted.

Powers of the board

The board meets regularly with at least four scheduled meetings each year plus additional meetings to address matters that arise other than in the normal course of business. Members of the board also sit on a number of committees established by the board, which are referred to in detail later in this report. Directors' attendance at board and committee meetings is shown in the table on page 38.

The board has the powers and duties as set out in all relevant laws and the company's Articles of Association. Amendments to the company's Articles of Association may be made in accordance with the provisions of the Companies Act 2006. The board has also adopted a formal schedule of matters it reserves for its own decision. Such matters include decisions relating to strategy, the group's corporate and capital structure, financial reporting and controls, material contracts, shareholder communications, board and other senior management appointments and membership of board committees, executive remuneration, corporate governance procedures and other group policies.

Procedure to deal with directors' conflicts of interest

A director has a duty to avoid a situation in which he or she has a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the company. The board may authorise conflicts and potential conflicts, where appropriate, in accordance with the company's Articles of Association. The company has established comprehensive procedures for the disclosure by directors of any such conflicts, and also for the consideration and authorisation of these conflicts by the board. The board considers each conflict situation separately on its particular facts and in the context of the other duties owed by the director to the company. Records are kept of any conflict authorised by the board and the scope of any such approval, and this record of conflicts is regularly reviewed.

Ed Warner, a non-executive director, is also non-executive chairman of Panmure Gordon, the company's joint stockbroker. Where a potential or possible conflict of interest arises, Ed Warner declares his interest and removes himself from the decision making process in respect of the relevant business.

Effectiveness

Succession planning

The board oversees the group's senior management succession plan, including the procedure for the appointment of new directors to the board to ensure that there are appropriate skills and experience within the company and on the board.

The process for board appointments is led by the nomination committee which, in accordance with its terms of reference, evaluates the balance of skills, experience, independence and knowledge on the board and makes recommendations for appointments in light of this evaluation.

Non-executive directors are appointed for a specific term. Details of their service contracts are set out on page 45. A report on the work carried out by the nomination committee during the year is set out below.

Director induction, training and support

A careful assessment is made of the time commitment required from the chairman and the non-executive directors to discharge their roles properly and, on appointment, new directors are provided with an induction relating to the company's business. Directors have the opportunity to highlight any areas in which they feel development would be beneficial – either individually or as a unit – during the annual board evaluation process. The board has access to the company secretary who advises the board on corporate governance matters when required. The company secretary is responsible for ensuring that the board has access to the information it requires, and that such information is of appropriate quality to enable it to discharge its duties. In addition, directors may take independent professional advice at the company's expense if necessary in the course of discharging their duties.

The company purchased and maintained directors' and officers' liability insurance throughout 2013 and this cover has been renewed for 2014.

Performance evaluation

During the year, the board conducted an internal evaluation of its own performance and that of its committees and individual directors. A questionnaire was circulated to all directors seeking their evaluation of a number of matters, including board culture, balance, meetings and processes.

This was followed up in separate discussions with each of the directors to take a note of their detailed feedback. The principal conclusions were then presented to the board, and key points and actions discussed. The board concluded that the board operates effectively and in an open manner. Peter Backhouse has evaluated the chairman's performance with each of the other directors.

Appointment of directors

The Articles of Association provide that shareholders have the opportunity to elect directors at the AGM following their initial appointment by the board, and one-third of directors, excluding the chairman and chief executive, are subject to retirement by rotation each year in accordance with the Articles of Association. Shareholders are provided with comprehensive information about the directors subject to election or re-election, including their commitment to the role, in the notice of AGM each year.

At the forthcoming AGM, resolutions for the election of Peter Backhouse will be proposed following his appointment by the board since the last AGM and for the re-election of Ed Warner and Jeff Woyda who will retire by rotation and will offer themselves for re-election at the forthcoming AGM.

Accountability

The board is responsible for assessing the company's position and prospects and for ensuring that the information presented to shareholders is fair, balanced and understandable. Further details of the directors' responsibilities for preparing the company's financial statements are set out in the statement of directors' responsibilities on page 56.

The board is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives, for maintaining the company's system of internal controls and risk management, and for reviewing the effectiveness of these systems annually. The audit committee is responsible for the independent review and challenge of the adequacy and effectiveness of the risk management approach and for reporting its findings in this respect to the board.

Risk management and internal control

Managing risk to deliver opportunities is a key element of the company's business activities, and is undertaken using a practical and flexible framework which provides a consistent and sustained approach to risk evaluation.

The board has established policies and risk management procedures together with key controls, which are reviewed in accordance with applicable regulations and best practice guidelines, to ensure that they continue to be effective and protect the company's stakeholders.

The company's internal control system encompasses controls over areas including financial reporting, operations and compliance and risk management procedures. Such a system is designed to evaluate and manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is a comprehensive budgetary process in place with both annual and regular forecasts being considered and approved by the board and monthly monitoring of trading results taking place in order to mitigate risks associated with financial reporting and the preparation of consolidated accounts. An established compliance, legal and governance process is in place to monitor regulatory developments and to ensure that all existing and forthcoming regulations are complied with.

The company issues a Code of Business Conduct and Ethics, to which all staff are expected to adhere, in order to maintain Clarksons' status as a responsible and trustworthy business. All staff are responsible for ensuring compliance with group policies and for identifying risks within their business and to make sure that these risks are controlled and monitored in the appropriate way.

The board has established arrangements by which employees of the company may, in confidence, raise concerns about possible improprieties or wrongdoing in financial reporting or other matters, and the audit committee regularly reviews this arrangement.

The board, with advice from the audit committee, has carried out an annual review of the effectiveness of the system of internal control and risk management and confirms that the ongoing process for identifying, evaluating and managing the group's significant risks has operated throughout the year and up to the date of the approval of this annual report.

Board engagement with investors and relations with shareholders

The AGM gives all shareholders the opportunity to communicate directly with the board and encourages their participation. The company's 2014 AGM will be held on 9 May 2014. Further details of the business to be addressed at the meeting can be found in the notice of meeting.

The executive directors meet regularly with the company's major shareholders and make presentations to analysts, institutional investors and investment managers following the announcement of the interim and full year results. The non-executive directors are fully briefed on the opinions of investors after such meetings.

The primary means of communication with the majority of our shareholders is via the company's annual and interim reports and website on which the company publishes its Interim Management Statements and trading updates.

Board committees

In accordance with the requirements of the Code, the board has established an audit committee, a nomination committee and a remuneration committee. The responsibilities of each committee are set out in their respective terms of reference, which are approved by board.

The attendance of members of the board at board and committee meetings during the year were as follows:

	Board	Audit committee	Remuneration committee	Nomination committee
Total number of meetings held in the year	6	3	3	2
Bob Benton[1]	4	3*	3	2
Andi Case	5	1*	1*	2*
Jeff Woyda	6	3*	3*	2*
Peter Backhouse[2]	1	1	1	1
Ed Warner	5	2	3	2
James Morley	6	3	3	2
Philip Green[3]	3	2*	1	1

* attends by invitation only.

1 Stepped down as chairman of the board on 1 August 2013, and was re-appointed on 6 March 2014.

2 Appointed as a director on 16 September 2013.

3 Appointed as a director on 1 April 2013 and chairman of the board on 1 August 2013. Stepped down as chairman on 6 March 2014.

Audit committee

The members of the audit committee are the non-executive directors, James Morley, Peter Backhouse and Ed Warner. James Morley chairs the committee and has been determined by the board to have recent and relevant financial experience. The chairman of the board, the chief executive, finance director and other senior managers may be invited to attend meetings when appropriate and the external auditor is invited to attend on a regular basis, including in the absence of management when necessary. Further details on the work of the audit committee are shown in the audit committee report on page 54.

Remuneration committee

The members of the remuneration committee are the non-executive directors. The committee is chaired by Ed Warner and is responsible for determining with the board the policy on remuneration of the chairman, chief executive, executive directors and certain other senior staff. The remuneration of the non-executive directors is decided by the chairman and executive directors. Further details on the work of this committee are contained within the directors' remuneration report on pages 39 to 53.

Nomination committee

The nomination committee comprises all the non-executive directors and is chaired by the group chairman (save for when the committee is dealing with the appointment of a successor to the chairmanship of the group). The committee leads the process for board and committee appointments, and makes recommendations to the board based on the balance of skills and experience of the board membership. The committee also reviews future succession planning for the board and, in particular for the key roles of chairman and chief executive.

Details of Clarksons' policy on diversity, including gender, are set out in the strategic report on pages 30 and 31.

During the year the committee recommended the appointment of two new non-executive directors including a candidate to act as senior independent director. All appointments are made following extensive search and selection. Independent executive search firms, Blackwood Group and JCA Group, were used in the appointment of Philip Green and Peter Backhouse respectively.

Directors' remuneration report
Statement by the chairman of the remuneration committee

I am pleased to introduce the directors' remuneration report for the year ended 31 December 2013. This report will be subject to two shareholder votes at the forthcoming AGM:

- the directors' remuneration policy report sets out the forward looking directors' remuneration policy for the company which will operate from 1 January 2014 and will, subject to shareholder approval, become formally effective from the 2014 AGM; and
- the annual report on remuneration provides details of how the policy for 2014 will be operated and the remuneration earned by directors in the year ended 31 December 2013.

Remuneration policy

Our objective in setting remuneration policy at Clarksons is to attract and retain the best talent in our markets, while at the same time ensuring a close alignment between the interests of shareholders and management. We have had a consistent policy since 2006 and believe that it has served the company's shareholders well since then. There is a consistent approach to the application of the remuneration policy across the whole company, in particular, bonus plans are operated company-wide and all UK employees have the opportunity to participate in share plans. The major elements of the executive directors' reward structures are as follows:

- base salaries are reviewed annually. They have not increased over the past seven years;
- annual bonuses are determined by adjusted pre-tax profits. There is a lower threshold below which no bonuses are earned, with higher hurdles which trigger increased bonus rates. Following several years of the hurdles increasing they were frozen for 2013 recognising the challenging market conditions facing the business, however, they have once again been increased by 5% for 2014;
- the chief executive continues to have the potential to earn a bonus higher than that determined by the pre-tax profit formula dependent on shipbroking revenues that he generates personally. The past six years have however been paid in accordance with the annual bonus plan described on page 41;
- the executive directors sacrificed 10% of the bonuses they were eligible to receive in both 2013 and 2012 to enable the company to reward other senior members of staff. In the previous two years they sacrificed 5% of the bonuses they were entitled to;
- 10% of annual bonuses are paid in Clarkson PLC shares which are deferred for four years; and
- there is a Long Term Incentive Plan (LTIP) that grants awards over shares with vesting dependent on continued service and a combination of earnings per share (EPS) and total shareholder return (TSR) targets. As a result of the LTIP reaching the end of its ten-year life, shareholder consent for a new plan, based on the existing arrangements but updated in a number of areas to comply with best practice, will be sought at the 2014 AGM.

Both executive directors are shareholders in Clarksons and accordingly understand the imperative to deliver long-term returns for the company's owners. Their short-term rewards are directly aligned to the profitability of the company.

Performance and reward for 2013

The annual profit for 2013 was ahead of expectations following a particularly active final quarter and this has been reflected in the annual bonuses for 2013. However, the challenging EPS targets set under the LTIP granted in 2011 were not achieved albeit TSR vested in full.

The remuneration committee believes these to be correct principles for a business such as Clarksons and I commend this remuneration policy to you. Should you have any questions, please contact me at the company address.

Ed Warner

Directors' remuneration policy

This remuneration policy report will be put to a binding shareholder vote at the 2014 AGM and the policy will take formal effect from that date.

How the remuneration committee operates to set the remuneration policy

The remuneration committee is responsible, on behalf of the board for:

- setting the senior executives' remuneration policy and actual remuneration;
- reviewing the design of all share incentive plans for approval by the board and shareholders; and
- approving the design of, and recommending targets for, any performance-related pay schemes the company operates for senior executives.

The remuneration committee encourages dialogue with shareholders and engages with the company's major shareholders on a regular basis. Major shareholders will be consulted on a timely basis on any material changes proposed for the remuneration policy.

Summary of overall remuneration policy

The policy of the company is to ensure that executive rewards are linked to performance, to provide an incentive to achieve the key business aims, deliver an appropriate link between reward and performance and maintain a reasonable relationship of rewards to those offered in other competitor companies in order to attract, retain and motivate executives within a framework of what is acceptable to shareholders.

There are few comparable UK public companies involved solely in the business of providing shipping and related wholesale financial services. Comparisons are therefore made with City-based companies and private companies in the shipping sector, many of which are headquartered overseas. In the highly competitive global labour market which operates within the shipping services sector where business is based around personal client relationships, the retention of key talent is critical to continued business success. Remuneration levels are set to attract and retain the best talent and to ensure that market competitive rewards are available for the delivery of strong business and personal performance within an appropriate risk framework.

It is recognised by the remuneration committee that the current management team is highly regarded and would be attractive to Clarksons' competitors in the shipping industry, and, increasingly, wholesale brokerage and agency businesses. Retention of key talent in this context is critical, whilst recognising the need for appropriate succession planning.

The proportionate breakdown of the total remuneration is such that, in line with most other wholesale brokerage and agency companies, a very high proportion of the package is performance-related. The chief executive's bonus recognises that he performs the duties and responsibilities incumbent with the role of group chief executive and in addition, as a shipbroker, generates significant revenues.

Consideration of shareholder views

The company is committed to maintaining good communications with investors. The remuneration committee considers the AGM to be an opportunity to meet and communicate with investors, giving shareholders the opportunity to raise any issues or concerns they may have. In addition, the remuneration committee seeks to engage directly with major shareholders should any material changes be made to the directors' remuneration policy. On this basis, major shareholders were contacted in respect of the renewal of the LTIP at the start of 2014.

Details of the votes cast in respect of the resolution to approve last year's remuneration report and any matters discussed with shareholders during 2013 are set out in the annual report on remuneration on page 53.

Remuneration policy report

Key elements of remuneration policy are set out below:

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Base salary	• To attract and retain high performing executive directors who are critical for the business • Set at a level to provide a core reward for the role and cover essential living costs	• Reviewed periodically • Paid monthly • Salaries are determined taking into account: – the experience, responsibility, effectiveness and market value of the executive – the pay and conditions in the workforce	• There is no prescribed maximum annual increase. The committee is guided by the general increase for the broader workforce but on occasion may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role	n/a
Benefits	• To provide a market standard suite of basic benefits in kind to ensure the executive directors' well-being	• Taxable benefits include: – car allowance – healthcare insurance – club membership • Participation in Sharesave • Other benefits may be payable where appropriate	• A car allowance in line with market norm. The value of other benefits is based on the cost to the company and is not predetermined • Sharesave up to prevailing HMRC limits	n/a
Annual bonus (including deferred shares)	• To reward significant annual profit performance • To ensure that the bonus plan is competitive with our peers. As a result, bonus forms a significant proportion of the remuneration package • To ensure that if there is a reduction in profitability, the level of bonus payable falls away sharply	• 90% of the bonus is paid in cash and although they have no contractual obligation, the directors have agreed that 10% of annual bonus payable is deferred in shares, vesting after four years • Directors have voting rights and receive dividends on deferred shares • Performance criteria are reviewed and re-calibrated carefully each year to ensure they are linked to strategic business goals, take full account of economic conditions and are sufficiently demanding to control the total bonus pool and individual allocations • Clawback provision operates for overpayments due to misstatement or error	• In line with Clarksons' peers, the annual bonus is not subject to a formal individual cap • The chief executive will receive the higher of the executive annual bonus and the bonus determined by his continuing broking activities. This underpin was agreed when the chief executive joined the board	• For the chief executive and finance director, bonus is determined by group performance measured over one year on the following basis: – below a 'profit floor' set by the committee each year no bonus is triggered – above the floor, an escalating percentage of profits is payable into a bonus pool for progressively higher profit before tax performance – profit for bonus calculations may be adjusted by the remuneration committee where appropriate and does not include mark-to-market valuations or business that has not been invoiced – for the chief executive a further key determinant of his annual bonus is the significant broking revenues generated by him personally

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Long Term Incentives	• To incentivise and reward significant long-term financial performance and share price performance relative to the stock market • To encourage share ownership and provide further alignment with shareholders	• Awards are performance-related and are normally structured as nil cost options • Awards are granted each year following the publication of annual results • Clawback provision operates for overpayments due to misstatement or error	• Annual maximum limit of 150% of basic salary for awards subject to long-term performance targets (200% of basic salary in exceptional circumstances) • Dividend equivalents (in cash or shares) may accrue between grant and vesting, to the extent that shares under award ultimately vest	• The awards are subject to performance conditions measured on a combination of three year EPS growth and relative TSR • Normally measured over a three year performance period • 25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for the achievement of stretch performance targets
Pension	• To provide a market competitive pension arrangement	• Executive directors participate in a company defined contribution pension scheme and/or receive a cash allowance in lieu of pension contributions	• Employer contributions are up to 15% of basic salary or an equivalent cash allowance net of employer's NI	n/a
Non-executive directors' fees	• To attract and retain high calibre non-executive directors through the provision of market competitive fees	• Reviewed annually • Paid monthly • Fees are determined taking into account: – the experience, responsibility, effectiveness and time commitments of the non-executive – the pay and conditions in the workforce	• As for the executive directors there is no prescribed maximum annual increase. Fee increases are guided by the general increase for the broader workforce but on occasion may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role	n/a

Notes:

1 A description of how the company intends to implement the above policy for 2014 is set out in the annual report on remuneration on page 46.

