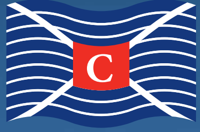

Clarkson PLC
Annual Report 2014

Enabling global trade

Strategic report

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Our acquisition of Platou will create the world's largest shipping and offshore business, with over 1,400 people in 20 countries around the globe.

The businesses complement each other and will strengthen the breadth of our offer, in particular in offshore and financial but also by extending our geographic footprint.

The enlarged group will have unparalleled knowledge and global reach to continue working with an even more diverse client base to keep commodities and goods moving around the world.

Andi Case talks more about the Platou acquisition on **page 11**

Group performance

Revenue
US$391.7m +26%

	US$m
2014	**391.7**
2013	310.0
2012	280.7
2011	313.3
2010	312.6

Revenue Sterling equivalent
£237.9m +20%

	£m
2014	**237.9**
2013	198.0
2012	176.2
2011	194.6
2010	202.6

Profit before taxation
(before exceptional items and acquisition costs)
£33.8m +35%

	£m
2014	**33.8**
2013	25.1
2012*	20.0
2011	32.2
2010	32.4

Profit before taxation
(after exceptional items and acquisition costs)
£25.2m +15%

	£m
2014	**25.2**
2013	22.0
2012*	22.9
2011	35.4
2010	32.4

Earnings per share
(before exceptional items and acquisition costs)
134.2p +37%

	pence
2014	**134.2**
2013	98.0
2012*	74.8
2011	121.5
2010	125.4

Dividend per share
60p +7%

	pence
2014	**60**
2013	56
2012	51
2011	50
2010	47

* Restated for the effects of IAS 19 (revised)

Chairman's review

Overview

I am delighted to report that Clarksons has delivered strong results in 2014, ahead of market expectations. The year has seen recovery in a number of sectors and continued challenges in others. However, the diversity of our product offer, global reach and experience and knowledge of our teams has meant that, wherever there was activity, we have been at the forefront.

Results

Underlying profit before taxation of £33.8m (2013: £25.1m) was 35% higher than the previous year. This was ahead of expectations as our teams were quick to take advantage of renewed activity in a number of our markets.

Underlying earnings per share was 134.2p (2013: 98.0p) resulting in basic earnings per share of 91.9p (2013: 82.2p).

Acquisition of RS Platou ASA

On 25 November 2014, we were delighted to announce the terms of a transformational deal with RS Platou ASA (Platou), a leading international broker and investment bank, focused on the offshore and shipping markets. The board firmly believes this is a unique opportunity to combine two leading businesses, led by proven and experienced management teams, to create a 'best in class' fully integrated offer across shipping and offshore, broking and banking. The businesses are highly complementary with little overlap and we expect to generate significant opportunities for organic revenue and margin growth, creating shareholder value over the medium-term.

The transaction completed on 2 February 2015 and the enlarged group moves forward with a strong balance sheet, ensuring we are well placed to make further investments across the business as we continue to expand and develop our operations.

Acquisition of Michael F. Ewings (Shipping) Limited

Earlier in the year we were pleased to announce that our port and agency business, Clarkson Port Services (CPS) had acquired Michael F. Ewings (Shipping) Limited. The acquisition extends the geographic coverage of CPS, for vessel agency, broking and supply logistics to Northern Ireland and enables CPS to broaden its services to existing and new customers.

Dividend

For the twelfth consecutive year, Clarksons intends to raise the dividend paid to our shareholders. The board is recommending a final dividend of 39p (2013: 37p). The interim dividend was 21p (2013: 19p), resulting in a 7% increase in the total dividend for the year to 60p (2013: 56p). The dividend will be payable on 5 June 2015 to shareholders on the register as at 22 May 2015, subject to shareholder approval.

Following the acquisition of Platou, the board intends to continue with the company's current policy of paying dividends on a progressive basis.

People

Since joining the board in August 2014 and becoming chairman on 1 January 2015, I have worked closely with Andi and the team and what has struck me most is the experience, knowledge and cultural 'can-do' approach of the people throughout Clarksons. Following the recently completed acquisition of Platou, we now welcome the Platou team and look forward to working together as we enter a new chapter in our history.

Board

After nine years with the group, six of which as chairman, Bob Benton retired from the board on 1 January 2015. Bob has chaired the group through a very significant period of growth and development in its history and on behalf of the board, I thank him for his commitment and support.

I would also like to welcome Peter M. Anker, chief executive of Platou, to the Clarkson PLC board as an executive director and president of broking and investment banking of the enlarged group, and Birger Nergaard, board director of Platou, as non-executive director of Clarkson PLC. Their knowledge of the Platou business and experience in our markets will be invaluable.

The future/current trading

2015 looks set to be a transformational year for Clarksons, as we combine the two leading businesses of Clarksons and Platou to create a fully integrated offer across shipping and offshore, broking and banking. We have a solid forward order book and, despite heightened challenges in some of our markets, we are confident that our proven strategy and best in class service will continue to provide enhanced returns for our shareholders.

James Hughes-Hallett Chairman
6 March 2015

482m tonnes of grain transported annually by sea

Soybeans and meals trade is the largest with 180m tonnes, of which 41% is shipped to China. Wheat trade is second with 155m tonnes, of which 28% is shipped to North Africa and sub-Saharan Africa, while coarse grains are third with 147m tonnes per year and the largest importing countries are the Middle East, Japan, North Africa, China and Mexico.

…to feed the family

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.