2 The annual bonus performance measures are focused on profit before tax to reflect how successful the company has been in managing its operations.

The LTIP performance measures, EPS and TSR, reward significant long-term returns to shareholders and long-term financial growth. EPS growth is derived from the audited financial statements while TSR performance is monitored on the remuneration committee's behalf by New Bridge Street.

Targets are set on a sliding scale that takes account of internal strategic planning and external market expectations for the company. Only modest rewards are available for achieving threshold performance with maximum rewards requiring substantial out-performance of challenging strategic plans approved at the start of each year.

3 The committee operates the annual bonus and LTIP plans according to their respective rules, and in accordance with the Listing Rules and HMRC rules where relevant. Consistent with market practice, the committee retains flexibility and discretions in a number of key areas.

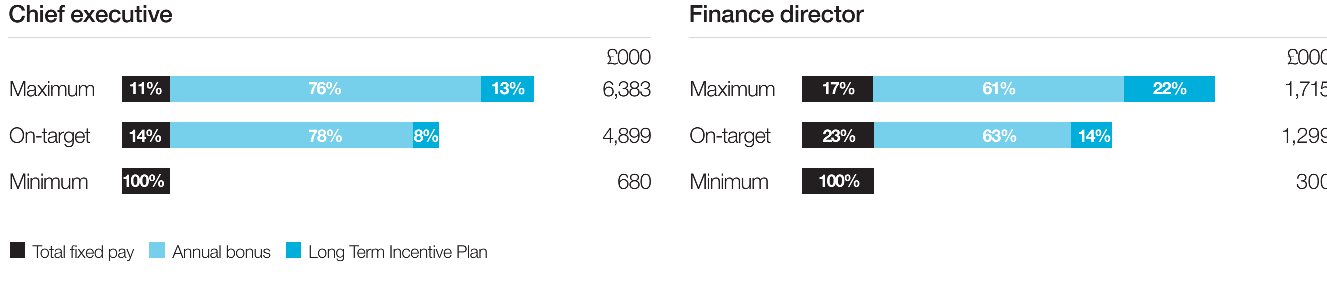
4 The remuneration policy for the executive directors is designed with regard to the policy for employees across the group as a whole and is consistent between the executive directors and the remainder of the workforce. In particular there has been a widespread salary freeze for all employees earning salaries of £100,000 p.a. or more. In contrast, salaries for lower paid employees have generally increased (on average across the population) each year. The annual bonus plan operates on a similar profit-driven basis across the group and there is a relatively high level of employee share ownership across the group. The key differences in policy for executive directors relates to participating in the long-term incentive share awards, which have strict vesting conditions. This is considered appropriate to provide a link for a proportion of performance pay with the longer term strategy thereby creating stronger alignment of interest with shareholders.
The committee does not formally consult with employees in respect of the design of the company's executive director remuneration policy, although the committee will keep this under review.

5 For the avoidance of doubt, in approving this directors' remuneration policy, authority is given to the company to honour any commitments entered into with current or former directors (such as, the payment of a pension or the vesting or exercise of past share awards) that have been in previous remuneration reports. Details of any payments to former directors will be set out in the annual report on remuneration as they arise.

Directors' remuneration scenarios

The company's remuneration policy results in a proportionate breakdown of total remuneration such that, in line with most other wholesale brokerage and agency companies, a very high proportion of the package is performance-related.

The charts below show an estimate of the potential future remuneration payable for the executive directors in 2014 at different levels of performance. The charts highlight that the performance-related elements of the package comprise a highly significant portion of the executive directors' total remuneration at target and maximum performance.



Notes:

1 Basic salary levels applying on 1 January 2014.

2 The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 31 December 2013.

3 The value of the pension receivable is 15% of basic salary.

4 Minimum performance assumes no award is earned under the annual bonus plan and no vesting is achieved under the LTIP; on-target performance assumes an annual bonus calculated by reference to profit before taxation of £32.0m being the market consensus at the time of signing these accounts and 50% being achieved under the LTIP; and maximum performance assumes profit before taxation outperforms the consensus by 15% and full vesting under the LTIP. It should, however, be noted, that there is in fact no upper limit as explained on page 41 and the above charts are purely for illustrative purposes.

5 Share price movement has been excluded from the above analysis.

Directors' recruitment and promotions

The committee has the objective to attract, retain and motivate the best talents in our markets, while at the same time ensuring a close alignment between the interests of shareholders and management.

If a new executive director was appointed, the company would seek to align the remuneration package with the remuneration policy approved by shareholders, including the maximum limit for the LTIP and an annual bonus pool entitlement in line with that of the other executive directors. However, flexibility would be retained to offer remuneration on appointment in respect of deferred remuneration arrangements forfeited on leaving a previous employer. The committee will look to replicate the arrangements being forfeited as closely as possible and in doing so, will take account of relevant factors including the nature of the deferred remuneration, performance conditions and the time over which they would have vested or been paid.

The initial notice period for a service contract may be longer than the policy of one year, provided it reduces to one year within a short space of time.

For an internal appointment, any ongoing remuneration obligations existing prior to appointment may continue.

The committee may also agree that the company will meet certain relocation and incidental expenses as appropriate.

Directors' service contracts and payments for loss of office

The remuneration committee reviews the contractual terms for executive directors in light of developments in best practice and practice in our sector. The remuneration-related elements of the current contracts for executive directors are shown in the table below:

Provision	Detailed terms
Notice period	One year by the company or the director.
Termination payment	**Chief executive:** The company may elect to pay in lieu of notice: • an amount equivalent to 12 months' base salary plus the cost of contractual benefits; plus • an amount equivalent to 50% of the last bonus received. In addition: • if not already paid, any bonus in respect for the prior year is payable (if not agreed, an amount equal to the last bonus received); and • a pro-rated bonus for the period of the year worked is payable.
	Finance director: The company may elect to pay in lieu of notice: • an amount equivalent to base salary, benefits and bonus for the relevant period of notice.
	The remuneration committee recognises that it is unusual in the context of listed PLCs to pay an amount in lieu of annual bonus for the notice period but considers that the policy is appropriate for the following reasons: • salary forms a lower proportion of remuneration than in most other UK companies; • typically in the shipbroking industry, income from business conducted is received over a number of years in arrears; • bonuses are only payable if profit thresholds and targets are achieved i.e. there is no automatic entitlement to a bonus; and • unvested awards under the LTIP are capable of vesting subject to performance. For unvested entitlements to share awards under the 2004 Clarkson LTIP (about to reach the end of its 10 year life), the rules contain discretionary provisions setting out the treatment of awards where a participant ceases to be employed by the Clarkson group for designated reasons. In the case of the participant's injury, disability, statutory redundancy, retirement, a sale of their employing company or business in which they were employed or for any other reason at the discretion of the committee, the participant's awards will not be forfeited but will vest on the date of cessation of employment, subject to the satisfaction of the relevant performance conditions. In the case of a participant's death, any unvested awards will vest in full on the date of cessation. For unvested entitlements to share awards under the proposed 2014 Clarkson LTIP, where a participant ceases to be employed by the Clarkson group due to ill-health, injury, disability, redundancy, retirement, a sale of his employing company or business or for any other reason at the discretion of the committee ('good leaver circumstance'), then he will be entitled to keep his award as described below: • performance-related awards will normally vest at the normal vesting dates (unless the remuneration committee determines that they should vest at cessation) subject to the satisfaction of the relevant performance conditions and time pro-rating (unless the remuneration committee decides to disapply time pro-rating). In the case of a death or ill-health, awards will vest at cessation subject to the relevant performance conditions; and • deferred bonus awards will vest in full.

Change of control	**Chief executive:** If, within 18 months of a change of control, the company gives the chief executive notice (except for reasons of gross misconduct or material breach of contract) or the chief executive gives notice as a result of a material breach of his contract or the company limits his ability to earn future bonuses, the chief executive will, within 30 days of termination, receive an amount equivalent to one year's basic salary, 150% of the last annual bonus received, the gross annual value of contractual benefits (pro-rated). In these circumstances, the chief executive's notice period is reduced to four weeks.
	Finance director: Within one year of a change of control the executive or the company may give notice (of not less than four weeks in the case of the former) whereupon the executive will receive immediately an amount equivalent to one year's basic salary, contractual benefits, employer pension contributions and annual bonus.
	All unvested awards under the 2004 Clarkson LTIP would vest, to the extent that any performance conditions attaching to the relevant award have been achieved. All unvested awards under the 2014 Clarkson LTIP would vest, to the extent that any performance conditions attaching to the relevant award have been achieved. To the extent that any performance conditions have been met, the committee will consider whether time pro-rating should apply. In August 2008 it was however contractually agreed with the current finance director, Jeff Woyda, that no time pro-rating will be applied to his LTIP awards. The remuneration committee recognises that it is now unusual, in the context of listed PLCs, for service contracts to contain change of control provisions and will therefore seek to avoid such provisions for future executive appointments to the board.

Details of the current executive directors' service contracts are as follows:	Date of contract	Unexpired term at 31 December 2013	Notice period
Andi Case	17 June 2008	12 months	12 months
Jeff Woyda	3 October 2006	12 months	12 months

Service contracts are available for inspection at the company's registered office.

Details of the non-executive directors' appointment terms are as follows:	Date of appointment	Unexpired term at 31 December 2013	Notice period
Bob Benton	25 May 2005	5 months	3 months
Peter Backhouse	16 September 2013	33 months	3 months
Ed Warner	27 June 2008	6 months	3 months
James Morley	5 November 2008	10 months	3 months
Philip Green	1 April 2013	27 months	3 months

Non-executive directors are appointed by letter of appointment for a fixed term not exceeding three years, renewable on the agreement of both the company and the director and are subject to re-election at the AGM following appointment, and thereafter every three years. Each appointment can be terminated before the end of the three-year period with three months' notice due.

Fees payable for a new non-executive director appointment will take into account the experience of the individual and the current fee structure.

Annual report on remuneration

Implementation of the remuneration policy for 2014

Base salary

	2014 £000	2013 £000	% change
Andi Case	550	550	0%
Jeff Woyda	250	250	0%

Annual bonus for 2014

For 2014, the annual bonus opportunity will remain uncapped and will continue to be based on a bonus pool derived from group profit before tax as follows:

- below a 'profit floor' set by the committee no bonus is triggered; and
- above the floor, an escalating percentage of profits is payable into a bonus pool for progressively higher profit before tax performance.

Profit for bonus calculations may be adjusted by the remuneration committee where appropriate and does not include mark-to-market valuations or business that has not been invoiced.

The profit floor and hurdles for 2014 have not been disclosed on a prospective basis although will be disclosed retrospectively in next year's remuneration report.

Consistent with prior years, the chief executive continues to have the potential to earn a bonus higher than that determined by the pre-tax profit formula dependent on shipbroking revenues that he generates personally. This has not been a factor in any of the past six years.

Consistent with the policy applied to the majority of senior employees, 90% of the bonus payable will be paid in cash with 10% voluntarily deferred into shares for four years and clawback provisions will continue to apply.

Long term incentive awards to be granted in 2014

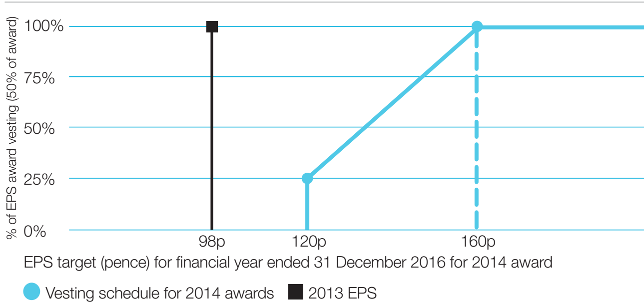
As a result of the LTIP reaching the end of its ten-year life, shareholder consent for a new plan, based on the existing arrangements but updated in a number of areas to comply with best practice, will be sought at the 2014 AGM. The maximum LTIP potential will, subject to shareholder approval, remain at 150% of basic salary (200% of basic salary in exceptional circumstances). It is envisaged that executive directors will receive awards over shares worth 150% of salary in 2014. Consistent with past awards:

- the vesting of 50% of the award will be determined by the company's EPS for 31 December 2016, as shown in chart (i) below. The EPS for 2013 is shown (black line) for reference; and
- the vesting of the remaining 50% will be determined by the company's TSR performance from 1 January 2014 to 31 December 2016 against the constituents of the FTSE SmallCap Index (excluding investment trusts), as shown in chart (ii) below. The level of total shareholder return achieved against the FTSE SmallCap over the last three-year cycle is shown (black line) for reference.

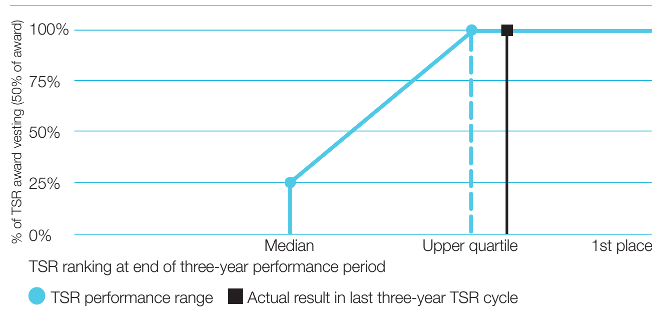
EPS and relative TSR are considered to be the most appropriate measures of long-term performance for the group, in that they ensure executives are incentivised and rewarded for the earnings performance of the group as well as returning value to shareholders.

The awards will be subject to clawback provisions.

(i) EPS target range for 2014 award (50% of award)



(ii) TSR target range for 2014 award (50% of award)



Directors' remuneration (audited)

Details of emoluments and compensation payable in their capacity as directors during the year are set out below:

2013	Basic salary and fees £000	Benefits £000	Pension £000	Performance-related bonus £000	Total remuneration before LTIP £000	Long term incentives £000	Total remuneration £000
Executive directors							
Andi Case	550	22	74	2,584	3,230	714	3,944
Jeff Woyda	250	12	38	551	851	325	1,176
Non-executive directors							
Bob Benton	92	–	–	–	92	–	92
Peter Backhouse	18	–	–	–	18	–	18
Ed Warner	66	–	–	–	66	–	66
James Morley	66	–	–	–	66	–	66
Philip Green	72	–	–	–	72	–	72
	1,114	34	112	3,135	4,395	1,039	5,434

2012	Basic salary and fees £000	Benefits £000	Pension £000	Performance-related bonus £000	Total remuneration before LTIP £000	Long term incentives £000	Total remuneration £000
Executive directors							
Andi Case	550	26	71	2,102	2,749	737	3,486
Jeff Woyda	250	12	38	448	748	335	1,083
Non-executive directors							
Bob Benton	120	–	–	–	120	–	120
James Morley	66	–	–	–	66	–	66
Ed Warner	66	–	–	–	66	–	66
Former directors							
Martin Stopford	42	8	–	–	50	–	50
Paul Wogan	7	–	–	–	7	–	7
	1,101	46	109	2,550	3,806	1,072	4,878

Notes:

1 Benefits include cash allowances in lieu of company cars, healthcare insurance and club memberships.

2 Pension includes pension contributions and cash supplements where relevant.

3 Annual bonus for 2013 was based on the allocation of the following pool:

Profit before taxation & bonus	% of pre-bonus profit	Actual profit	Actual bonus pool	% of pool allocated to executive directors
< £16.8m	0%	–	–	–
£16.8m – £33.7m	13%	£25.1m	£3.8m	82%
£33.8m – £39.4m	20%	–	–	–
> £39.4m	25%	–	–	–

The bonus is paid 90% in cash and although they have no contractual obligation the directors have agreed that 10% of the bonus will be deferred in shares, vesting after four years. Both the cash and share element of the bonus are subject to clawback where overpayments may be reclaimed in the event of misstatement or error.

Directors' remuneration (audited) continued

Notes: continued

4 Long term incentives relates to awards granted on 25 May 2011 which vest in May 2014 based on performance to the year ended 31 December 2013. The performance conditions attached to this award and actual performance against these conditions is as follows:

Performance measure	Performance condition	Threshold target	Stretch target	Actual	% vesting
Earnings per share	25% of award vesting at threshold up to 100% of award vesting at stretch on straight-line basis	108.5p	140.0p	98.0p	0%
Total shareholder return	25% vesting of award at threshold up to 100% of award vesting at stretch on straight-line basis	Median	Upper quartile	Upper quartile 126.3%	100%
Total vesting					**50%**

The award details for the executive directors are as follows:

Executive director	Number of shares granted	Number of shares to vest	Number of shares to lapse	Estimated value of vested shares[A] £000
Andi Case	67,237	33,618	33,619	714
Jeff Woyda	30,562	15,281	15,281	325

Notes:

A The estimated value of the vested shares is based on the average share price during the three month period from 1 October to 31 December 2013 of £21.24. These shares will vest on the third anniversary of grant, subject to continued employment. The share price at vesting for the 2010 awards which vested in December 2013 and were based on the three-year performance period to 31 December 2012 was £20.15.