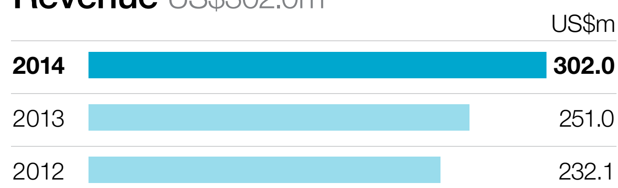
Broking

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

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

Revenue US$302.0m



Sector split

For a review of our broking division, see **page 16**

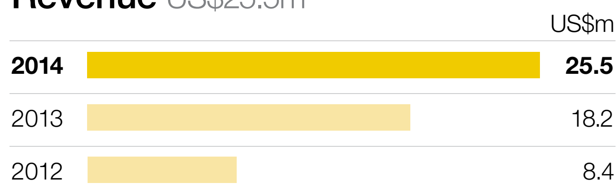
Financial

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

- Futures broking
- Financial services
- Investment services

Revenue US$25.5m



Sector split

For a review of our financial division, see **page 24**

Current facts

163
years

1,420
employees worldwide

48
offices

20
countries

Support

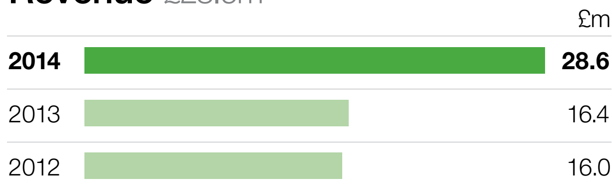
Our port services team provides the highest level of support with 24/7 attendance to vessel owners, operators and charterers at a wide range of strategically located ports.

Services

Port services
Property services

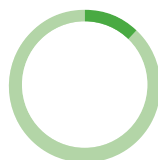
Revenue £28.6m

£m



Sector split

12%



For a review of our support division, see **page 26**

Research

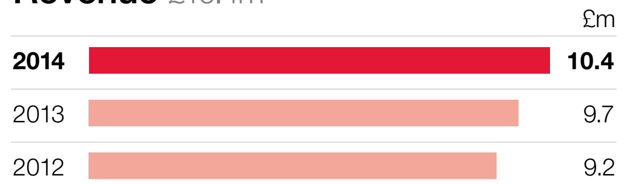
Clarkson Research Services is respected worldwide as the most authoritative provider of intelligence for global shipping, and is at the heart of everything we do.

Services

Offshore and energy
Shipping and trade
Valuations

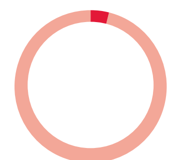
Revenue £10.4m

£m



Sector split

4%



For a review of our research division, see **page 27**

Our ability to create value stems from our business being at the heart of global shipping where our knowledge is indispensable.

We rely on key inputs…

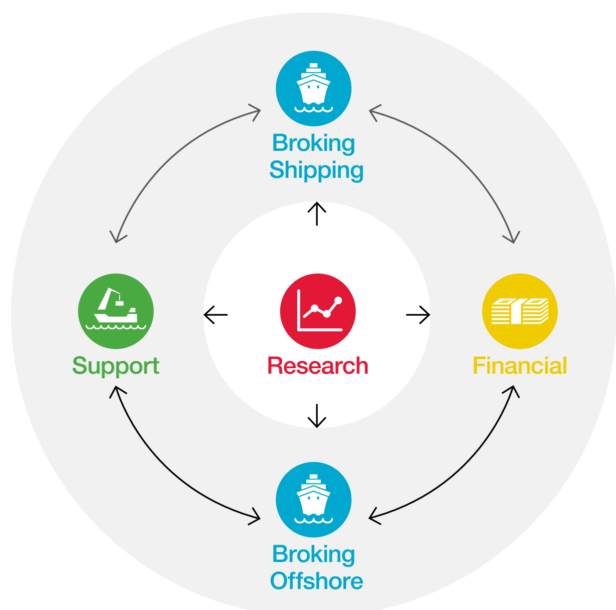
The resources and relationships that we outline below are fundamental inputs to our ability to create value.

…to create value

Our knowledge is at the centre of our business model, as it enables us to create value by being the intermediary between maritime owners and cargo providers.

Inputs

Financial	We are debt free and have cash available to fund the growth of the business.
Intellectual	Our investment in research and the quality and breadth of knowledge this provides is renowned worldwide.
People	We aim to recruit and retain the best in the industry. Our people are one of our most important assets across all parts of the business from information providers to those who deal with clients.
Social and relationships	We work ethically and build strong client relationships where our knowledge builds trust.
Trade	The fact that people need to move commodities around the world is a direct bearing on our ability to create value.



…that enables global trade and rewards shareholders

The value we create is beyond financial return, as we play a huge part in facilitating trade around the world, benefiting both commodity providers and companies who provide goods and services.

Outputs

Financial	We aim to reward shareholders with both dividends and an increase in the value of their shareholding.
Intellectual	By growing our own business and the service we offer, we provide secure employment, we also help enable global trade that helps support employment around the world.
Manufactured	Companies around the world benefit from our knowledge and skills to help move key raw materials source to destination.
Social and relationships	We encourage a responsible approach to business, and foster close long-term mutually beneficial relationships with our customers.
Trade	We enable global trade by moving many of the world's natural commodities from where they are grown or manufactured to the next part of the value chain.

1

Breadth

We provide a wide range of integrated services

With an industry-leading range of products and services that spans the maritime and financial markets, we are uniquely placed to deliver the best, bespoke commercial solutions to all our clients – large or small. We are the best in class intermediary across every sector of maritime trade – and no single company is our lead competitor in more than one market.