Fees for the non-executive directors

Non-executive director fee levels are as follows:

	2014 £000	2013 £000	% change
Chairman	125	120	+4%
Non-executive director	55	51	+8%
Chair of committee	15	15	0%
Senior independent director	15	15	0%

Directors' outstanding share incentives (audited)

The table below sets out details of outstanding share awards held by the executive directors. The share awards have been granted as nil cost options under the LTIP, subject to the EPS and TSR performance criteria (50% of the award each) detailed in the LTIP section of this report on page 42.

	Scheme	Interests under plan at 1 January 2013	Awards granted in year	Awards vested in year	Awards lapsed in year	Interests under plan at 31 December 2013	Face value at 31 December 2013 £	% vesting at threshold performance	Grant date	End of performance period	Vesting date	Date exercisable until
Executive directors												
Andi Case	LTIP	99,388[1]	–	–	–	99,388	1,988,754	25%	16 Dec 09	Dec 11	15 Dec 12	15 Dec 19
	LTIP	36,581[2]	–	36,581	–	36,581	731,986	25%	24 Dec 10	Dec 12	23 Dec 13	23 Dec 20
	LTIP	67,237[3]	–	–	33,619	33,618	672,696	25%	25 May 11	Dec 13	24 May 14	24 May 21
	LTIP	61,937[4]	–	–	–	61,937	1,239,359	25%	11 May 12	Dec 14	10 May 15	–
	LTIP	–	51,434[5]	–	–	51,434	1,029,194	25%	10 May 13	Dec 15	9 May 16	–
Jeff Woyda	LTIP	45,182[1]	–	–	–	45,182	904,092	25%	16 Dec 09	Dec 11	15 Dec 12	15 Dec 19
	LTIP	16,628[2]	–	16,628	–	16,628	332,726	25%	24 Dec 10	Dec 12	23 Dec 13	23 Dec 20
	LTIP	30,562[3]	–	–	15,281	15,281	305,772	25%	25 May 11	Dec 13	24 May 14	24 May 21
	LTIP	28,153[4]	–	–	–	28,153	563,344	25%	11 May 12	Dec 14	10 May 15	–
	LTIP	–	23,379[5]	–	–	23,379	467,814	25%	10 May 13	Dec 15	9 May 16	–

Notes:

The share price on the date of the award was 1. £8.06, 2. £11.22, 3. £9.63, 4. £13.50, 5. £16.04.

Directors' interests in shares

The company requires executive directors to build a shareholding equivalent to 100% of the executive directors' salary. Until this is attained they are required to retain 50% of any share award that vests.

The beneficial interests of the directors in the share capital of the company at 31 December was as follows:

	Number of ordinary shares		% of salary required to be held in shares under the shareholding guidelines	Guideline met?
	2013	2012		
Bob Benton	**4,700[1]**	4,700[1]	n/a	n/a
Andi Case	**648,976[2]**	662,939[2]	100%	Yes
Jeff Woyda	**60,465[2]**	66,262[2]	100%	Yes
Peter Backhouse	**3,500**	n/a	n/a	n/a
Ed Warner	**15,000**	15,000	n/a	n/a
James Morley	**4,500**	4,500	n/a	n/a
Philip Green	**3,000**	n/a	n/a	n/a

1 The beneficial owner of these shares is Marianne Kingham who is married to Bob Benton.

2 These figures include restricted shares granted as part of annual bonus as follows:

		Number of shares			
	Bonus year	2009	2010	2011	2012
	Vesting date	April 2014	April 2015	April 2016	April 2017
Andi Case		26,689	34,971	29,241	13,103
Jeff Woyda		5,694	7,461	6,235	2,795

There have been no changes in the above numbers of shares between the year-end and the date this report was signed.

Further restricted share awards will be made in 2014 in respect of up to 10% of the directors' 2013 bonus.

Directors' interests in share options over ordinary shares are as follows:

		Options held at 1 January 2013	**Options granted during the year**	**Options exercised during the year**	**Options lapsed during the year**	**Options held at 31 December 2013**	Exercise price £	Date from which exercisable	Expiry date
Executive directors									
Andi Case	Other options	**25,000[1]**	**–**	**–**	**–**	**25,000[1]**	9.91	26 October 2010	25 October 2017
	Sharesave	**831**	**–**	**–**	**–**	**831**	10.82	1 July 2015	31 December 2015
Jeff Woyda	Sharesave	**831**	**–**	**–**	**–**	**831**	10.82	1 July 2015	31 December 2015

1 These options are fully vested and were granted for nil consideration.

Pensions (audited)

Pension contributions were £8,000 (2012: £50,000) for Andi Case and £37,500 (2012: £37,500) for Jeff Woyda, with the balance for Andi Case (up to 15% of salary) paid as a cash supplement in lieu of pension (net of employer's NI) and included in the table on page 47 as pension.

Payment to former director (audited)

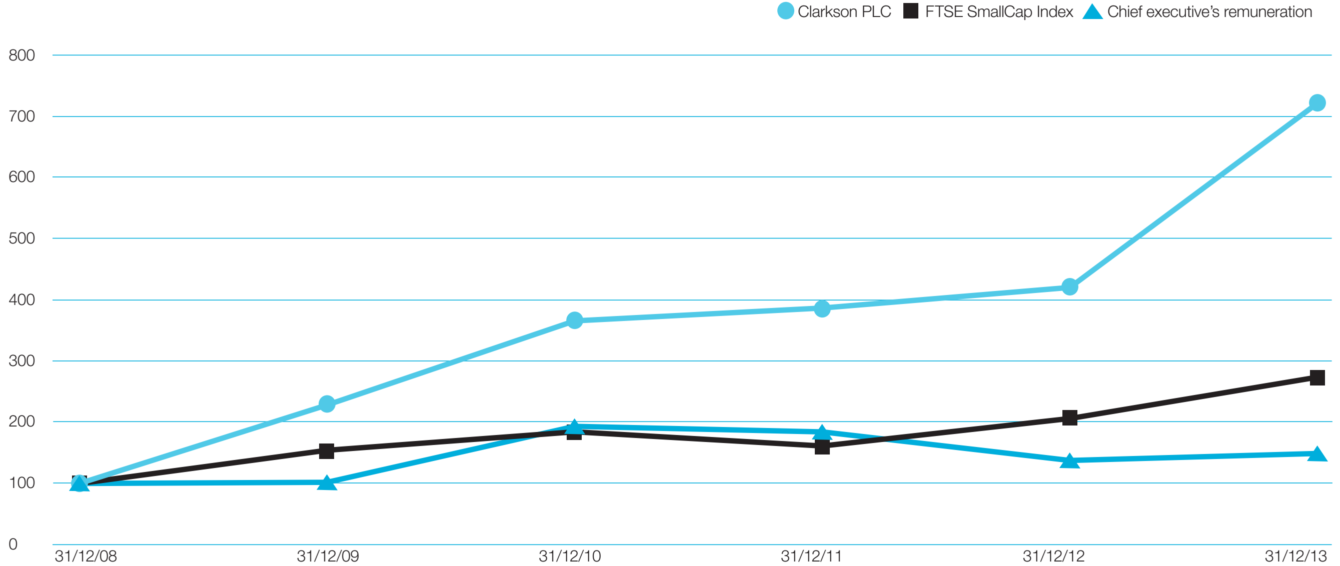
No payments falling for disclosure were made to past executive directors during the year ended 31 December 2013.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31 December 2013.

Performance graph

This graph shows total shareholder return (that is, share price growth assuming re-investment of any dividends) of the company over the last five financial years compared to the FTSE SmallCap Index, which the committee considers an appropriate index for comparison purposes, and compared to the total remuneration of the chief executive.



This graph shows the value, by 31 December 2013, of £100 invested in Clarkson PLC on 31 December 2008 compared with the value of £100 invested in the FTSE SmallCap Index and the remuneration of the chief executive for each year, rebased from 100 units from 31 December 2008. The other points plotted are the values at intervening financial year-ends.

The LTIP award vesting level as a percentage of the maximum opportunity for the chief executive for each of the last five years is as follows:

	2013	2012	2011	2010	2009
LTIP vesting %	**50%**	47%	98%	44%	50%

Percentage change in remuneration levels

The table below shows the movement in salary, benefits and annual bonus for the chief executive between the 2012 and 2013 financial years, compared to the average for all employees:

	% change
Chief executive	
Salary and benefits	-0.7%
Bonus	+22.9%
All employees	
Salary and benefits	+2.3%
Bonus	+16.9%

Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in 2013 compared to 2012:

	2013 £m	2012 £m	% change
Underlying profit after tax	**18.2**	14.0	+30.0%
Dividends	**9.6**	9.4	+2.1%
Employee remuneration costs, of which:	**129.3**	112.8	+14.6%
Executive directors' total pay excluding LTIP (continuing)	**4.1**	3.5	+17.1%
Executive directors' annual bonus (continuing)	**3.1**	2.6	+19.2%

Remuneration committee

During the year the remuneration committee comprised all the non-executive directors – Bob Benton, Philip Green (from 1 April 2013), Peter Backhouse (from 16 September 2013), Ed Warner and James Morley. The committee is chaired by Ed Warner. None of the committee members have day-to-day involvement with the business nor do they have any personal financial interest in the matters to be recommended. The company secretary acts as secretary to the committee. The number of formal meetings held and the attendance by each member is shown in the table below. The committee also held informal discussions as required.

	Number of meetings attended out of potential maximum
Bob Benton	3 out of 3
Peter Backhouse[1]	1 out of 1
Ed Warner	3 out of 3
James Morley	3 out of 3
Philip Green[2]	1 out of 1

1 Appointed to the board on 16 September 2013.

2 Appointed to the board on 1 April 2013.

In particular the board is satisfied that the committee has the range of skills and relevant business experience to reach an independent judgement on the suitability of the remuneration policy. The committee's remit already covers remuneration arrangements for all employees (where the committee reviews bonus payments for all employees in the business) and consideration of risk is foremost in the committee's deliberations.

External advisors

New Bridge Street (NBS) are appointed by the committee to provide independent advice and services that materially assist the committee in their consideration of matters relating to directors' remuneration, design of share incentive plans and measurement of performance against vesting targets. Neither NBS nor its parent company, Aon plc, has any other connection with the company.

The fees paid by the company to NBS during the financial year for advice to the remuneration committee was £58,135. No additional fees were paid by the group to Aon plc in respect of other services.

NBS is a signatory to the Remuneration Consultants' Code of Conduct which requires its advice to be objective and impartial.

Statement of shareholder voting at AGM

At the 2013 AGM, the directors' remuneration report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	11,039,510	86.15%
Against	1,775,351	13.85%
Abstentions	242,939	–
	13,057,800	**100%**

At the AGM to be held on 9 May 2014 a resolution approving this report is to be proposed as an ordinary resolution.

This report to shareholders provides information on the remuneration and share interests of all Clarkson PLC directors and the criteria by which that remuneration has been determined. It has been prepared in accordance with the Companies Act 2006 and the applicable Listing Rules.

This report was approved by the board and signed on its behalf by:

Ed Warner Remuneration committee chairman

7 March 2014

Audit committee report

The primary function of the audit committee is to assist the board in fulfilling its oversight responsibilities.

The audit committee is responsible for:

- scrutinising the robustness and integrity of the group's financial reporting, including accounting issues and judgements;
- monitoring and reviewing the group's internal control systems, including internal financial reporting controls, and identifying any significant deficiencies or material weaknesses in their operation; and
- monitoring and reviewing the activities and performance of the external auditor, and notifying the board of any significant concerns arising from their audit work.

In addition to the above responsibilities, the committee has also reviewed the prevention, detection and reporting of fraud and the group's anti-fraud and ethics policies.

The committee's terms of reference are reviewed on an ongoing basis to ensure compliance with the requirements of the Code.

The committee met three times during 2013 and addressed three main areas in the year:

Financial reporting and significant issues

The committee reviewed and considered the following areas in respect of financial reporting and preparation of the interim and annual financial statements:

- the appropriateness of accounting policies used;
- compliance with internal and external financial reporting standards and policies;
- principal judgemental accounting matters, based on reports from management and external auditors; and
- whether or not the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance and business model.

The committee also reviews reports by the external auditor on the full-year and half-year results which highlight any issues with respect to the work undertaken on the audit.

In addition to the items noted above, the committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. The primary matter considered was that of the impairment of trade receivables. A number of judgements are made in the calculation of the impairment, primarily the age of the invoice, the underlying transaction and the debtor's financial position. The committee discussed with the management the results of its review, the internal controls and the composition of the related financial information. The committee also discussed with the external auditors their review of the provision. The committee is satisfied that the judgements made by management are reasonable, and that appropriate disclosures have been included in the accounts.

Internal control, internal audit and risk management

The committee undertakes an annual review of the group's internal controls, including financial, operational, compliance and risk management and reviews the external auditor's report in relation to internal control observations.

The company continually seeks to improve and update existing procedures and to introduce new controls where necessary. The risk management system is designed to identify key risks and to provide assurance that these risks are fully understood and managed. As an ongoing process, the executive oversees the development of the internal control procedures which provide assurance to the committee that the controls which are operating in the group are effective and sufficient to counteract the risks to which it is exposed.

The need for an internal audit function is reviewed annually by the board and the audit committee. After taking into account the size and structure of the group, it has been concluded that there is at present no requirement for an internal audit function. The audit committee, in conjunction with the board, has established arrangements by which staff of the group may, in confidence, raise concerns about possible improprieties or wrongdoing.

The audit committee is responsible for reviewing the adequacy and effectiveness of the group's risk management systems and processes. Further details of risk management are shown on page 29.

External auditor

The committee reviews and makes recommendations to the board regarding the re-appointment and remuneration of the external auditor.

The audit committee considered the following:

- the quality and effectiveness of the audit for the prior year;
- the external audit strategy for the current year;
- the overall work plan;
- the terms of engagement;
- PwC's overall performance and independence;
- the effectiveness of the overall audit process; and
- the length of appointment as external auditors (current length: five years).

To ensure that the auditors maintain their independence and objectivity, the audit committee has implemented a policy which is designed to ensure that the provision of non-audit services does not have an impact on the external auditors' independence and objectivity. It restricts the engagement of the auditor in relation to non-audit services, whilst recognising that there are some types of work, such as accounting and tax advice, where a detailed understanding of the company's business is advantageous.

It also requires that individual engagements above a certain fee level may only be undertaken with appropriate authority from the committee or the committee chairman.

During the year the auditors provided tax advisory and compliance services and other assurance and advisory services with fees of £0.2m and £0.1m respectively. A fee breakdown is shown in note 3.

The committee meets privately on a regular basis with the external auditors in the absence of management.

Having considered the performance of the current external auditor, PricewaterhouseCoopers LLP (PwC), the committee does not consider that their independence or effectiveness is impaired. The audit committee recommended to the board that PwC be re-appointed as auditor and that a resolution be put to shareholders at the AGM.

James Morley Audit committee chairman

7 March 2014

Report of the directors

The strategic report provides information relating to the group's activities, its business and strategy and the principal risks and uncertainties faced by the business, including analysis using financial and other key performance indicators where necessary. These sections, together with the directors' remuneration report and corporate governance report provide an overview of the group, including environmental and employee matters and give an indication of future developments in the group's business, so providing a fair, balanced and understandable assessment of the group's position and prospects, in accordance with the latest narrative reporting requirements. The group's principal subsidiary undertakings are disclosed in the notes to the financial statements.

Shareholder information

Share capital and control

Details of the company's share capital as at 31 December 2013 are shown in note 23 to the financial statements. The rights and obligations attaching to the ordinary shares are set out in the Articles of Association, copies of which can be obtained from Companies House in the UK.

The executive directors are expected to maintain a shareholding equivalent to 100% of their respective salaries.

To be registered, a transfer of shares must be in relation to shares which are fully paid up. The transfer must be in favour of a single transferee or no more than four joint transferees and it must be duly stamped (if required). The transfer must be delivered to our registered office or our Registrars accompanied by the certificate to which it relates or such other evidence that proves the title of the transferor.

The holders of ordinary shares are entitled to receive dividends when declared, to receive the company's report and financial statements, to attend and speak at general meetings of the company, and to appoint proxies and exercise voting rights. No ordinary shares carry any special voting rights with regard to control of the company and there are no restrictions on voting rights. Major shareholders have the same voting rights per share as all other shareholders. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements or restrictions on share transfers or on voting rights. Shareholders who wish to appoint a proxy to exercise their voting rights on their behalf at the AGM are required to submit a proxy voting form to the company by no later than 48 hours prior to the time of the meeting.

Shares acquired through Clarksons' share schemes and plans rank equally with the other shares in issue and have no special rights.

Change of control

The company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.

Details of the executive directors' service contracts, including contractual arrangements in connection with a change of control of the company, are set out in the directors' remuneration report on pages 44 and 45.