2

Reach

We support our clients in all the world's key regions

Ours is a global presence, enabling us to meet client needs wherever and whenever they arise. With 48 offices in 20 countries, we share understanding, culture, IT platforms and the highest standards of corporate governance across our business – a fine example of how joined-up thinking can deliver a truly local service, worldwide.

3

Trust

We are the trusted source of essential shipping information

The industry's leading providers of data and market intelligence on the shipping and offshore industries, our research team is by far the largest commercially-led unit in the maritime world. Our databases track around 87,000 ships and 6,000 offshore fields – and our Shipping Intelligence Network is viewed more than two million times per year.

4

Understanding

We build long-term relationships with clients

From oil majors, raw materials producers and other multinationals to long-established shipowning families, 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 to prosper.

5

People

We empower everybody at Clarksons 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 talents and give them the tools to shine – including leading edge IT systems, high quality training and development as well as financial reward.

6

Growth

We grow value for shareholders

Consistently profitable and cash generative, our financial performance bears comparison with any business, not only in the shipping sector but across the FTSE. Our Total Shareholder Return (TSR) has been consistently strong and includes a progressive dividend policy that has been maintained for the last 12 years.

Clarksons has always prided itself on being able to offer the strength and depth of product diversity supported by excellent global reach.

Andi Case Chief executive

'Best in class client service' is at the heart of Clarksons' strategy. Our management team has built a reputation for unrivalled professionalism, expertise and support underpinned by over 160 years of marine broking heritage, delivering a business model which is committed to servicing our increasingly diverse client base across all sectors of the shipping and offshore industry. In line with this strategy, in the second half of 2014 we were delighted to announce the terms of a transformational deal with RS Platou ASA (Platou), a leading international broker and investment bank, focused on the offshore and shipping markets.

Andi Case, chief executive of Clarkson PLC, outlines the rationale behind this transaction and the opportunities that lie ahead for the new group as we move forward into 2015.

Why is this deal transformational?

What is exciting about this deal is what it means for our current and prospective clients. This is a unique opportunity to combine two leading businesses to create an unrivalled and integrated offer across shipping and offshore, broking and banking. Clarksons has always prided itself on being able to offer the strength and depth of product diversity supported by excellent global reach. Platou's business is incredibly complementary to ours, with very little overlap both in terms of service offer and geographic reach. On a day-to-day basis client relationships will remain unchanged; still working with the same experienced team. What is significant is the international scale and product diversity that we can now provide. Together the teams at Clarksons Platou will be able to offer clients a truly 'best in class' integrated service, across broking, finance, support and research in all the key global shipping and offshore sectors and across all areas of financing; public equity, private equity and debt capital markets.

Can you tell us more about Platou?

Platou is an excellent business. Established in Oslo in 1936, like us they have a longstanding heritage in shipping and today are a leading international broker and investment bank providing high value brokerage, financial and advisory services focused on the offshore and shipping markets. Culturally, I believe our two businesses are very similar. We have known Peter M. Anker and the team for many years and I am delighted they are now working with us. They bring with them invaluable expertise and knowledge of our markets and their global relationships, especially with Scandinavian and industrial clients, establishing a broader client mix within global shipping and offshore markets for the enlarged group.

Given Clarksons and Platou are such a complementary fit, what are the opportunities for growth for the enlarged group?

Recent years have witnessed some of the most turbulent shipping markets in history. In challenging times, we have benefited from a flight to quality as clients look to work with the most experienced, creative and knowledgeable advisors. I believe this has encouraged the consolidation we have seen across our industry in 2014 and this transaction ensures that as the market leader, the enhanced group is best placed to meet the evolving requirements of current and prospective clients.

Both our management teams are highly experienced with a proven track record of delivering a fully integrated service offer. We have a very clear shared vision for the future growth of the enlarged group and believe there are significant opportunities for medium-term organic revenue and margin growth.

This is a unique opportunity to combine two leading businesses to create an unrivalled and integrated offer across shipping and offshore, broking and banking.

How will the breadth of your marine and offshore broking offer change as part of this deal?

The enhanced shipbroking business will offer leading coverage and broking in all types of contract and across all sectors of the chartering market, whilst also covering the full lifecycle of ships from newbuilding through to sale and purchase and demolition. Each of these teams will provide both a service to local clients and a global service for international conglomerates from a market leading position in Europe, the Far East, Australasia, the Middle East and the US.

In the offshore market, Platou have long been recognised as one of the leading global players in the sector. At a time of significant market change, the enlarged Clarksons Platou offshore operations will have teams covering the chartering, sale and purchase, newbuilding and demolition of OSVs, PSVs, AHTSs, subsea, rigs, jackups, accommodation units, FPSOs, renewables and seismic services. We will be able to offer extensive geographic coverage from a global platform with teams located across Europe, Asia, South America and the US.

Our research values the opportunity in the combined marine and offshore market at approximately US$1.6tn and I firmly believe the strength and breadth of our combined broking operations mean we can be at the forefront of this activity, wherever it occurs in the markets.

This deal transforms your financial division. What services can you now offer clients?

Recent years have seen Clarksons leverage our expertise and knowledge in our markets, to develop an integrated maritime financial services and risk management business. The acquisition of Platou's thriving investment banking and project finance businesses transforms the scale and shape of our financial operations. We now have the capability to offer our clients a full range of investment banking services as well as debt advisory, project finance and risk management in each of the Oslo, New York and London financial markets.

In line with our strategy to deliver an integrated full service client offer, in addition to current clients, our newly enlarged investment banking teams will work closely with clients from our broking and support businesses, supporting them on the execution of their overall strategies. We believe this will provide a significant source of both capital market and corporate finance opportunities.

Support has been an area of investment for Clarksons in recent years, does this still remain core to your strategy?

Absolutely, our support business is an important cornerstone and in recent years we have strengthened our operations with a series of acquisitions, building a comprehensive support function for our clients which includes vessel agency, industrial supplies, stevedoring and warehouse management, project logistics and freight forwarding. 2013 saw us make the strategically important acquisition of Aberdeen-based Gibb Tools, a leading specialist tool supplier to the industrial maritime and offshore sector. This acquisition has provided a step change for our client offer in this area and has significantly increased our capability to tender for larger offshore and renewable contracts.

During the course of 2014 we were also pleased to announce the acquisition of Michael F. Ewings (Shipping) Ltd, the Belfast-based port agent. This acquisition was in line with our plans to expand our ports business into new locations to further meet the needs of existing and potential clients and allows us to leverage our network further to develop this area of our business.

Will research continue to underpin your strategy for the combined group? With a now 1,400 strong team across 20 countries, how can you ensure all your teams have access to this important tool?

The deal enhances the group's data, research and analysis capabilities. Clarkson Research Services is by far the largest commercially-led research unit in the maritime world, providing historical intelligence through registers, databases, periodicals and on a more bespoke level through validation 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. Not only do we have a research team dedicated to publishing and consulting, but also dedicated analysts within every commercial team across the enlarged group. This quality and depth of research is unique and central to the group's strategy, as we aim now and in the future to strengthen our role as industry validator and reinforce our ability to deliver clients a consultancy and execution service.

In recent years Clarksons has invested heavily in ensuring our teams have the best tools at hand to empower them. Across the business high quality research is supported by leading edge, in-house developed IT systems which ensure that all our teams across our enlarged business, wherever they may be across our global network, will have access to these important tools, empowering them to offer the best client service they can.

You still have a very strong balance sheet. Should we expect to see further acquisitions?

This is a transformational acquisition and we are now focused on integration. That said, our strong balance sheet means we will continue to invest across all our businesses where appropriate opportunities emerge, to ensure we are best placed for long-term growth.

Do you have the right board and management structure in place to support the growth of the enlarged group going forward?

We are delighted to welcome James Hughes-Hallett who joined in August 2014 and was appointed chairman on 1 January 2015. To have someone with James' considerable expertise and experience as chairman is testament to the position we now hold in the global trading markets. His broad experience across a wide range of businesses from shipping to offshore as well as banking will be invaluable as we continue to build our business across a broader range of sectors.

I would also like to personally thank Bob Benton for his valued guidance, support and stewardship through his tenure with the group.

Following the transaction, we also welcome Birger Nergaard, a board director of Platou. He brings with him extensive knowledge of the Platou business and our markets and we are very pleased that he has agreed to join the board of Clarkson PLC.

Finally, on a personal note, I am delighted to now be working closely with Peter M. Anker who has joined the board of Clarksons. Peter's exceptional industry and business experience and market relationships will be invaluable as we move forward into this exciting new phase of growth and development.

Andi Case Chief executive
6 March 2015

4,186 deep sea tankers

Enabling oil to be transported in over 4,000 deep sea tankers, allowing nearly 1bn people globally to run the car. Clarksons broker deals for the huge vessels that carry crude oil or petroleum products across the world. Petroleum products power our vehicles and planes, heat our homes, run our factories, and form the basis for the plastics that go into a vast range of consumer and industrial products. The fleet of deep sea tankers plays an essential role in the global economy, providing energy for our daily lives.

…to run the car

Business review
Broking

Revenue	Revenue Sterling equivalent	Segment result	Forward order book for 2015
US$302.0m	£183.4m	£34.1m	US$110m*
2013: US$251.0m	2013: £160.3m	2013: £27.5m	At 31 December 2013 for 2014: US$100m*

* Directors' best estimates of deliverable FOB

Dry bulk

2014 started on a high note, as the Australian iron ore miners experienced no weather-related disruption and many ships were still deployed on the last raw ore shipments from Indonesia after the Indonesian export ban took effect in January 2014.

The first quarter Baltic Dry Index (BDI) averaged 1,403, a 25% quarterly decline after an exceptionally strong last quarter of 2013. The index further declined in the second and third quarters by 30% and 4% respectively. The trend was reversed during the first two months of the fourth quarter, but rapidly lost ground in December to end close to the low point of the year. The 2014 average BDI was down by 8% at 1,105 making 2014 the second worst year since the index started in 1999.

There were a number of key factors that derailed the dry bulk freight market recovery. In China the year-on-year decline in coal imports and overall disappointing growth reduced demand. The stockpiling ahead of the aforementioned Indonesian ban on raw ore exports in January 2014 had provided support to the market; thereafter some 200 shipments per month were no longer required. The easing of grain port congestion in South America during the second quarter improved the efficiency of the fleet thereby effectively increasing supply. The fleet continued to expand robustly with net growth of 4.5% during 2014. The decline in oil prices has eroded the advantages of slow steaming and narrowed the premium of fuel-efficient ships.

In 2014 we significantly increased the volume of fixing worldwide. We also added a new office in New York, which we intend to expand further.