Upon a change of control, all unvested awards under the 2004 Clarkson PLC LTIP would vest to the extent that any performance conditions attaching to the relevant award have been achieved.

Notifiable interests in share capital

As at 31 December 2013, the company had received the following disclosures (which have not subsequently been changed) of major holdings of voting rights pursuant to the requirements of Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR):

Mason Hill Advisors, LLC	6.66%
Franklin Templeton Investment Management Limited	5.75%
Heronbridge Investment Management LLP	5.20%
Blackrock, Inc.	4.83%
Kames Capital	4.01%
First Pacific Advisers LLC	3.16%
CRE Capital LLC and CRE Fiduciary Services Inc	3.10%

Information provided to the company pursuant to the DTR is published on a Regulatory Information Service and on the company's website.

In addition, as at 28 February 2014, employees directly held 7.10% of the company's share capital, and 10.43% was held by employee share trusts for use under the company's various incentive schemes.

Interests in the shares of the company, or derivatives or any other financial instrument relating to those shares, conducted by the directors of the company on their own account, notified to the company pursuant to Rule 3 of the DTR, are set out in the directors' remuneration report on pages 49 and 50.

At the 2013 AGM the company's shareholders authorised the company, for the purposes of Section 701 of the Companies Act 2006, to make market purchases of its own shares up to a maximum aggregate amount of 1,898,469 shares (representing 10% of the company's share capital as at 3 April 2013). This authority is due to expire at the end of the 2014 AGM and a resolution will be put to shareholders at that meeting to extend the authority for a further period. The company has not acquired or disposed of any interests in its own shares.

Financial instruments

Details of the group's risk management objectives and policies relating to the use of financial instruments and the group's exposure to the risks arising from such instruments are set out in notes 26 and 27 to the financial statements respectively.

By order of the board

Penny Watson Secretary

7 March 2014

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out in their report on pages 57 to 59, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditor in relation to the financial statements.

The directors are responsible for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with Section 418 of the Companies Act 2006, each person who is director at the time of approval of this report confirms that so far as he is aware, there is no relevant audit information of which the auditor is unaware, and the director has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the auditor is aware of that information.

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategic report on pages 12 to 33. The financial position of the group, its cash flows and liquidity position are described in the financial review. The risk management section of the financial review and note 26 to the financial statements include a description of the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The group has considerable financial resources available and a strong balance sheet, as explained in the financial review on pages 28 and 29. As a result of this, the directors believe that the group is well placed to manage its business risks successfully despite the challenging market backdrop. The directors have a reasonable expectation that the company has sufficient resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Each of the directors, whose names and functions are listed on pages 34 and 35 of this annual report confirm that:

- to the best of their knowledge, the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group and the undertakings included in the consolidation taken as a whole;
- to the best of their knowledge, the management report represented by the report of the directors, and material incorporated by reference, includes a fair review of the development and performance of the business and the position of the group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to access the company's performance, business model and strategy.

On behalf of the board

Bob Benton Chairman

7 March 2014

Independent auditors' report

to the members of Clarkson PLC

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2013 and of the group's profit and of the group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

What we have audited

The group financial statements and parent company financial statements ('the financial statements'), which are prepared by Clarkson PLC, comprise:

- the consolidated and parent company balance sheets as at 31 December 2013;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated and parent company statements of changes in equity and cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the parent company, as applied in accordance with the provisions of the Companies Act 2006.

Certain share-based payments and directors' remuneration disclosures which are required by the financial reporting framework have been presented in the directors' remuneration report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements in notes 21 and 28 respectively and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ('ISAs (UK & Ireland)').

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the group financial statements as a whole to be £1.2m. In arriving at this judgement we have had regard to profit before taxation, adjusted for exceptional items and acquisition-related costs, because in our view this represents the most appropriate measure of underlying performance. Our materiality represents approximately 5% of this measure.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £0.1m as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The group financial statements are a consolidation of a number of reporting units, comprising the group's operating businesses and centralised functions.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at the reporting units by us, as the group engagement team, or by component auditors within PwC UK or other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole.

7 reporting units, comprising some operating businesses and centralised functions, required an audit of their complete financial information due to their size. We also conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units. This gave us coverage of 84% of the group's profit before taxation adjusted for exceptional items and acquisition-related costs and 80% of revenue, and together with the additional procedures performed at the group level, including testing the consolidation process, gave us the evidence we needed for our opinion on the group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the audit committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on page 54.

Area of focus specific to Clarkson PLC:

Area of focus	How the scope of our audit addressed the area of focus
Provision for impairment of trade receivables We focused on this area because it required a high level of management judgement given uncertainty regarding the ability of certain customers to settle their debts in a challenging economic environment.	We tested the appropriateness of the provision for impairment of trade receivables by assessing evidence of impairment including whether balances were overdue and whether any post year-end payments had been received. We also understood the status of attempts by management to recoup the amounts outstanding and tested movements in the provision during the year. We also tested aged balances where no provision was recognised to check whether this was appropriate.

Area of focus required by ISAs (UK & Ireland) on every audit:

Area of focus	How the scope of our audit addressed the area of focus
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition.	As part of the evidence we obtained regarding the revenue recognised during the year, we evaluated the relevant IT systems and tested the internal controls over the completeness, accuracy and timing of revenue recognised in the accounts. We also tested journal entries posted to revenue accounts to identify unusual or irregular items. We also tested the timing of revenue recognition, taking into account contractual obligations.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this to be a significant risk.	We assessed the overall control environment of the group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management. We examined the significant accounting estimates and judgements relevant to the financial statements for evidence of bias by the directors that may represent a risk of material misstatement due to fraud. We also tested journal entries, including material consolidation journals.

Going concern

Under the Listing Rules we are required to review the directors' statement, set out on page 56, in relation to going concern. We have nothing to report having performed our review.

As noted in the directors' statement, the directors have concluded that it is appropriate to prepare the group's and parent company's financial statements using the going concern basis of accounting. The going concern basis presumes that the group and parent company have adequate resources to remain in operation, and that the directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's and the parent company's ability to continue as a going concern.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the strategic report and the report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the corporate governance statement in the annual report with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the board on directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate governance statement

Under the Companies Act 2006, we are required to report to you if, in our opinion a corporate governance statement has not been prepared by the parent company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the corporate governance statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code ('the Code'). We have nothing to report having performed our review.

On page 56 of the annual report, as required by the Code Provision C.1.1, the directors state that they consider the annual report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's performance, business model and strategy. On page 54, as required by C.3.8 of the Code, the audit committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the directors is materially inconsistent with our knowledge of the group acquired in the course of performing our audit; or
- the section of the annual report describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.

We have no exceptions to report arising from this responsibility.

Other information in the annual report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group and parent company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the statement of directors' responsibilities set out on page 56, the directors are responsible for the preparation of the group and parent company financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the group and parent company financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Andrew Paynter Senior statutory auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered accountants and statutory auditors

London

7 March 2014

Consolidated income statement

for the year ended 31 December

	Notes	2013 Before exceptional item and acquisition costs £m	2013 Exceptional item (note 5) £m	2013 Acquisition costs (note 6) £m	2013 After exceptional item and acquisition costs £m	Group 2012* Before exceptional item and acquisition costs £m	2012* Exceptional item (note 5) £m	2012* Acquisition costs (note 6) £m	2012* After exceptional item and acquisition costs £m
Revenue	3, 4	**198.0**	**–**	**–**	**198.0**	176.2	–	–	176.2
Cost of sales		**(6.2)**	**–**	**–**	**(6.2)**	(6.3)	–	–	(6.3)
Trading profit		**191.8**	**–**	**–**	**191.8**	169.9	–	–	169.9
Other income		**–**	**–**	**–**	**–**	–	4.5	–	4.5
Administrative expenses		**(166.9)**	**(1.0)**	**(2.0)**	**(169.9)**	(150.8)	–	(1.5)	(152.3)
Operating profit	3, 4	**24.9**	**(1.0)**	**(2.0)**	**21.9**	19.1	4.5	(1.5)	22.1
Finance revenue	3	**0.7**	**–**	**–**	**0.7**	1.2	–	–	1.2
Finance costs	3	**–**	**–**	**(0.1)**	**(0.1)**	–	–	(0.1)	(0.1)
Other finance costs – pensions	3, 22	**(0.5)**	**–**	**–**	**(0.5)**	(0.3)	–	–	(0.3)
Profit before taxation		**25.1**	**(1.0)**	**(2.1)**	**22.0**	20.0	4.5	(1.6)	22.9
Taxation	7	**(6.9)**	**0.1**	**0.1**	**(6.7)**	(6.0)	(1.1)	0.1	(7.0)
Profit for the year		**18.2**	**(0.9)**	**(2.0)**	**15.3**	14.0	3.4	(1.5)	15.9
Attributable to:									
Equity holders of the parent		**18.2**	**(0.9)**	**(2.0)**	**15.3**	14.0	3.4	(1.5)	15.9
Earnings per share									
Basic	8	**98.0p**			**82.2p**	74.8p			85.2p
Diluted	8	**95.8p**			**80.4p**	73.8p			84.0p

*Restated. Refer to note 2.

Consolidated statement of comprehensive income

for the year ended 31 December

	Notes	Group 2013 £m	2012* £m
Profit for the year		**15.3**	15.9
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on employee benefit schemes – net of tax	22	**4.5**	(3.5)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on retranslation of foreign operations	24	**(1.8)**	(1.3)
Foreign currency hedge – net of tax	24	**2.3**	1.5
Total comprehensive income for the year		**20.3**	12.6
Attributable to:			
Equity holders of the parent		**20.3**	12.6

*Restated. Refer to note 2.

Consolidated and parent company balance sheets

as at 31 December

	Notes	Group 2013 £m	Group 2012 £m	Company 2013 £m	Company 2012 £m
Non-current assets					
Property, plant and equipment	10	**8.5**	8.0	**2.8**	3.4
Investment property	11	**0.4**	0.4	**0.4**	0.4
Intangible assets	12	**40.2**	39.8	**–**	–
Trade and other receivables	14	**0.5**	0.4	**0.1**	0.1
Investments	15	**1.8**	1.9	**0.2**	0.2
Investments in subsidiaries	16	**–**	–	**54.0**	53.9
Deferred tax asset	7	**12.5**	14.7	**3.8**	5.1
		63.9	65.2	**61.3**	63.1
Current assets					
Inventories	17	**0.9**	–	**–**	–
Trade and other receivables	14	**45.2**	33.2	**13.2**	24.7
Income tax receivable		**2.6**	0.3	**2.0**	0.1
Investments	15	**25.2**	25.2	**25.2**	13.1
Cash and cash equivalents	18	**96.9**	89.4	**0.6**	11.1
		170.8	148.1	**41.0**	49.0
Current liabilities					
Trade and other payables	19	**(85.5)**	(69.7)	**(14.4)**	(7.1)
Income tax payable		**(3.9)**	(2.5)	**–**	–
		(89.4)	(72.2)	**(14.4)**	(7.1)
Net current assets		**81.4**	75.9	**26.6**	41.9
Non-current liabilities					
Trade and other payables	19	**(1.3)**	(1.7)	**–**	–
Provisions	20	**(2.0)**	(1.8)	**(2.0)**	(1.8)
Employee benefits	22	**(1.8)**	(9.4)	**(1.8)**	(9.4)
Deferred tax liability	7	**(2.5)**	(2.2)	**–**	–
		(7.6)	(15.1)	**(3.8)**	(11.2)
Net assets		**137.7**	126.0	**84.1**	93.8
Capital and reserves					
Share capital	23	**4.7**	4.7	**4.7**	4.7
Other reserves	24	**35.7**	37.5	**32.5**	32.4
Retained earnings		**97.3**	83.8	**46.9**	56.7
Total equity		**137.7**	126.0	**84.1**	93.8

The financial statements were approved by the board on 7 March 2014, and signed on its behalf by:

Bob Benton Chairman **Jeff Woyda** Finance director

Registered number: 1190238

Consolidated statement of changes in equity

for the year ended 31 December

	Notes	Group Attributable to equity holders of the parent			
		Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2013		**4.7**	**37.5**	**83.8**	**126.0**
Profit for the year		**–**	**–**	**15.3**	**15.3**
Other comprehensive income:					
Actuarial gain on employee benefit schemes – net of tax	22	**–**	**–**	**4.5**	**4.5**
Foreign exchange differences on retranslation of foreign operations	24	**–**	**(1.8)**	**–**	**(1.8)**
Foreign currency hedge – net of tax	24	**–**	**2.3**	**–**	**2.3**
Total comprehensive income for the year		**–**	**0.5**	**19.8**	**20.3**
Transactions with owners:					
Net ESOP shares acquired	24	**–**	**(3.3)**	**–**	**(3.3)**
Gain on ESOP shares		**–**	**–**	**0.2**	**0.2**
Share-based payments	24	**–**	**1.0**	**–**	**1.0**
Tax on other employee benefits	7	**–**	**–**	**2.7**	**2.7**
Tax on other items in equity		**–**	**–**	**0.4**	**0.4**
Dividend paid	9	**–**	**–**	**(9.6)**	**(9.6)**
		–	**(2.3)**	**(6.3)**	**(8.6)**
Balance at 31 December 2013		**4.7**	**35.7**	**97.3**	**137.7**

	Notes	Group * Attributable to equity holders of the parent			
		Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2012		4.7	37.5	81.1	123.3
Profit for the year		–	–	15.9	15.9
Other comprehensive income:					
Actuarial loss on employee benefit schemes – net of tax	22	–	–	(3.5)	(3.5)
Foreign exchange differences on retranslation of foreign operations	24	–	(1.3)	–	(1.3)
Foreign currency hedge – net of tax	24	–	1.5	–	1.5
Total comprehensive income for the year		–	0.2	12.4	12.6
Transactions with owners:					
Net ESOP shares acquired	24	–	(0.8)	–	(0.8)
Share-based payments	24	–	0.6	–	0.6
Tax on other employee benefits	7	–	–	(0.3)	(0.3)
Dividend paid	9	–	–	(9.4)	(9.4)
		–	(0.2)	(9.7)	(9.9)
Balance at 31 December 2012		4.7	37.5	83.8	126.0

*Restated. Refer to note 2.

Parent company statement of changes in equity

for the year ended 31 December

	Notes	Company Attributable to equity holders of the parent Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2013		**4.7**	**32.4**	**56.7**	**93.8**
Loss for the year		**–**	**–**	**(5.7)**	**(5.7)**
Other comprehensive income:					
Actuarial gain on employee benefit schemes – net of tax	22	**–**	**–**	**4.5**	**4.5**
Total comprehensive loss for the year		**–**	**–**	**(1.2)**	**(1.2)**
Transactions with owners:					
Gain on ESOP shares	24	**–**	**–**	**0.2**	**0.2**
Share-based payments		**–**	**0.1**	**–**	**0.1**
Tax on other employee benefits		**–**	**–**	**0.8**	**0.8**
Dividend paid	9	**–**	**–**	**(9.6)**	**(9.6)**
		–	**0.1**	**(8.6)**	**(8.5)**
Balance at 31 December 2013		**4.7**	**32.5**	**46.9**	**84.1**

	Notes	Company * Attributable to equity holders of the parent Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2012		4.7	31.8	33.6	70.1
Profit for the year		–	–	36.0	36.0
Other comprehensive income:					
Actuarial loss on employee benefit schemes – net of tax	22	–	–	(3.5)	(3.5)
Total comprehensive income for the year		–	–	32.5	32.5
Transactions with owners:					
Share-based payments	24	–	0.6	–	0.6
Dividend paid	9	–	–	(9.4)	(9.4)
		–	0.6	(9.4)	(8.8)
Balance at 31 December 2012		4.7	32.4	56.7	93.8

*Restated. Refer to note 2.