With continued new ship deliveries expected in 2015, unless counterbalanced by slippage of newbuildings or scrapping which has already started, demand growth will struggle to correct the current supply/demand imbalance.

Containers

2014 was a difficult year for the container shipping market.

Boxship charter market earnings remained depressed, and owners continued to battle with historically low charter rates in most size sectors. Idle capacity and cascading continued to limit any significant increase in earnings.

At these levels few liner companies can make significant profits, but the falling bunker prices towards the end of the year started to reduce costs. However, the continued redeployment of panamax vessels surpassed expectations, which supported gains in charter rates in the panamax sector not really seen elsewhere.

On the demand side, global container trade growth is estimated to have reached 6% in 2014. The recovery in volumes on the trades from Asia to Europe and the US first seen in 2013 came through strongly in 2014, supplementing the growth in volumes on the intra-Asian trade and a number of regional trade lanes. On the supply side, the fully cellular fleet stood at 18.2m 20-foot equivalent unit (TEU) at the end of the year having grown by around 6% since the start of 2014. The order book of 3.3m TEU now represents 18% of existing capacity.

The sector still faces issues: surplus capacity generated by the slowdown in trade during the downturn, and the mismatch between a delivery schedule dominated by very large ships and a more balanced pattern of global demand. This is still leading to a substantial degree of 'cascading', which keeps the pressure on charter tonnage and creates freight rate volatility. However, surplus capacity from the downturn is gradually being absorbed, with slow steaming accounting for much of it, and levels of boxship demolition remain elevated. Idle boxship capacity stood at around 1.0-1.5% of the fleet at the end of 2014; this level is significantly lower than that seen in the winter periods in the three previous years; this could be indicative of slowly tightening market conditions.

During 2014, we expanded our container sale and purchase presence in London and expanded our offering in Hamburg. The team concluded a number of projects on post-panamax vessels including, several long-term sale and charter backs and newbuilding contracts where we also sourced the financing and arranged post-delivery time charters. As a result of these developments we grew our chartering performance year-on-year and continued to increase market share.

In 2015, demand growth is expected to outpace capacity expansion. Together with the rapid rate of demolition, the thin order book outside the larger sizes and a likely slowdown of the 'cascade', this may in the medium-term lend gradual support to the earnings environment.

Tankers

The crude tanker market strengthened considerably in 2014, albeit from very low levels seen in 2013.

With far fewer newbuilding deliveries entering the market, lower fleet growth helped to underpin the recovery. In the VLCC sector, average earnings on the benchmark AG-East route increased by 55% versus the weak levels that were seen in 2013. China was once again key to driving vessel demand growth with rising seaborne crude oil imports including increased long-haul shipments from Latin America and West Africa. The first and fourth quarters saw particular strength in earnings, with a smaller rally seen during the summer, in line with seasonal refinery throughput and demand changes. Looking ahead to 2015, fewer VLCC newbuildings are expected to enter the market and further refinery capacity development and strategic stock building in China and India is expected to continue to support VLCC demand. At the time of writing, the VLCC sector has already seen additional demand for vessels employed in floating storage due to the contango in the market with the consequence of an improvement in market rates.

Suezmax average earnings increased by 79% from the levels seen in the previous year, sharp spikes were also seen at the beginning and end of the year, with a small rally mid-year. The suezmax market was supported by a lower number of newbuilding deliveries entering the market meaning the fleet size remained relatively stable. On the demand side, suezmaxes continued to benefit from increased long-haul west to east shipments as well as increased employment in the Middle East and in West Africa to Europe trades. Suezmax fleet growth is expected to remain low or negative in 2015, with very few newbuildings expected to be delivered from shipyards. The surplus that appears to be building in crude oil markets also points to further employment in shipping cargoes to storage facilities and potentially some floating storage employment in 2015.

Each year 150 million bags of coffee beans need shipping around the world. Brazil, Vietnam and Columbia are the largest producers. The EU, US and Brazil are the largest consumers

In the aframax sector, average earnings increased by 75% in 2014. The rise in earnings was assisted by the aframax fleet reducing in size for the second successive year. Newbuilding deliveries were at the lowest level since 2001 and removals continued at a strong pace despite the rise in benchmark earnings. The dirty trading aframax fleet shrunk by an even greater amount than the overall fleet, as the majority of aframax sized newbuildings delivered into the market were coated LR2 products tankers that entered the clean products trading market rather than the dirty markets. The western aframax markets also saw sharp spikes in earnings at the start and end of the year, with a more modest rally in the middle of the year, while the markets east of Suez saw a more modest first half of the year there was more consistent strength in the second half. The erratic nature of exports from Libya played a part in some of the considerable volatility that was seen in the market, particularly west of Suez.

Another significant development in 2014 was the steep fall in crude oil prices in the second half. Front month Brent futures prices peaked in mid-June at US$115/barrel, falling to below US$60/barrel at the end of the year. In spite of the fall in prices, OPEC decided at its 27 November meeting to maintain current levels of production, a decision which prompted further price declines. The OPEC decision and the fall in prices appears to be a positive development for the tanker market in 2015, maintaining high levels of seaborne crude oil trade and potentially stimulating greater demand for oil. In addition, if the surplus in crude oil continues to grow, floating storage employment may support vessel earnings. The persistence or growth of this surplus of oil will be contingent on production levels in areas that have been subject to instability, any further decisions that are taken by OPEC during the year and the ability or desire of non-OPEC producers to maintain or increase output in the face of lower prices.

In the clean products tanker market, average earnings for LR2 product carriers on the benchmark AG-Far East route increased by 34% versus 2013's average levels. Earnings remained at weak levels in the first half of the year, as the market was affected by the large number of LR2s that switched from dirty to clean trading throughout 2013. The market strengthened considerably in the second half of the year, coinciding with the full operation of new Middle Eastern refining capacity and high volumes of naphtha being shipped from Northwest Europe and the Mediterranean to the Far East. Average earnings for LR1s on the benchmark AG-Far East market increased 18% in 2014 versus 2013's levels. The LR1 market also saw a relatively weak start to the year and a stronger second half. This sector was also affected by the amount of both LR2 and LR1 tonnage that switched from dirty to clean trades in 2013, however the total LR1/panamax fleet shrunk for the third successive year, with very few newbuildings delivered into the market.

Benchmark clean products average earnings for MR products tankers were 7% lower in 2014 versus 2013's levels. The influx of MR newbuilding tonnage, together with the enlarged LR1 and LR2 clean trading fleets, weighed on the market in the first half of the year when earnings were weaker than those seen in the first half of 2013. However, earnings strengthened in the second half of the year, particularly in the fourth quarter when earnings reached levels not seen since 2008. Falling crude prices in the second half of the year led to improved refining margins and higher outputs in a number of regions, which together with new Middle Eastern refining capacity and the closure of refining capacity in Australia, helped to support vessel demand.

Looking ahead to 2015, MR deliveries are expected to be maintained at a relatively high level, potentially exceeding the number of deliveries seen in 2014. In addition, deliveries of LR2 products tankers are expected to increase in 2015. However, the LR1/panamax fleet is expected to continue shrinking with barely any newbuilding deliveries expected. It is also possible that a stronger market for dirty trading aframaxes will draw some LR2s back to that market sector, particularly as the dirty trading aframax fleet will otherwise continue to shrink. Seaborne oil products trade is expected to continue its robust growth, driven by several factors including the commissioning of more new refining capacity in the Middle East and the likely closure of further capacity in Europe and Australia. Lower oil products prices may also stimulate additional demand and higher trading volumes.

During 2014, the success of our operations around the world, boosted by excellent co-ordination between the principal offices in supporting clients, illustrates our second-to-none service and the geographical spread of our operations.

260m tonnes of seaborne chemicals trade

Specialised

Market participants within the specialised sphere entered 2014 in an upbeat mood, looking forward to a number of positive trade fundamentals on the horizon.

In reality, whilst contract of affreightment renegotiation levels have been broadly positive throughout the year, the average annual Clarksons Specialised Analysis Spot Indices recorded just a 0.1% rise for chemicals and a 3.5% decrease for edible oils in 2014 when compared to the previous year. The interlinked period charter markets have also been lacking vitality for much of the year.

This generally subdued market performance, largely driven by China's economic downshifts and strategic moves to advance their own domestic chemical production, caused a weak summer market for most arterial trade lanes which has persisted towards the year-end. Elsewhere, with the global specialised markets coupled with wider macroeconomic performance, a fragile economy in Europe and reduced economic growth from key 'emerging market' nations such as Brazil and India, has further constrained performance. Despite facing global headwinds, the American chemical industry has continued to expand in 2014.

The widely reported sharp decline in crude oil pricing has also filtered through to chemical commodity values. These shifts could play into the hands of those regions geared to utilising naphtha as a petrochemical feedstock. Whilst it could be argued that the chemical markets are more driven by supply and demand fundamentals and less by sentiment than the crude markets, recent price volatility has undoubtedly impacted on the specialised shipping markets in the short term.

In the edible oils sector, overall volumes have remained robust, but have seen some changeability throughout the year due to clean/dirty petroleum products market shifts and also legislative influence. One such example of the latter has been reduced tax mechanisms for the world's largest two crude palm oil producers, Malaysia and Indonesia.

The overall specialised fleet and order book has seen limited growth during 2014 with most contracting activity focused on the stainless steel chemical tanker segment which resonated with the investment community, particularly in the first half.

Many owners and operators still face challenging market conditions whilst there is undoubtedly a cost pressure on the industry which is set to increase with tightening environmental regulations such as SOx/NOx emissions control areas and the potential requirement for ballast water treatment systems.

The medium- to long-term outlook for our markets remains encouraging. Fresh ship contracting activity has been scarce of late and net fleet growth looks set to be limited in future years. Expected growth in overall seaborne trade of specialised and ongoing investments within the US and Middle East Gulf should generate revised supply chains acting as a tonne-day demand provider for our markets.

We have reinforced our position as the market leader in this sector and implemented a number of initiatives which have driven growth and returns.

PCG and small LPG

Shipping markets in the petrochemical sector for semi-refrigerated tonnage have been challenging, with idle time and ballasting increasing as the year progressed.

Those owners with period cover fared better than those exposed to the unpredictable spot market. Some trading lanes have held their freight levels well, whilst other lanes have needed owners to reduce their rates to enable arbitrage product movement. The fall in the oil price has helped to underpin owner's returns despite the fall in some spot rates.

The European petrochemical sector has witnessed a number of announcements from producers securing ethane feedstock from the US on a long-term basis, giving support to the European sector that use this lighter feed in crackers. This will help to underpin the employment prospects in the smaller ethylene and semi-refrigerated sector. The longer term future of the heavy feed crackers, allowing for the recent softening in crude prices, remains questionable. Asia will also start to see a change in trading patterns as the Chinese PDH (propane dehydrogenation) plants come on stream; as a consequence propylene imports to China will be reduced which will be to the detriment of the pressure sector. Nevertheless, this may give way to longer haul opportunities in the larger semi-refrigerated sector.