Consolidated and parent company cash flow statements

for the year ended 31 December

	Notes	Group 2013 £m	Group 2012* £m	Company 2013 £m	Company 2012* £m
Cash flows from operating activities					
Profit/(loss) before taxation		**22.0**	22.9	**(7.7)**	35.3
Adjustments for:					
Foreign exchange differences	3	**0.3**	0.5	**–**	–
Depreciation of property, plant and equipment	3, 10	**2.2**	2.3	**0.6**	0.7
Share-based payment expense	21	**1.0**	1.4	**0.6**	0.9
Gain on sale of property, plant and equipment		**(0.2)**	–	**–**	–
Amortisation of intangibles	12	**0.5**	0.5	**–**	–
Loss on disposal of subsidiaries	16	**–**	–	**–**	0.5
Difference between pension contributions paid and amount recognised in the income statement		**(2.2)**	(2.1)	**(2.2)**	(2.1)
Finance revenue	3	**(0.7)**	(1.2)	**(10.3)**	(39.7)
Finance costs	3	**0.1**	0.1	**–**	–
Other finance costs – pensions	3	**0.5**	0.3	**0.5**	0.3
(Increase)/decrease in trade and other receivables		**(7.2)**	4.8	**11.5**	(0.2)
Increase/(decrease) in bonus accrual		**8.5**	(21.5)	**3.7**	(4.4)
Increase/(decrease) in trade and other payables		**2.5**	(2.0)	**3.8**	(23.2)
Increase in provisions	20	**0.2**	–	**0.2**	0.2
Cash generated/(utilised) from operations		**27.5**	6.0	**0.7**	(31.7)
Income tax (paid)/received		**(4.7)**	(10.4)	**0.8**	2.1
Net cash flow from operating activities		**22.8**	(4.4)	**1.5**	(29.6)
Cash flows from investing activities					
Interest received		**0.5**	0.5	**0.3**	0.2
Purchase of property, plant and equipment	10	**(1.6)**	(2.0)	**–**	(0.1)
Proceeds from sale of investments		**0.1**	–	**–**	–
Proceeds from sale of property, plant and equipment		**0.4**	0.1	**–**	–
Transfer to current investments	15	**–**	(25.2)	**(12.1)**	(13.1)
Acquisition of subsidiaries, including deferred consideration	12, 16	**(6.6)**	(0.4)	**(0.6)**	(0.2)
Cash acquired on acquisitions	12	**3.2**	–	**–**	–
Dividends received from investments		**0.2**	0.7	**10.0**	39.5
Net cash flow from investing activities		**(3.8)**	(26.3)	**(2.4)**	26.3
Cash flows from financing activities					
Interest paid		**–**	(0.1)	**–**	–
Dividend paid	9	**(9.6)**	(9.4)	**(9.6)**	(9.4)
ESOP shares acquired		**–**	(1.1)	**–**	(1.1)
Net cash flow from financing activities		**(9.6)**	(10.6)	**(9.6)**	(10.5)
Net increase/(decrease) in cash and cash equivalents		**9.4**	(41.3)	**(10.5)**	(13.8)
Cash and cash equivalents at 1 January		**89.4**	132.9	**11.1**	24.9
Net foreign exchange differences		**(1.9)**	(2.2)	**–**	–
Cash and cash equivalents at 31 December	18	**96.9**	89.4	**0.6**	11.1

*Restated. Refer to note 2.

Notes to the financial statements

1 Corporate information

The group and parent company financial statements of Clarkson PLC for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 7 March 2014. Clarkson PLC is a Public Limited Company, listed on the London Stock Exchange, registered in England and Wales and domiciled in the UK.

The term '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.

Copies of the annual report will be circulated to all shareholders and will also be available from the registered office of the company at St. Magnus House, 3 Lower Thames Street, London EC3R 6HE.

2 Statement of accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2013.

The financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds sterling (£0.1m) except when otherwise indicated.

The 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. Items which are non-recurring in nature and considered to be material in size are shown as 'exceptional items'. The column 'acquisition costs' includes the amortisation of intangible assets and the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on previous acquisitions. These notes form an integral part of the financial statements on pages 60 to 64.

Statement of compliance

The financial statements of Clarkson PLC have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs.

The consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement, or the parent company statement of comprehensive income.

The accounting policies set out below have been applied consistently to all periods presented in these group and company financial statements.

Basis of consolidation

The group's consolidated financial statements incorporate the results and net assets of Clarkson PLC and all its subsidiary undertakings made up to 31 December each year.

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation, however for the purposes of segmental reporting, internal arm's-length recharges are included within the appropriate segments.

2.2 Changes in accounting policy and disclosures

New and amended standards adopted by the group

The group has adopted the following new and amended standards as of 1 January 2013:

- IAS 1, 'Financial statement presentation' (revised) – the main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in 'other comprehensive income'.
- IAS 19, 'Employee benefits' (revised) – was applied for the year ended 31 December 2013. The impact on the group was to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. Retrospective implementation has resulted in a net reduction of the profit after taxation for the year ended 31 December 2012 of £0.3m. There was no effect on the net assets of the group.

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

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

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

IFRS 9 'Financial instruments' – classification and measurement

IFRS 10 'Consolidated Financial Statements'

Amendment to IAS 36 'Impairment of assets' on recoverable amount disclosures

Amendments to IFRS 10, 11 and 12 on transition guidance

Annual improvements 2012, 2013

2 Statement of accounting policies continued

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.

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

2.3 Accounting judgements and estimates

The preparation of the group's 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.

Trade receivables
The provision for impairment of receivables represents management's best estimate at the balance sheet date. A number of judgements are made in the calculation of the impairment, primarily the age of the invoice, the underlying transaction and the debtor's financial position.

Impairment of non-financial assets
The group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 13.

Share-based payments
The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them.

Pensions
The cost of defined benefit pension plans is determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 22.

2.4 Property, plant and equipment

Land held for use in the production or supply of goods or services, or for administrative purposes, is stated on the balance sheet at its historic cost.

Freehold and long leasehold properties, leasehold improvements, office furniture and equipment and motor vehicles are recorded at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset.

Land is not depreciated. Depreciation on other assets is charged on a straight-line basis over the estimated useful life (after allowing for estimated residual value based on current prices) of the asset, and is charged from the time an asset becomes available for its intended use. Estimated useful lives are as follows:

Freehold and long leasehold properties	60 years
Leasehold improvements	Over the period of the lease
Office furniture and equipment	4–10 years
Motor vehicles	4 years

Estimates of useful lives and residual scrap values are assessed annually.

At each balance sheet date, the group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss.

2.5 Investment properties

Land and buildings held for long-term investment and to earn rental income are classified as investment properties. Investment properties are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged on a straight-line basis over the estimated useful life of the asset, and is charged from the time an asset becomes available for its intended use. Estimated useful lives are as follows:

Investment properties	60 years

2.6 Business combinations and goodwill

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

All transaction costs related to business combinations are expensed in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash-generating units that are expected to benefit from the synergies of the combination.

Goodwill arising on acquisitions prior to the date of transition to IFRSs has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to transition has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Non-contractual commercial relationships
Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of five years.

Forward order book on acquisitions
Amortisation is calculated based on expected future cash flows estimated to be three years.

2.8 Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill
The group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

2.9 The parent company's investments in subsidiaries

In its separate financial statements the parent company recognises its investments in subsidiaries at cost less provision for impairment. Income is recognised from these investments in relation to distributions received.

2 Statement of accounting policies continued

2.10 Investments and other financial assets

Classification

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories or held-to-maturity investments. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

Recognition and measurement

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques, unless these are not reliable in which case the investments are shown at cost. Such valuation techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost

Loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Foreign exchange contracts are accounted for in accordance with note 2.14.

2.11 Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of between one day and three months.

2.14 Derivative financial instruments and hedge accounting

The group uses various derivative financial instruments to reduce exposure to foreign exchange movements. These can include forward foreign exchange contracts and currency options. All derivative financial instruments are initially recognised on the balance sheet at their fair value adjusted for transaction costs.

The fair values of financial instrument derivatives are determined by reference to quoted prices in an active market. Where no such active market exists, the fair value is determined using appropriate valuation techniques from observable data, including discounted cash flow analysis and the Black-Scholes option pricing model.

The method of recognising the movements in the fair value of the derivative depends on whether the instrument has been designated as a hedging instrument and, if so, the cash flow being hedged. To qualify for hedge accounting, the terms of the hedge must be clearly documented at inception and there must be an expectation that the derivative will be highly effective in offsetting changes in the cash flow of the hedged risk. Hedge effectiveness is tested throughout the life of the hedge and if at any point it is concluded that the relationship can no longer be expected to remain highly effective in achieving its objective, the hedge relationship is terminated.

Gains and losses on financial instrument derivatives which qualify for hedge accounting are recognised according to the nature of the hedge relationship and the item being hedged.

Cash flow hedges: derivative financial instruments are classified as cash flow hedges when they hedge the group's exposure to changes in cash flows attributable to a particular asset or liability or a highly probable forecast transaction. Gains or losses on designated cash flow hedges are recognised directly in equity, to the extent that they are determined to be effective. Any remaining portion of the gain or loss is recognised immediately in the income statement. On recognition of the hedged asset or liability, any gains or losses that had previously been recognised directly in equity are included in the initial measurement of the fair value of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity remains there and is recognised in the income statement when the forecast transaction is ultimately recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Where financial instrument derivatives do not qualify for hedge accounting, changes in the fair market value are recognised immediately in the income statement.

2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs and have not been designated as 'at fair value through profit and loss'.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

2.17 Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 Employee benefits

The group operates various post-employment schemes, including both defined contribution and defined benefit pension plans.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

2 Statement of accounting policies continued

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in income.

2.19 Share-based payment transactions

Employees (including senior executives) of the group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

Equity-settled transactions
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the element of these awards which have a Total Shareholder Return performance condition was valued using a stochastic model. All other elements of awards were valued using a Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in note 8).

2.20 Share capital

Ordinary shares are recognised in equity as share capital at their nominal value. The difference between consideration received and the nominal value is recognised in the share premium account.

Company shares held in trust in connection with the group's employee share schemes are deducted from consolidated shareholders' equity. Purchases, sales and transfers of the company's shares are disclosed as changes in consolidated shareholders' equity. The assets and liabilities of the trusts are consolidated in full into the group's consolidated financial statements.

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Broking
Revenue consists of commission receivable from broking and is recognised by reference to the stage of completion. Stage of completion is measured by reference to the underlying commercial contract.

Financial
Futures broking commissions are recognised when the services have been performed. Fees relating to our financial and investment services businesses are recognised as services are performed.

Support
Port service income is recognised on vessel load or discharge completion date and store rent on a time basis. Agency income is recognised when vessels arrive in port. Revenue from the sale of goods is recognised when the goods are physically despatched to the customer. Rental income arising from operating leases on properties is accounted for on a straight-line basis over the lease term.

Research
Revenue comprises fees, which are recognised as and when services are performed, and sales of shipping publications and other information, which is recognised when products are delivered. Subscriptions to periodicals and other information are recognised over the subscription period.

Finance income
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The group considers the executive members of the company's board to be the chief operating decision-maker.

2.23 Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value was determined.

On consolidation, the assets and liabilities of the group's overseas operations are translated into pounds sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period as an approximation of rates prevailing at the date of the transaction unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's currency translation reserve. Such translation differences are recognised as income or expense in the period in which an operation is disposed of. Cumulative translation differences have been set to zero at the date of transition to IFRSs.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.24 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

2.25 Leases

Where the group is a lessee, operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentive payments are amortised over the lease term.

2.26 Exceptional items

Exceptional items are significant items of a non-recurring nature and considered material in both size and nature. These are disclosed separately to enable a full understanding of the group's financial performance.

3 Revenues and expenses

	2013 £m	2012* £m
Revenue		
Rendering of services	185.4	165.1
Rental income	3.7	3.7
Sale of goods	8.9	7.4
	198.0	176.2
Finance revenue		
Bank interest income	0.5	0.5
Income from available-for-sale financial assets	0.2	0.7
	0.7	1.2
Finance costs		
Other interest	(0.1)	(0.1)
	(0.1)	(0.1)
Other finance costs – pensions		
Net benefit charge	(0.5)	(0.3)
	(0.5)	(0.3)

*Restated. Refer to note 2.

Operating profit

Operating profit from continuing operations represents the results from operations before finance revenues and finance costs. This is stated after charging:

	2013 £m	2012 £m
Depreciation	2.2	2.3
Amortisation	0.5	0.5
Operating leases – land and buildings	6.5	6.1
Net foreign exchange losses	0.3	0.5

	2013 £000	2012 £000
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the company's accounts and consolidated financial statements	**101**	82
Fees payable to the company's auditor and its associates for other services:		
The auditing of accounts of subsidiaries of the company	**201**	232
Audit-related assurance services	**40**	48
Taxation compliance services	**45**	50
Taxation advisory services	**117**	136
All other services	**82**	66
	586	614

	2013 £m	2012 £m
Employee compensation and benefits expense		
Wages and salaries	**112.6**	98.7
Social security costs	**12.7**	9.7
Expense of share-based payments	**1.0**	1.4
Pension costs – defined contribution plans	**3.0**	3.0
	129.3	112.8

The numbers above include remuneration and pension entitlements for each director. Details are included in the directors' remuneration report in the directors' emoluments and compensation table on page 47.

The average monthly number of persons employed by the group during the year including executive directors is analysed below:

	2013	2012
Broking	**761**	724
Financial	**59**	69
Support	**94**	75
Research	**75**	71
	989	939

4 Segmental information

The group considers the executive members of the company's board to be the chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the board.

Clarksons' broking division represents services provided to shipowners and charterers in the transportation by sea of a wide range of cargoes. It also represents services provided to buyers and sellers/yards relating to sale and purchase transactions.

The financial division includes a futures broking operation which arranges principal-to-principal cash settled contracts for differences based upon standardised freight contracts and a financial and investment services division which provides advice to clients on the financial aspects of a range of shipping-related transactions.

Support includes port and agency services representing ship agency services provided throughout the UK and property services regarding the provision of accommodation.

Research services encompass the provision of shipping-related information and publications.

All areas of the business work closely together to provide the best possible service to our clients. Occasionally revenue is shared between different segments to reflect relative contributions to a particular transaction. Internal arm's-length recharges are included within the appropriate segments.

Business segments

	Revenue		Results	
	2013 £m	2012 £m	**2013 £m**	2012* £m
Broking	**160.3**	145.7	**27.5**	25.2
Financial	**11.6**	5.3	**(3.3)**	(9.9)
Support	**19.7**	19.2	**3.1**	4.2
Research	**9.7**	9.2	**3.0**	2.8
	201.3	179.4		
Less: property services revenue arising within the group, included under Support	**(3.3)**	(3.2)		
Segment revenue/results	**198.0**	176.2	**30.3**	22.3
Head office costs			**(5.4)**	(3.2)
Operating profit before exceptional item and acquisition costs			**24.9**	19.1
Exceptional item			**(1.0)**	4.5
Acquisition costs			**(2.0)**	(1.5)
Operating profit after exceptional item and acquisition costs			**21.9**	22.1
Finance revenue			**0.7**	1.2
Finance costs			**(0.1)**	(0.1)
Other finance costs – pensions			**(0.5)**	(0.3)
Profit before taxation			**22.0**	22.9
Taxation			**(6.7)**	(7.0)
Profit for the year			**15.3**	15.9

*Restated. Refer to note 2.

Business segments

	Assets		Liabilities	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Broking	**142.3**	133.2	**61.9**	53.1
Financial	**14.8**	13.0	**2.7**	1.9
Support	**26.6**	18.7	**8.9**	7.1
Research	**8.6**	7.9	**3.5**	3.5
Segment assets/liabilities	**192.3**	172.8	**77.0**	65.6
Unallocated assets/liabilities	**42.4**	40.5	**20.0**	21.7
	234.7	213.3	**97.0**	87.3

Unallocated assets predominantly relate to head office cash balances and tax assets. Unallocated liabilities include the pension scheme deficit and tax liabilities.

Business segments

	Non-current asset additions				Depreciation		Amortisation	
	Property, plant and equipment 2013 £m	Intangible assets 2013 £m	Property, plant and equipment 2012 £m	Intangible assets 2012 £m	2013 £m	2012 £m	2013 £m	2012 £m
Broking	0.4	–	0.9	–	0.6	0.8	0.5	0.5
Financial	0.1	–	–	–	0.1	0.1	–	–
Support	1.1	1.6	1.1	–	1.5	1.4	–	–
	1.6	1.6	2.0	–	2.2	2.3	0.5	0.5

Geographical segments – by origin of invoice

	Revenue	
	2013 £m	2012 £m
Europe, Middle East and Africa*	141.0	131.5
Americas	28.8	20.4
Asia Pacific	28.2	24.3
	198.0	176.2

Geographical segments – by location of assets

	Non-current assets**	
	2013 £m	2012 £m
Europe, Middle East and Africa*	47.8	46.8
Americas	2.2	2.2
Asia Pacific	1.4	1.5
	51.4	50.5

*Includes revenue for the UK of £115.1m (2012: £111.6m) and non-current assets for the UK of £41.7m (2012: £36.6m).
**Non-current assets exclude deferred tax assets.

5 Exceptional items

2013

During the year, the decision was made to restructure the cost base of Clarkson Capital Markets, which included the closure of the Dubai operation. This has led to an exceptional charge of £1.0m.

2012

In November 2011, Clarksons announced that the Court of Appeal in London had decided to deny the claimant (Yuri Nikitin) leave to appeal in the cases between Mr Nikitin and H. Clarkson & Company Limited (HCL), previously highlighted in the contingencies note in Clarksons' financial statements.

In March 2012, HCL reached a full and final settlement with Mr Nikitin and the corporate entities involved to conclude all outstanding matters between them. Under the terms of the settlement, which all parties have agreed will remain confidential, an amount of US$7m has been received by HCL which is disclosed as an exceptional item in this annual report.

6 Acquisition costs

Included in acquisition costs are cash and share-based payment charges of £1.3m (2012: £1.0m) and interest of £0.1m (2012: £0.1m) relating to acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period.

Also included is £0.2m (2012: £nil) of legal and professional fees relating to the 2013 acquisition and £0.5m (2012: £0.5m) relating to amortisation of intangibles acquired as part of the 2011 acquisitions.