Whilst seaborne trade in petrochemical gases is expected to increase year-on-year, there are 14 units over 12,000 cbm to be delivered. In the smaller size sector, with minimal deliveries and ageing tonnage, the prospects look brighter; this sector is term orientated and therefore less exposed to the spot market.

The pressure sector had a particularly difficult year with rates falling across the sector. The 3,500 cbm have been the hardest hit with a 25% reduction in time charter levels. The future looks rather ominous with 37 units due to deliver in 2015 more than offsetting the 12 units which will reach the difficult age of 25.

Clarksons' petrochemical gas team is not immune to the volatility of the market. However, the team has held its market position with a strong term portfolio and an increased position in our forward order book.

Gas

Main gas team

2014 was a dramatic year for the LPG market with strong growth in seaborne trade volumes and relatively modest fleet growth underpinning a record setting year for VLGC freights. The growth in US LPG exports, supported by continued shale related NGL recovery and terminal expansions provided the bulk of the growth in trade. However, export volumes from the Middle East and Africa also added to overall shipping demand. With Asia accounting for 80% of the growth in imports, a significant proportion of which was sourced from western exporters, this provided a further boost to tonne-miles and culminated in an all-time spot market high of US$149 pmt AG-Japan during the summer. The smaller vessel sizes have also experienced some recovery this year, with midsized handysize freight rates edging steadily upwards throughout the year.

Ethylene is shipped at temperatures of –104°C

Toward the end of 2014, VLGC spot freights have more than halved – as the weakening crude price and the impending wave of new deliveries started to dampen both product and freight enquiries. Weaker bunker prices have served to help support earnings, however, and freights still remain at relatively firm levels historically.

In line with these developments, Clarksons has continued to build our presence in the US and also in Asia. Nevertheless, the 2015 market is expected to undergo a period of unprecedented change as the energy markets adapt to a new pricing environment. These changes will coincide with the most rapid phase of expansion in the VLGC fleet since 2008 which suggests that another interesting year lies ahead. We have made additional new hires in Houston and Singapore in 2014 as well as more extensively covering commodity and derivatives giving greater exposure to these markets and creating greater flexibility to adapt to market conditions and client requirements.

LNG

The spot market saw a 25% increase in activity in 2014. Despite the market experiencing a noticeable downward correction in rates at the start of the year, on the back of a significant number of redelivered vessels and in anticipation of 17 deliveries of newbuildings, rates remained mostly steady from February onwards. The spot market for modern tri-fuel LNG carriers averaged around US$72,000/day, while steam-power LNG carriers on average earned around US$50,000/day. With the newbuildings deliveries of a two or even three tier market evolved with each tier commanding different charter rates.

Short-term chartering activity during 2014 was primarily driven by excess production from Australia's North West Shelf and Indonesia's Bontang, uninterrupted production from Nigeria and Norway, along with new supplies from Papua New Guinea. In addition to the large number of tenders from production plants, in the first half we had a record number of re-exports from European

terminals in Spain, Belgium and the Netherlands. Amidst sharp fall in crude and LNG prices, the arbitrage opportunities were limited in the second half of 2014. Thus the 2014 short-term chartering market was dominated by intra-regional trades (short-term in nature) punctuated by some inter-basin arbitrage opportunities from the Atlantic to the Pacific basin.

Three new LNG production projects commenced operation: Algeria, Papua New Guinea (which started few months ahead of schedule) and the first coal-bed methane project in Queensland, Australia. There are around 19 new export projects under construction adding nearly 150 million tonnes of LNG production capacity in the next 3-4 years. The new liquefaction capacity will require substantial fleet increase and in 2014 we saw some very strong ordering representing the second most active year in the sector's history after 2004. We concluded a number of deals with a significant number of new clients during the year and also hired new key individuals into the business.

The long-term fundamentals for LNG demand remain strong and the shipping market continues to expand. We are well positioned for changing sector dynamics and already see the benefits of efforts we have made developing our team and enhancing the market coverage. We have increased our chartering market share considerably concluding a substantial number of short-term fixtures. In 2015, we are focused on giving greater impetus to the spot market and in project business.

Sale and purchase

Secondhand

The positive momentum, and optimism, gained towards the end of 2013 spilled over into the first quarter of 2014 allowing us to conclude a pleasing number of transactions both on the secondhand and newbuilding desks as buyers looked to secure vessels that could offer prompt charter-free delivery at increasingly firm values.

The dry cargo freight markets failed to firm positively as had been expected with daily earnings across the board weakening through until year-end. This prolonged downturn filtered through to the values which have been dropping as a result and, in turn, reduced the liquidity of the secondhand sale and purchase markets whilst sellers took time to adjust to the re-calibration of buyers' price ideas. However, the weakening Japanese yen against the US dollar has meant that a steady stream of tonnage is building from the larger Japanese owners who are finding their customers keen to redeliver their vessels back to them at the earliest possible opportunity and we do feel that with the Japanese financial year-end approaching, we will start to see an increased volume of sales candidates in the first quarter of 2015 willing to face these new, lower levels. So there is reason to be confident of increased levels of activity going forward, albeit at reduced prices.