7 Taxation

Tax charged/(credited) in the consolidated income statement is as follows:

	2013 £m	2012* £m
Current tax		
Tax on profits for the year	7.2	8.7
Adjustments in respect of prior years	(0.2)	0.9
	7.0	9.6
Deferred tax		
Origination and reversal of temporary differences	(0.7)	(3.2)
Impact of change in tax rates	0.4	0.6
	(0.3)	(2.6)
Total tax charge in the income statement	6.7	7.0

*Restated. Refer to note 2.

Tax relating to items charged/(credited) to equity is as follows:

	2013 £m	2012* £m
Current tax		
Employee benefits – on pension benefit liability	(0.6)	(0.6)
– other employee benefits	(2.5)	–
Other items in equity	(0.4)	–
	(3.5)	(0.6)
Deferred tax		
Employee benefits – on pension benefit liability	2.0	(0.5)
– other employee benefits	(0.2)	0.3
Foreign currency hedge	0.5	0.5
	2.3	0.3
Total tax credit in the statement of changes in equity	(1.2)	(0.3)

*Restated. Refer to note 2.

Reconciliation of tax charge

The tax charge in the income statement for the year is higher (2012: higher) than the average standard rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are reconciled below:

	2013 £m	2012* £m
Profit before taxation	22.0	22.9
Profit at UK average standard rate of corporation tax of 23.25% (2012: 24.5%)	5.1	5.6
Effects of:		
Expenses not deductible for tax purposes	1.4	1.5
Non-taxable income	(0.1)	(0.2)
Higher tax rates on overseas earnings	0.6	0.3
Tax losses recognised	(0.4)	(0.3)
Adjustments relating to prior year	(0.1)	(0.4)
Adjustments relating to changes in tax rates	0.4	0.6
Other adjustments	(0.2)	(0.1)
Total tax charge in the income statement	6.7	7.0

*Restated. Refer to note 2.

The standard rate of corporation tax in the UK decreased from 24% to 23% with effect from 1 April 2013. Accordingly, the UK's profits for this accounting period are taxed at an effective rate of 23.25%.

Deferred tax

Deferred tax charged/(credited) in the consolidated income statement is as follows:

	2013 £m	2012* £m
Employee benefits – on pension benefit liability	(0.3)	–
– other employee benefits	(0.9)	0.1
Tax losses recognised/(not recognised)	0.9	(2.0)
Other temporary differences	–	(0.7)
Deferred tax credit in the income statement	(0.3)	(2.6)

*Restated. Refer to note 2.

Deferred tax included in the balance sheet is as follows:

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Deferred tax asset				
Employee benefits – on pension benefit liability	0.4	2.2	0.4	2.2
– other employee benefits	10.0	8.9	3.0	2.5
Tax losses	0.9	2.0	–	–
Other temporary differences	1.2	1.6	0.4	0.4
	12.5	14.7	3.8	5.1
Deferred tax liability				
Unremitted earnings of overseas subsidiaries	(1.1)	(1.2)	–	–
Foreign currency contracts	(0.8)	(0.3)	–	–
Intangible assets recognised on acquisition	(0.1)	(0.2)	–	–
Other temporary differences	(0.5)	(0.5)	–	–
	(2.5)	(2.2)	–	–

Included in the above are deferred tax assets of £3.6m (2012: £3.4m) and deferred tax liabilities of £0.6m (2012: £0.3m) which are due within one year.

All deferred tax movements arise from the origination and reversal of temporary differences. The group did not recognise a deferred tax asset of £0.5m (2012: £0.7m) in respect of unused tax losses, which have no expiry date.

During the year, as a result of the changes in the UK corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015, which were substantively enacted on 2 July 2013, the relevant deferred tax balances have been re-measured.

8 Earnings per share

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

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 year, 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:

	2013 £m	2012* £m
Profit for the year attributable to ordinary equity holders of the parent	15.3	15.9

	2013	2012
Weighted average number of ordinary shares (excluding share purchase trusts' shares) for basic earnings per share	18,604,169	18,639,717
Dilutive effect of share options	62,224	8,689
Dilutive effect of performance share awards	244,025	192,237
Dilutive effect of acquisition-related shares	107,444	52,790
Weighted average number of ordinary shares (excluding share purchase trusts' shares) adjusted for the effect of dilution	19,017,862	18,893,433

*Restated. Refer to note 2.

The share awards relating to directors, where the performance conditions have not yet been met at the balance sheet date, are not included in the above numbers. The weighted average number of these shares was 164,905 (2012: 187,892).

9 Dividends

	2013 £m	2012 £m
Declared and paid during the year:		
Final dividend for 2012 of 33p per share (2011: 32p per share)	6.2	6.0
Interim dividend for 2013 of 19p per share (2012: 18p per share)	3.4	3.4
Dividend paid	9.6	9.4
Proposed for approval at the AGM (not recognised as a liability at 31 December):		
Final dividend for 2013 proposed of 37p per share (2012: 33p per share)	7.0	6.2

10 Property, plant and equipment

31 December 2013

	Group				
	Freehold and long leasehold properties £m	**Leasehold improvements £m**	**Office furniture and equipment £m**	**Motor vehicles £m**	**Total £m**
Original cost					
At 1 January 2013	**3.7**	**1.5**	**17.5**	**1.0**	**23.7**
Additions	**–**	**0.2**	**1.0**	**0.4**	**1.6**
Arising on acquisitions	**1.2**	**–**	**0.1**	**–**	**1.3**
Disposals	**(0.2)**	**(0.2)**	**(0.6)**	**(0.2)**	**(1.2)**
Reclassifications	**–**	**0.3**	**–**	**–**	**0.3**
Foreign exchange differences	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 31 December 2013	**4.7**	**1.8**	**17.9**	**1.2**	**25.6**
Accumulated depreciation					
At 1 January 2013	**1.0**	**0.8**	**13.4**	**0.5**	**15.7**
Charged during the year	**0.1**	**0.2**	**1.7**	**0.2**	**2.2**
Disposals	**–**	**(0.2)**	**(0.6)**	**(0.2)**	**(1.0)**
Reclassifications	**–**	**0.3**	**–**	**–**	**0.3**
Foreign exchange differences	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 31 December 2013	**1.1**	**1.1**	**14.4**	**0.5**	**17.1**
Net book value at 31 December 2013	**3.6**	**0.7**	**3.5**	**0.7**	**8.5**

31 December 2012

	Group				
	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost					
At 1 January 2012	3.8	1.2	16.6	1.0	22.6
Additions	–	0.4	1.4	0.2	2.0
Disposals	–	–	(0.3)	(0.2)	(0.5)
Foreign exchange differences	(0.1)	(0.1)	(0.2)	–	(0.4)
At 31 December 2012	3.7	1.5	17.5	1.0	23.7
Accumulated depreciation					
At 1 January 2012	1.0	0.7	12.0	0.5	14.2
Charged during the year	0.1	0.2	1.8	0.2	2.3
Disposals	–	–	(0.3)	(0.1)	(0.4)
Foreign exchange differences	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)
At 31 December 2012	1.0	0.8	13.4	0.5	15.7
Net book value at 31 December 2012	2.7	0.7	4.1	0.5	8.0

10 Property, plant and equipment continued

31 December 2013

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
				Company
Original cost				
At 1 January and 31 December 2013	**1.9**	**0.5**	**6.9**	**9.3**
Accumulated depreciation				
At 1 January 2013	**0.3**	**0.4**	**5.2**	**5.9**
Charged during the year	**–**	**–**	**0.6**	**0.6**
At 31 December 2013	**0.3**	**0.4**	**5.8**	**6.5**
Net book value at 31 December 2013	**1.6**	**0.1**	**1.1**	**2.8**

31 December 2012

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
				Company
Original cost				
At 1 January 2012	1.9	0.5	6.8	9.2
Additions	–	–	0.1	0.1
At 31 December 2012	1.9	0.5	6.9	9.3
Accumulated depreciation				
At 1 January 2012	0.2	0.4	4.6	5.2
Charged during the year	0.1	–	0.6	0.7
At 31 December 2012	0.3	0.4	5.2	5.9
Net book value at 31 December 2012	1.6	0.1	1.7	3.4

11 Investment property

31 December 2013	**Group and company £m**
Cost	
At 1 January and 31 December 2013	**0.6**
Accumulated depreciation	
At 1 January and 31 December 2013	**0.2**
Net book value at 31 December 2013	**0.4**

The fair value of the investment property at 31 December 2013 was £0.6m (2012: £0.5m). This valuation was carried out by an independent valuer, a member of the Royal Institute of Chartered Surveyors.

31 December 2012	Group and company £m
Cost	
At 1 January and 31 December 2012	0.6
Accumulated depreciation	
At 1 January and 31 December 2012	0.2
Net book value at 31 December 2012	0.4

12 Intangible assets

31 December 2013			**Group**
	Intangibles £m	**Goodwill £m**	**Total £m**
Cost			
At 1 January 2013	**8.0**	**51.5**	**59.5**
Additions	**–**	**1.6**	**1.6**
Reclassifications	**–**	**(0.3)**	**(0.3)**
Foreign exchange differences	**(0.2)**	**(0.6)**	**(0.8)**
At 31 December 2013	**7.8**	**52.2**	**60.0**
Accumulated amortisation and impairment			
At 1 January 2013	**7.3**	**12.4**	**19.7**
Reclassifications	**–**	**(0.3)**	**(0.3)**
Charged during the year	**0.5**	**–**	**0.5**
Foreign exchange differences	**(0.1)**	**–**	**(0.1)**
At 31 December 2013	**7.7**	**12.1**	**19.8**
Net book value at 31 December 2013	**0.1**	**40.1**	**40.2**

31 December 2012			Group
	Intangibles £m	Goodwill £m	Total £m
Cost			
At 1 January 2012	7.9	51.6	59.5
Foreign exchange differences	0.1	(0.1)	–
At 31 December 2012	8.0	51.5	59.5
Accumulated amortisation and impairment			
At 1 January 2012	6.8	12.4	19.2
Charged during the year	0.5	–	0.5
At 31 December 2012	7.3	12.4	19.7
Net book value at 31 December 2012	0.7	39.1	39.8

12 Intangible assets continued

Acquisitions

2013

On 31 October 2013, the group acquired 100% of the share capital of Gibb Tools Limited (GTL), via its port and agency business, Clarkson Port Services Limited (CPS). GTL is based in Aberdeen and is a leading specialist tool supplier to the industrial maritime and offshore sectors, focusing on the supply of engineering tools to the North Sea Oil industry.

The acquisition complements the group's strategy for its established port and agency business. It not only provides a step change in CPS's client offer, complementing its existing port and agency and supply services with GTL's leading tool supply offer, but also significantly increases CPS's capability to tender for larger offshore and renewable contracts.

The goodwill of £1.6m is attributable to the acquired team and the synergies that will arise as a part of the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

Consideration is payable in cash totalling £7.4m. On the acquisition date, £6.2m was paid, the remaining £1.2m is payable in 2014. In addition, a further £3.0m will be payable in cash to key employees contingent on them remaining in employment for two years. An additional cash sum up to £1.8m will also be payable in two years subject to the same service conditions and GTL achieving certain earnings targets over the two years. For both of the above, the cost will be charged to the consolidated income statement over the service period.

Acquisition-related costs of £0.2m have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2013.

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

Recognised amounts of identifiable assets acquired and liabilities assumed:	£m
Property, plant and equipment*	1.3
Inventories	0.8
Trade and other receivables	2.2
Cash and cash equivalents	3.2
Total assets	7.5
Trade and other payables	1.2
Income tax payable	0.5
Total liabilities	1.7
Total identifiable net assets	5.8
Goodwill	1.6
Total consideration payable in cash	7.4

*£0.3m fair value adjustment made on acquisition.

The revenue included in the consolidated income statement since 31 October 2013 contributed by GTL was £1.4m. GTL contributed profit of £0.2m over the same period.

Had GTL been consolidated from 1 January 2013, the consolidated income statement would show revenue of £206.8m and profit, before exceptional items and acquisition costs, of £26.5m. This information is not necessarily indicative of the 2013 results of the combined group had the purchases actually been made at the beginning of the period presented, or indicative of the future consolidated performance given the nature of the business acquired.

13 Impairment testing of goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to operating segment.

Goodwill acquired through business combinations has been allocated to the attributable CGUs for impairment testing as follows:

- Dry bulk chartering
- Container chartering
- Specialised products chartering
- Gas chartering
- Sale and purchase broking
- Investment services
- Port and agency services
- Research services

The carrying amount of goodwill allocated to each CGU is as follows:

	2013 £m	2012 £m
Dry bulk chartering	**12.0**	12.0
Container chartering	**1.8**	–
Specialised products chartering	**12.2**	12.2
Gas chartering	**2.7**	2.7
Sale and purchase broking	**5.2**	7.6
Investment services	**0.2**	0.2
Port and agency services	**2.7**	1.1
Research services	**3.3**	3.3
	40.1	39.1

During the year, £1.8m of goodwill was reallocated from sale and purchase broking to container chartering.

The movement in the aggregate carrying value is analysed in more detail in note 12.

Goodwill is allocated to CGUs which are tested for impairment at least annually. The goodwill arising in each CGU is similar in nature and thus the testing for impairment uses the same approach.

The recoverable amounts of the CGUs are assessed using a value-in-use model. Value-in-use is calculated as the net present value of the projected risk-adjusted cash flows of the CGU to which the goodwill is allocated. The groups of CGUs for which the carrying amount of goodwill is deemed significant are dry bulk chartering, specialised products chartering and sale and purchase broking. The key assumptions used for value-in-use calculations are as follows:

- the pre-tax discount rate used is based on the group's weighted average cost of capital and adjusted for risks within each CGU. As all CGUs have operations that are global in nature and similar risk profiles, the same pre-tax discount rate was applied to each unit. The group pre-tax discount rate is 13% (2012: 13%);
- the cash flow predictions are based on financial budgets and strategic plans approved by the board extrapolated over a five year period. These are based on both past performance and expectations for future market development;
- key drivers in the plans are revenue growth, margin and operating profit percentage and include conservative annual growth rates of between 0% and 5% (2012: 0% and 5%); and
- cash flows beyond this five year period are calculated applying a multiple which does not exceed the amount if calculated using the long-term average growth rate for businesses operating in the same segment as the CGUs. A change in this rate to 0% would not result in impairment.

The results of the directors' review of goodwill including sensitivity analyses for reasonable changes in assumptions still indicate remaining headroom.

14 Trade and other receivables

	Group		Company	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Non-current				
Other receivables	**0.4**	0.3	**–**	–
Prepayments and accrued income	**0.1**	0.1	**0.1**	0.1
	0.5	0.4	**0.1**	0.1
Current				
Trade receivables	**33.2**	23.6	**–**	–
Foreign currency contracts	**4.3**	1.5	**–**	–
Other receivables	**3.2**	4.0	**–**	–
Prepayments and accrued income	**4.5**	4.1	**–**	–
Owed by group companies	**–**	–	**13.2**	24.7
	45.2	33.2	**13.2**	24.7

As at 31 December 2013, the company provided for £7.2m (2012: £0.7m) of related party receivables. Further details of related party receivables are included in note 28.

Trade receivables are non-interest bearing and are generally on terms payable within 90 days.

As at 31 December 2013, group trade receivables at nominal value of £9.7m (2012: £12.2m) were impaired and fully provided for. The amount of the provision equates to the total amount of impaired debt. The provision is based on experience and ongoing market information about the credit-worthiness of counterparties. The company has no trade receivables (2012: none).

Movements in the provision for impairment of trade receivables were as follows:

	Group	
	2013 £m	2012 £m
At 1 January	**12.2**	13.0
Provision release	**(6.2)**	(7.2)
Written off	**(1.4)**	(0.6)
New provision	**5.2**	7.6
Foreign exchange differences	**(0.1)**	(0.6)
At 31 December	**9.7**	12.2

The other classes within trade and other receivables do not include any impaired items.

As at 31 December, the ageing analysis of trade receivables is as follows:

	Group	
	2013 £m	2012 £m
Neither past due nor impaired	**30.0**	21.0
Past due not impaired > 90 days	**3.2**	2.6
	33.2	23.6

The carrying amounts of the group's trade receivables are denominated in the following currencies:

	Group	
	2013 £m	2012 £m
US dollar	**26.6**	17.5
Sterling	**6.0**	5.7
Other currencies	**0.6**	0.4
	33.2	23.6

15 Investments

	Group		Company	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Non-current				
Available-for-sale financial assets	**1.8**	1.9	**0.2**	0.2
Current				
Funds on deposit	**25.2**	25.2	**25.2**	13.1

Available-for-sale financial assets consist of investments in unlisted ordinary shares and are shown at cost. There are no reasonable pricing alternatives to be able to give a range of fair value to these assets.

The group held £25.2m in deposits with a maturity of 100 days at the year-end. These deposits are held with an A-rated financial institution.

16 Investments in subsidiaries

	Company	
	2013 £m	2012 £m
Cost at 1 January	**53.9**	53.7
Recapitalisation of existing subsidiary	**0.6**	0.2
Disposal of subsidiary	**–**	(0.5)
Capital contribution (recharged to)/to subsidiary	**(0.5)**	0.5
Cost at 31 December	**54.0**	53.9

2013
During the year the company subscribed for an additional £0.6m of share capital in Clarkson Investment Services Limited.

Also, the capital contribution in relation to the acquisition of the Boxton/Bridge group in 2011 was recharged during the year to a subsidiary.

2012
During the year the company subscribed for an additional £0.2m of share capital in Clarkson Investment Services Limited. The investment in Clarkson Fund Management Limited has been disposed of, following the company's dissolution.

The £0.5m capital contribution relates to the acquisition of the Boxton/Bridge group in 2011.

17 Inventories

	Group	
	2013 £m	2012 £m
Finished goods	**0.9**	–

18 Cash and cash equivalents

	Group		Company	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Cash at bank and in hand	**95.4**	86.1	**0.6**	11.1
Short-term deposits	**1.5**	3.3	**–**	–
	96.9	89.4	**0.6**	11.1

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending upon the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents is £96.9m (2012: £89.4m).

19 Trade and other payables

	Group		Company	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Current				
Trade payables	**9.5**	9.6	**–**	–
Other payables	**1.3**	1.2	**–**	0.1
Owed to group companies	**–**	–	**4.5**	1.5
Other tax and social security	**4.5**	2.1	**–**	–
Deferred consideration	**2.5**	0.4	**–**	–
Accruals and deferred income	**67.7**	56.4	**9.9**	5.5
	85.5	69.7	**14.4**	7.1
Non-current				
Other payables	**1.0**	1.1	**–**	–
Deferred consideration	**0.3**	0.6	**–**	–
	1.3	1.7	**–**	–

Terms and conditions of the financial liabilities:

- trade payables are non-interest bearing and are normally settled on demand; and
- other payables are non-interest bearing and are normally settled on demand.

Further details of related party payables are included in note 28.

20 Provisions

	Group		Company	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Current				
At 1 January	**–**	0.2	**–**	–
Utilised during the year	**–**	(0.2)	**–**	–
At 31 December	**–**	–	**–**	–
Non-current				
At 1 January	**1.8**	1.6	**1.8**	1.6
Arising during the year	**0.2**	0.2	**0.2**	0.2
At 31 December	**2.0**	1.8	**2.0**	1.8

A provision is recognised for the dilapidation of various leasehold premises.

21 Share-based payment plans

	Group		Company	
	2013 £m	2012 £m	**2013 £m**	2012 £m
Expense arising from equity-settled share-based payment transactions	**1.0**	1.4	**0.6**	0.9

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2013 or 2012.

Share options

Long Term Incentive Plan (LTIP)

Details of the LTIP are included in the directors' remuneration report on page 42. Awards made to the directors are given in the directors' remuneration report on page 49. The fair value of the element of these awards, which have a TSR performance condition, was valued using a Stochastic model. All other elements of the awards were valued using a Black-Scholes model.

Sharesave scheme

The Save-As-You-Earn (SAYE) scheme is approved by HMRC and enables eligible employees to acquire options over ordinary shares of the company at a discount. The fair value of these awards was valued using the Black-Scholes model.

Other options
These options were granted in 2007 to senior executives where the performance conditions have since been met. The fair value of the element of these awards, which have a TSR performance condition, was valued using a Stochastic model. All other elements of the awards were valued using a Black-Scholes model.

Movements in the year
The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	Outstanding at 1 January 2013	WAEP	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31 December 2013	WAEP	Exercisable at 31 December 2013	WAEP
LTIP	385,668	–	74,813	(48,900)	–	411,581	–	197,779	–
2012 SAYE	132,955	10.82	–	–	–	132,955	10.82	–	–
2013 SAYE	–	–	18,964	–	–	18,964	13.03	–	–
Other options	40,000	9.91	–	–	–	40,000	9.91	40,000	9.91
	558,623		93,777	(48,900)	–	603,500		237,779	

	Outstanding at 1 January 2012	WAEP	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31 December 2012	WAEP	Exercisable at 31 December 2012	WAEP
LTIP	454,366	–	90,090	(65,738)	(93,050)	385,668	–	144,570	–
2012 SAYE	–	–	132,955	–	–	132,955	10.82	–	–
Other options	40,000	9.91	–	–	–	40,000	9.91	40,000	9.91
	494,366		223,045	(65,738)	(93,050)	558,623		184,570	

The contractual life of the outstanding options is between 4 and 10 years.

Other employee incentives
During the year, 189,915 shares (2012: 442,496 shares) at a weighted average price of £16.04 (2012: £13.44) were awarded to employees in settlement of 2012 (2011) cash bonuses. There was no expense in 2013 as a result of these awards.

The fair value of the above shares was determined based on the market price at the date of grant.

As part of a 2011 acquisition, US$2.7m (£1.7m) will be payable to key employees in the form of ordinary shares in Clarkson PLC. This is contingent on the employees remaining in employment for four years. The cost of these shares is being charged to the consolidated income statement over the service period. The 2013 charge in relation to these awards is £0.4m (2012: £0.4m).

22 Employee benefits

The group's two defined benefit pension schemes are in the UK and all financial information provided in this note relates to the sum of the two separate schemes.

Defined benefit pension schemes
The group operates two defined benefit pension schemes, being the Clarkson PLC scheme and the Plowrights scheme, which are funded by the payment of contributions to separately administered trust funds. The schemes' assets are invested in a range of pooled pension investment funds managed by professional fund managers.

Defined benefit pension arrangements give rise to open ended commitments and liabilities for the sponsoring company. As a consequence the company closed its original defined benefit section of the Clarkson PLC scheme to new entrants on 31 March 2004. This section was closed to further accrual for all existing members as from 31 March 2006. The Plowrights scheme was closed to further accrual from 1 January 2006.

Every three years, a pension scheme must obtain from an actuary a report containing a valuation and a recommendation on rates of contribution. Triennial valuations for both schemes have been drafted based on the position as at 31 March 2013.

- The valuation of the Clarkson PLC scheme showed a pension deficit on the original scheme of £6.1m as at 31 March 2013.
- The provisional valuation of the Plowrights scheme showed a pension deficit of £4.8m as at 31 March 2013.

It has been provisionally agreed between Clarkson PLC and both sets of Trustees that there will be no additional funding requirements from those set out in the 2010 triennial valuations. These requirements were for the company to fund each deficit over a period of five years commencing 1 April 2010. The company made initial contributions of £1.0m into each scheme before the end of March 2011 and agreed to make regular monthly contributions to fund the deficits of the two schemes at a combined rate of £1.9m per annum thereafter.

22 Employee benefits continued

Other pension arrangements

Overseas defined contribution arrangements have been determined in accordance with local practice and regulations.

The group also operates various other defined contribution pension arrangements. Where required the group also makes contributions into these schemes.

The group incurs no material expenses in the provision of post-retirement benefits other than pensions.

The following tables summarise amounts recognised in the consolidated and company balance sheet and the components of net benefit expense recognised in the consolidated income statement:

Recognised in the balance sheet

	Group and company	
	2013 £m	2012 £m
Fair value of schemes' assets	**152.7**	144.0
Present value of funded defined benefit obligations	**(153.6)**	(152.1)
	(0.9)	(8.1)
Minimum funding requirement in relation to the Plowrights scheme	**(0.9)**	(1.3)
Benefit liability recognised in the balance sheet	**(1.8)**	(9.4)

A deferred tax asset on the above recognised liability amounting to £0.4m (2012: £2.2m) is shown in note 7.

Recognised in the income statement

	Group and company	
	2013 £m	2012* £m
Expected return on schemes' assets	**5.9**	6.2
Interest cost on benefit obligation and minimum funding requirement	**(6.3)**	(6.4)
Service cost	**(0.1)**	(0.1)
Net benefit charge recognised in other finance costs – pensions	**(0.5)**	(0.3)

*Restated. Refer to note 2.

Recognised in the statement of comprehensive income

	Group and company	
	2013 £m	2012* £m
Actual return on schemes' assets	**14.4**	9.7
Less: expected return on schemes' assets	**(5.9)**	(6.2)
Actuarial gains on schemes' assets	**8.5**	3.5
Actuarial losses on defined benefit obligations	**(3.0)**	(10.4)
Actuarial gains/(losses) recognised in the statement of comprehensive income	**5.5**	(6.9)
Tax (charge)/credit on actuarial gains/(losses)	**(1.3)**	1.7
Unrecognised asset in relation to the Plowrights scheme	**–**	1.1
Tax charge on unrecognised asset	**–**	(0.3)
Minimum funding requirement in relation to the Plowrights scheme	**0.4**	1.2
Tax charge on minimum funding requirement	**(0.1)**	(0.3)
Net actuarial gains/(losses) on employee benefit obligations	**4.5**	(3.5)
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	**(15.3)**	(20.8)

*Restated. Refer to note 2.

Schemes' assets

The assets of the schemes are made up as follows:

	Group and company			
	%	2013 £m	%	2012 £m
Equities	46.2	70.5	44.8	64.5
Government bonds	35.5	54.2	36.5	52.6
Corporate bonds	12.5	19.1	14.4	20.8
Property	3.5	5.3	3.6	5.1
Cash and other assets	2.3	3.6	0.7	1.0
	100.0	152.7	100.0	144.0

Changes in the fair value of schemes' assets are as follows:

	Group and company	
	2013 £m	2012 £m
At 1 January	144.0	138.0
Expected return on assets	5.9	6.2
Contributions	1.9	1.9
Service costs	(0.1)	(0.1)
Insurance income for insured pensioners	0.2	0.2
Benefits paid	(7.7)	(5.7)
Actuarial gains	8.5	3.5
At 31 December	152.7	144.0

The group expects, based on the valuations and funding requirements including expenses, to contribute £1.9m to its defined benefit pension schemes in 2014 (2013: £1.9m).

Defined benefit obligations

Changes in the fair value of the defined benefit obligations are as follows:

	Group and company	
	2013 £m	2012 £m
At 1 January	152.1	141.0
Interest costs	6.2	6.4
Actuarial losses	3.0	10.4
Benefits paid	(7.7)	(5.7)
At 31 December	153.6	152.1

The principal valuation assumptions are as follows:

	Group and company	
	2013 %	2012 %
Rate of increase in pensions in payment	3.10 – 3.40	2.80 – 3.00
Price inflation (RPI)	3.60	3.10
Price inflation (CPI)	2.90	2.40
Discount rate for scheme liabilities	4.60	4.20

The mortality assumptions used to assess the defined benefit obligation at 31 December 2013 and 31 December 2012 are based on the 'SAPS Light' standard mortality tables published by the actuarial profession. These tables have been adjusted to allow for anticipated future improvements in life expectancy. Examples of the assumed future life expectancy are given in the table below:

		Group and company	
		2013 Additional years	2012 Additional years
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	24.3	23.7
	– female	25.5	24.7
Pensioners retiring in twenty years' time	– male	26.0	25.1
	– female	27.4	26.2

22 Employee benefits continued

Historical comparative information

	Group and company				
	2013 £m	2012* £m	2011 £m	2010 £m	2009 £m
Fair value of schemes' assets	**152.7**	144.0	138.0	131.9	121.6
Defined benefit obligations	**(153.6)**	(152.1)	(141.0)	(132.7)	(128.5)
Unrecognised asset	**–**	–	(1.1)	–	–
Minimum funding requirement	**(0.9)**	(1.3)	(2.5)	–	–
Benefit liability	**(1.8)**	(9.4)	(6.6)	(0.8)	(6.9)
Experience adjustments on schemes' assets	**8.5**	3.4	1.9	6.6	5.5
Experience adjustments on schemes' liabilities	**1.4**	–	(0.3)	0.8	(0.2)

*Restated. Refer to note 2.

Sensitivities

The table below provides information on the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions. The table shows the impact of changes to each assumption in isolation although, in practice, changes to assumptions may occur at the same time and can either offset or compound the overall impact on the defined benefit obligation. These sensitivities have been calculated using the same methodology as used for the main calculations. The weighted average duration of the defined obligation is 16 years.

	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	+0.25% -0.25%	-3.7% +3.9%
Price inflation (RPI)	+0.25% -0.25%	+2.7% -3.1%

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligation by 3.5%.

23 Share capital

	Group and company			
	2013 Number	2012 Number	**2013 £m**	2012 £m
Ordinary shares of 25p each:				
At 1 January and 31 December	**18,984,691**	18,984,691	**4.7**	4.7

There were no shares issued during the year.

24 Other reserves

31 December 2013

	Group						
	Share premium £m	**ESOP reserve £m**	**Employee benefits reserve £m**	**Capital redemption reserve £m**	**Hedging reserve £m**	**Currency translation reserve £m**	**Total £m**
At 1 January 2013	**27.8**	**(2.8)**	**2.6**	**2.0**	**1.1**	**6.8**	**37.5**
Total comprehensive income	**–**	**–**	**–**	**–**	**2.3**	**(1.8)**	**0.5**
Net ESOP shares acquired	**–**	**(3.3)**	**–**	**–**	**–**	**–**	**(3.3)**
Share-based payments	**–**	**–**	**1.0**	**–**	**–**	**–**	**1.0**
At 31 December 2013	**27.8**	**(6.1)**	**3.6**	**2.0**	**3.4**	**5.0**	**35.7**

31 December 2012

	Group						
	Share premium £m	ESOP reserve £m	Employee benefits reserve £m	Capital redemption reserve £m	Hedging reserve £m	Currency translation reserve £m	Total £m
At 1 January 2012	27.8	(2.0)	2.0	2.0	(0.4)	8.1	37.5
Total comprehensive income	–	–	–	–	1.5	(1.3)	0.2
Net ESOP shares acquired	–	(0.8)	–	–	–	–	(0.8)
Share-based payments	–	–	0.6	–	–	–	0.6
At 31 December 2012	27.8	(2.8)	2.6	2.0	1.1	6.8	37.5

31 December 2013

	Company			
	Share premium £m	**Employee benefits reserve £m**	**Capital redemption reserve £m**	**Total £m**
At 1 January 2013	**27.8**	**2.6**	**2.0**	**32.4**
Share-based payments	**–**	**0.1**	**–**	**0.1**
At 31 December 2013	**27.8**	**2.7**	**2.0**	**32.5**

31 December 2012

	Company			
	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Total £m
At 1 January 2012	27.8	2.0	2.0	31.8
Share-based payments	–	0.6	–	0.6
At 31 December 2012	27.8	2.6	2.0	32.4

Nature and purpose of other reserves

ESOP reserve – group

The ESOP reserve in the group represents 514,246 shares (2012: 340,502 shares) held by the share purchase trusts to meet obligations under various incentive schemes. The shares are stated at cost. The market value of these shares at 31 December 2013 was £10.3m (2012: £4.1m). At 31 December 2013 none of these shares were under option (2012: none). During the year the share purchase trusts acquired 339,914 shares at a weighted average price of £17.65 (2012: 556,202 shares at £13.01).

Employee benefits reserve – group and company

The employee benefits reserve is used to record the value of equity-settled share-based payments provided to employees. Further details are included in note 21.

Capital redemption reserve – group and company

The capital redemption reserve arose on previous share buy-backs by Clarkson PLC.

Hedging reserve – group

The hedging reserve comprises the effective portion of the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

Currency translation reserve – group

The currency translation reserve represents the currency translation differences arising from the consolidation of foreign operations.

25 Financial commitments and contingencies

Operating lease commitments

The group has entered into commercial leases in relation to land and buildings and other assets on the basis that it is not in the group's best interests to purchase these assets. The leases have an average life of between one and seven years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

25 Financial commitments and contingencies continued

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2013 £m	2012 £m	2013 £m	2012 £m
Within one year	6.6	6.5	4.3	4.3
After one year but not more than five years	7.9	13.0	4.3	8.6
After five years	0.6	1.4	–	–
	15.1	20.9	8.6	12.9

The group and company has sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 December 2013 is £7m (2012: £10.5m).

Contingencies

The group and company have given no financial commitments to suppliers (2012: none).

The group and company have given no guarantees (2012: none).

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.

26 Financial risk management objectives and policies

The group's principal financial liabilities comprise trade payables and accruals. The company's principal financial liabilities comprised loans from group companies and accruals. The main purpose of these financial liabilities is to finance the group's operations. The group and company have various financial assets such as trade receivables, current asset investments and cash and short-term deposits, which arise directly from its operations.

The group and company have not entered into derivative transactions other than the forward currency contracts explained later in this section. It is, and has been throughout 2013 and 2012, the group's policy that no trading in derivatives shall be undertaken for speculative purposes.

The main risks arising from the group and company's financial instruments are credit risk, liquidity risk, foreign exchange risk, interest rate risk and investment risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

The group seeks to trade only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis and any potential bad debts identified at an early stage. The maximum exposure is the carrying amounts as disclosed in note 14. There are no significant concentrations of credit risk within the group and company.

With respect to credit risk arising from the other financial assets of the group, which include cash and cash equivalents, current investments and available-for-sale financial investments, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The group monitors its risk to a shortage of funds using projected cash flows from operations.

The tables below summarise the maturity profile of the group's financial liabilities at 31 December based on contractual undiscounted payments.

31 December 2013

					Group
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Trade and other payables	10.8	–	–	1.0	11.8
Deferred consideration	–	1.2	1.3	0.3	2.8
Provisions	–	–	–	2.0	2.0
	10.8	1.2	1.3	3.3	16.6

31 December 2012

					Group
	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Trade and other payables	10.8	–	–	1.1	11.9
Deferred consideration	–	–	0.4	0.6	1.0
Provisions	–	–	–	1.8	1.8
	10.8	–	0.4	3.5	14.7

The company has undiscounted provisions totalling £2.0m (2012: £1.8m) which are payable in 1 to 5 years (2012: 1 to 5 years).

Foreign exchange risk

The group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 75% of the group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 95% of costs are denominated in the unit's functional currency.

The group uses foreign currency contracts only to reduce exposure to variations in the US dollar exchange rate and to meet local currency expenditure in the ordinary course of business.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the group's profit before taxation and equity (due to changes in the fair value of monetary assets and liabilities).

			Group
	Strengthening/ (weakening) in US dollar rate	**Effect on profit before taxation £m**	**Effect on equity £m**
2013	**5%**	**1.3**	**3.2**
	(5%)	**(1.1)**	**(2.9)**
2012	5%	1.2	2.7
	(5%)	(1.1)	(2.4)

Derivative financial instruments

It is the group's policy to cover or hedge a proportion of its transactional US dollar exposures with foreign currency contracts. Where these are designated and documented as hedging instruments in the context of IAS 39 and are demonstrated to be effective, mark-to-market gains and losses are recognised directly in equity (see note 24) and transferred to the income statement upon receipt of cash and conversion to sterling of the underlying item being hedged.

The fair value of foreign currency contracts at 31 December are as follows:

		Group
	Assets 2013 £m	Assets 2012 £m
Foreign currency contracts	**4.3**	1.5

At 31 December 2013 the group had US$80m outstanding forward contracts due for settlement in 2014 and 2015 (2012: US$60.0m for settlement in 2013 and 2014).

Interest rate risk

The group and company's exposure to the risk of changes in market interest rates relates primarily to the group and company's cash and short-term deposits and current investments.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group and company's profit before tax (through the impact on cash balances and current investments). We have considered movements in these interest rates over the last three years and have concluded that a 1% (100 basis points) increase is a reasonable benchmark. The effect on equity is the same as profit before taxation.

26 Financial risk management objectives and policies continued

	Increase in basis points	Group Effect on profit before taxation £m	Company Effect on profit before taxation £m
2013			
Sterling	**100**	**0.6**	**0.3**
US dollars	**100**	**0.4**	**–**
2012			
Sterling	100	0.6	0.2
US dollars	100	0.5	–

Capital management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as equity as shown in the consolidated balance sheet.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

A number of the group's trading companies are subject to regulation by the FCA in the UK and NFA and FINRA in the US. All such companies complied with their regulatory capital requirements throughout the year.

27 Financial instruments

Fair values
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 at 31 December.

	Group 2013 Level 2 £m	 2012 Level 2 £m
Assets		
Foreign currency contracts	**4.3**	1.5

The classification of financial assets and financial liabilities at 31 December are as follows:

Financial assets

	2013 Hedging instruments £m	 Available for sale £m	 Loans and receivables £m	 Total £m	Group 2012 Hedging instruments £m	 Available for sale £m	 Loans and receivables £m	 Total £m
Other receivables	**–**	**–**	**3.6**	**3.6**	–	–	4.3	4.3
Investments	**–**	**1.8**	**25.2**	**27.0**	–	1.9	25.2	27.1
Trade receivables	**–**	**–**	**33.2**	**33.2**	–	–	23.6	23.6
Foreign currency contracts	**4.3**	**–**	**–**	**4.3**	1.5	–	–	1.5
Cash and cash equivalents	**–**	**–**	**96.9**	**96.9**	–	–	89.4	89.4
ESOP reserve	**–**	**6.1**	**–**	**6.1**	–	2.8	–	2.8
	4.3	**7.9**	**158.9**	**171.1**	1.5	4.7	142.5	148.7

	Company					
	2013			2012		
	Available for sale £m	Loans and receivables £m	Total £m	Available for sale £m	Loans and receivables £m	Total £m
Owed by group companies	–	13.2	13.2	–	24.7	24.7
Investments	0.2	25.2	25.4	0.2	13.1	13.3
Cash and cash equivalents	–	0.6	0.6	–	11.1	11.1
	0.2	39.0	39.2	0.2	48.9	49.1

Financial liabilities

	Group			
	2013		2012	
	Amortised cost £m	Total £m	Amortised cost £m	Total £m
Trade payables	9.5	9.5	9.6	9.6
Other payables	2.3	2.3	2.3	2.3
Other tax and social security	4.5	4.5	2.1	2.1
Deferred consideration	2.8	2.8	1.0	1.0
Accruals	64.5	64.5	53.4	53.4
Provisions	2.0	2.0	1.8	1.8
	85.6	85.6	70.2	70.2

	Company			
	2013		2012	
	Amortised cost £m	Total £m	Amortised cost £m	Total £m
Other payables	–	–	0.1	0.1
Owed to group companies	4.5	4.5	1.5	1.5
Accruals	9.9	9.9	5.5	5.5
Provisions	2.0	2.0	1.8	1.8
	16.4	16.4	8.9	8.9

28 Related party transactions

The group did not enter into any related party transactions.

During the year the company entered into transactions, in the ordinary course of business, with related parties.

Transactions with subsidiaries during the year were as follows:

	Company	
	2013 £m	2012 £m
Management fees charged	0.9	0.9
Interest received	–	0.1
Dividends received	10.0	39.5
Provision for impairment of receivables	(7.2)	(0.7)

Balances with subsidiaries at 31 December were as follows:

	Company	
	2013 £m	2012 £m
Amounts owed by related parties	13.2	24.7
Amounts owed to related parties	(4.5)	(1.5)

Compensation of key management personnel (including directors)

There were no key management personnel in the group and company apart from the Clarkson PLC directors. Details of their compensation can be found in the directors' remuneration table on page 47. Share-based payments relating to the Clarkson PLC directors during the year amounted to £0.6m (2012: £0.9m).

29 Subsidiaries

Principal subsidiaries

Country of incorporation and operation	Company	Percentage of equity shares
UK	H Clarkson & Company Limited	100
	Clarkson Port Services Limited*	100
	Clarkson Financial Services Limited	100†
	Clarkson Investment Services Limited	100†
	Clarkson Legal Services Limited	100
	Clarkson Overseas Shipbroking Limited	100
	Clarkson Property Holdings Limited	100†
	Clarkson Research Holdings Limited	100†
	Clarkson Research Services Limited	100
	Clarkson Securities Limited	100†
	Clarkson Shipbroking Group Limited	100†
	Clarkson Shipping Investments Limited	100†
	Clarkson Valuations Limited	100
	EnShip Limited*	100
	Gibb Tools Limited*	100
	LNG Shipping Solutions Limited	100
Australia	Clarkson Australia Pty Limited	100
China	Clarkson Asia Limited*	100
	Clarkson Shipbroking (Shanghai) Co Limited*	100
France	Clarkson Paris SAS*	100†
Germany	Clarkson (Deutschland) GmbH*	100
Greece	Clarkson (Hellas) Limited	100
India	Clarkson Shipping Services India Private Limited*	100
Italy	Clarkson Italia Srl*	100†
Morocco	Clarkson Morocco SARL*	100
The Netherlands	Clarkson Nederland BV*	100
Norway	Clarkson Norway AS*	100
Singapore	Clarkson Asia Pte Limited	100
South Africa	Clarkson South Africa (Pty) Limited*	100
Sweden	Clarkson Sweden AB*	100
Switzerland	Clarkson Shipbroking Switzerland SA*	100
United Arab Emirates	Clarkson DMCC*	100
USA	Clarkson Capital Markets, LLC.*	100
	Clarkson Commodities USA, LLC.*	100
	Clarkson Shipping Services USA, LLC.*	100
	Clarkson USA Inc.*	100

*Not audited by PricewaterhouseCoopers LLP and associates.
†Held by Clarkson PLC.

All the companies in this note are engaged in the provision of shipping and shipping-related services.

The group also holds investments in other subsidiaries which are either not trading or not significant. In compliance with section 410 of the Companies Act 2006, a complete list of subsidiaries will be annexed to the company's next annual return, some of which do not require a statutory audit.

Glossary

Aframax	A tanker size range defined by Clarksons as between 80-120,000 dwt.
Ballast voyage	A voyage with no cargo on board to get a ship in position for the next loading port or docking. On voyage the ship is said to be in ballast.
Bareboat charter	The hire or lease of a vessel from one company to another (the charterer), which in turn provides crew, bunkers, stores and pays all operating costs.
Bulk cargo	Unpackaged cargoes such as coal, ore and grain.
Bunkers	The ship's fuel.
Cabotage	Transport of goods between two ports or places located in the same country, often restricted to domestic carriers.
Capesize	Bulk ship size range defined by Clarksons as 100,000 dwt or larger.
Capesize 4tc	An index derived from an average of four Capesize time charter rates, published by the Baltic Exchange.
Cbm	Cubic metres. Used as a measurement of cargo capacity for ships such as gas carriers.
Cgt	Compensated gross tonnage. This unit of measurement was developed for measuring the level of shipbuilding output and is calculated by applying a conversion factor, which reflects the amount of work required to build a ship, to a vessel's gross registered tonnage.
Charterer	Cargo owner or another person/company who hires a ship.
Charter-party	Transport contract between shipowner and shipper of goods.
CIF	Cost, insurance and freight. Delivery of goods is the seller's responsibility to the port of discharge. The freight is paid for by the supplier of goods.
ClarkSea index	A weighted average index of earnings for the main vessel types where the weighting is based on the number of vessels in each fleet sector.
Clean products	Refined oil products such as naphtha.
COA	Contract of Affreightment. An agreement to transport a defined amount of cargo at an agreed freight rate, with the shipowner choosing the ship.
Combination carrier	Ship capable of carrying oil or dry bulk cargoes, thereby increasing the productivity of the vessel. Typically termed OBO or Ore/Oiler.
Containership	A cargo ship specifically equipped with cell guides for the carriage of containerised cargo.
Crude oil	Unrefined oil.
Daily operating costs	The costs of a vessel's technical operation, crewing, insurance and maintenance, but excluding costs of financing, referred to in the industry as opex.
Demurrage	Money paid to shipowner by charterer, shipper or receiver for failing to complete loading/discharging within time allowed according to charter-party.
Dirty products	Less refined oil products such as fuel oil.
Dry (market)	Generic term for the bulk market.
Dry cargo carrier	A ship carrying general cargoes or sometimes bulk cargo.
Dry docking	To put a vessel into a dry dock for inspection, repair and maintenance. Normally done on a regular basis.
Dwt	Deadweight ton. A measure expressed in metric tons (1,000 kg) or long tons (1,016 kg) of a ship's carrying capacity, including bunker oil, fresh water, crew and provisions. This is the most important commercial measure of the capacity.
E&P	Exploration and Production.
FFA	A Forward Freight Agreement is a cash contract for differences requiring no physical delivery based on freight rates on standardised trade routes.

FOB	Free on Board. Cost of the delivery of goods is the seller's responsibility only up to the port of loading. The freight is paid for by the buyer of the goods.
FOB (estimate)	Forward Order Book represents estimated commissions collectable over the duration of the contract as principal payments fall due. The forward order book is not discounted.
FOSVA	Forward Ship Value Agreement. An FFA based product designed specifically for the sale and purchase market.
Freight rate	The agreed charge for the carriage of cargo expressed per ton(ne) of cargo (also Worldscale in the tanker market) or as a lump sum.
Handysize/Handymax	Bulk ship size ranges of ships defined by Clarksons as 10-40,000 dwt and 40-65,000 dwt.
IMO	International Maritime Organisation: a United Nations agency devoted to shipping.
ISM code	International Safety Management code for the safe operation of ships and for pollution prevention as adopted by the IMO.
LGC	Large Gas Carrier. Vessel defined by Clarksons as 40-60,000 cbm.
LNG	Liquefied Natural Gas.
LPG	Liquefied Petroleum Gas.
MGC	Mid-sized Gas Carrier. Vessel defined by Clarksons as 20-40,000 cbm.
MLP	Master Limited Partnership is a limited partnership that is publicly traded on a securities exchange.
MOA	Memorandum of Agreement.
MR	Medium Range. A product tanker sized between 40-60,000 dwt.
OBO	Oil, Bulk, Ore carrier (see combination carrier).
Oil tanker	Tanker carrying crude oil or refined oil products.
OSV	Offshore Support Vessels. Ships engaged in providing support to offshore oil platforms.
OTC	Over the counter. Directly between two parties, without any supervision of an exchange.
Panamax	Bulk ship size range defined by Clarksons as 65-100,000 dwt. Strictly speaking the largest ship capable of navigating in the Panama Canal.
Parcel tanker	Tanker equipped to carry several types of cargo simultaneously.
Product tanker	Tanker that carries refined oil products.
Reefer	A vessel capable of handling refrigerated cargoes such as meat, fish and fruit.
Ro-Ro	An abbreviation for roll-on roll-off, describing vessels where vehicles drive onto and off of the vessels.
Semi-ref	Semi-refrigerated gas carriers. Ships which employ a combination of refrigeration and pressurisation to maintain the transported gas in liquid form.
Shipbroker	A person/company who on behalf of shipowner/shipper negotiates a deal for the transportation of cargo at an agreed price. Shipbrokers also act on behalf of shipping companies in negotiating the purchasing and selling of ships, both secondhand tonnage and newbuilding contracts.
Shuttle tanker	Tanker carrying oil from offshore fields to terminals.
Spot business	Broker commission negotiated and invoiced within the same business year.
Spot market	Short-term contracts for voyage, trip or short-term time charters, normally no longer than three months in duration.
Suezmax	A tanker size range defined by Clarksons as 120-200,000 dwt.
Supramax	A modern class of Handymax dry bulk carrier defined by Clarksons as 50-65,000 dwt.
TEU	Twenty foot Equivalent Units. The unit of measurement of a standard twenty foot long container.

Time charter	An arrangement whereby a shipowner places a crewed ship at a charterer's disposal for a certain period. Freight is customarily paid periodically in advance. The charterer also pays for bunker, port and canal charges.
Time Charter Equivalent (TCE)	Gross freight income less voyage costs (bunker, port and canal charges), usually expressed in US$ per day.
Ton/Tonne	Imperial/Metric ton of 2,240 lbs/1,000 kilos (2,204 lbs).
ULCC	Ultra Large Crude Carrier. Tanker of more than 320,000 dwt.
VLCC	Very Large Crude Carrier. Tanker between 200-320,000 dwt.
VLGC	Very Large Gas Carrier. Vessel defined by Clarksons as more than 60,000 cbm.
Voyage charter	The transportation of cargo from port(s) of loading to port(s) of discharge. Payment is normally per ton(ne) of cargo, and the shipowner pays for bunker, port and canal charges.
Voyage costs	Costs directly related to a specific voyage (e.g. bunker, port and canal charges).
Wet (market)	Generic term for the tanker market.
Worldscale (WS)	An international index of freight for tankers. Worldscale is a schedule of freight rates for a standard ship in US dollars per tonne of oil for an array of oil routes. The rates listed in the table are designated as Worldscale Flat or WS100 and are revised annually.

Five year financial summary

Income statement

	2013* £m	2012*† £m	2011* £m	2010 £m	2009 £m
Revenue	**198.0**	176.2	194.6	202.6	176.7
Cost of sales	**(6.2)**	(6.3)	(3.4)	(8.0)	(8.3)
Trading profit	**191.8**	169.9	191.2	194.6	168.4
Administrative expenses	**(166.9)**	(150.8)	(161.0)	(160.1)	(145.8)
Operating profit	**24.9**	19.1	30.2	34.5	22.6
Profit before taxation	**25.1**	20.0	32.2	32.4	22.5
Taxation	**(6.9)**	(6.0)	(9.5)	(8.9)	(5.6)
Profit for the year	**18.2**	14.0	22.7	23.5	16.9

* Before exceptional item and acquisition costs.
†Restated. Refer to note 2.

Cash flow

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Net cash inflow/(outflow) from operating activities	**22.8**	(4.4)	7.2	42.3	(18.0)

Balance sheet

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Non-current assets	**63.9**	65.2	63.5	56.1	74.8
Inventories	**0.9**	–	–	–	–
Trade and other receivables (including income tax receivable)	**47.8**	33.5	38.1	28.9	30.6
Current asset investments	**25.2**	25.2	–	11.4	–
Cash and cash equivalents	**96.9**	89.4	132.9	176.3	143.2
Current liabilities	**(89.4)**	(72.2)	(99.9)	(149.9)	(90.5)
Non-current liabilities	**(7.6)**	(15.1)	(11.3)	(6.4)	(61.3)
Net assets	**137.7**	126.0	123.3	116.4	96.8

Statistics

	2013	2012	2011	2010	2009
Earnings per share – basic	**98.0p***	74.8p*	121.5p*	125.4p	90.0p
Dividend per share	**56p**	51p	50p	47p	43p

* Before exceptional item and acquisition costs.

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