The tanker market on the contrary has enjoyed a very buoyant year-end as the benefits of the falling oil prices began to show themselves clearly in the amount of crude oil being shipped out to the major world consumers with China topping that list. As earnings lifted substantially, values followed suit and the volume of transactions we were able to conclude increased fairly immediately as optimism returned that this better market might be more than a short-term seasonal lift. We were able to benefit from this increased deal activity better than most not only on spot business but also using the opportunity to finalise some of the larger project transactions we had been working on during the year.

This, combined with the successful completion of a number of sale and leaseback transactions we handled, has enabled us to increase significantly our transaction volumes year-on-year. The challenge remains to continue this success going forward into 2015.

Newbuilding

2014 concluded a successful year for the newbuilding team, with key transactional activity prevailing across the key market asset classes.

The first half of the year was bolstered by the carry through of capital markets backed transactions from the end of 2013, which continued to drive volume into the asset markets, alongside Clarksons concluding some cornerstone industrial business in China. The newbuilding team was again well placed to capitalise on this momentum and strong internal synergies within the group added value to the depth of service that we were able to provide to our client base.

The second half of 2014 showed a slow-down in contracting activity as capital markets and private equity players took stock against an active approach to the market over the previous 12 month period. This did, however, make room for the return of the more traditional owner base to the market, who stepped back in to pick up a more conventional approach to ordering volumes, with a particular focus on the crude and MGC sectors of the market. Again, Clarksons' heritage client base has allowed us to position ourselves successfully here and ensured that the year closed again as an active and successful year for the team.

2.5bn Vessel locations captured per year

Looking to 2015, there are a number of challenges on the horizon, but with strong momentum again carrying through from last year, we anticipate a healthy run up to the Lunar New Year in the Far East. The depth of activity within the group continues to create new opportunities and the Clarksons newbuilding team is well placed to continue to capitalise on these as we move through 2015.

Offshore

Whilst 2014 started with signs of optimism in certain sectors of the offshore market, by the end of the year there was negative sentiment, with an over supplied rig and vessel market exacerbated by a rapidly falling oil price. There had been expectations of a more buoyant performance in the subsea sector, but it became clear as the year progressed that subsea contractors had difficulty finding work for their vessels as many of the expected subsea projects were either postponed or cancelled.

Despite the falling market, we have managed to increase our exposure to the OSV chartering market winning some significant long-term contracts through our Singapore office as well as being able to secure a number of newbuilding contracts for Middle Eastern clients. In Aberdeen, we continued to grow market share on the chartering front as well as winning a number of significant field development projects which kick in for the 2015 and 2016 seasons. On the subsea side we concluded a number of long-term charters at the start of the year as well as taking delivery of a couple of newbuildings both in our Singapore and London offices. The downturn in the market resulted in our rig team concluding little new business.

For 2015, negative sentiment should mean that we see a little more volatility in both secondhand and charter pricing, which both our chartering and project teams will be able to take advantage of. We do expect challenging trading conditions, however we are optimistic that over the next 12 months a significant volume of deals will get concluded.

Revenue	Revenue Sterling equivalent	Segment result
US$25.5m	£15.5m	£1.4m loss
2013: US$18.2m	2013: £11.6m	2013: £3.3m loss

Futures broking

The surprisingly strong first quarter 2014 cape market, averaging US$16,250 per day, generated significant optimism in the dry sector and a vibrant trading environment.

The subsequent second quarter erosion, with the average down to US$11,900 per day, caused some doubts and the focus shifted towards the final quarter which is customarily the strongest of the year. The fourth quarter average of just over US$14,000 per day was significantly lower than most expectations; the peak of US$26,802 per day in early November was lower than the US$35,316 level achieved on 2 January 2014. The cape average for 2014 was US$13,758 per day with panamax at US$7,713 per day and supramax at US$9,815. Cape FFA volumes for the year were improved at 633,294 lots (up from 588,130 in 2013) whilst panamax and supramax markets were marginally down on the previous year. Options volumes were similarly slightly lower than 2013.

Iron ore pricing eroded sharply over 2014 with the year starting at US$135 per tonne and ending the year at just over US$70 per tonne. The volumes traded on derivatives increased from 236m tonnes in 2013 to 484m tonnes in 2014. Given these challenging market conditions, Clarkson Securities performed well with significant revenue being generated once again from our options team and a strong performance on the capes. Our enlarged team in Singapore gained market share in iron ore.

2015 has started with levels on all sizes close to their lows; capes US$3,580, panamax US$6,591 and supramax US$9,239. Whilst these levels are challenging, there is plenty of scope for volatility and our strength in options will allow us to take advantage of the moves as they occur. We will look to grow our Singapore presence this year in both freight and iron ore and will also extend our options presence into the iron ore market.

1,186,252 lots of dry FFAs traded in 2014

Financial services

2014 was an interesting, albeit challenging year for shipping finance.

While we have seen the volume of marine finance loans rising for a third consecutive year accompanied by the lower margins and longer loan tenors, this is largely limited to stronger credit counterparties leaving smaller shipping players with comparatively limited access to finance. Additionally, many of the traditional shipping banks were affected by the challenge of EU-wide stress testing undertaken by the European Banking Authority. Overall, the results of the assessment were better than originally expected, with all main shipping banks passing the stress tests. In spite of this, we anticipate that the stress-test results will have longer term implications amongst the weaker banks who will inevitably have to make substantial efforts to reduce the number of non-performing loans in their respective portfolios to comply with capital requirements going forward. 2014 saw the entry to the market of a number of major alternative finance providers; these lenders were largely attracted to good-quality, long-term cash flow projects generating higher rates of return than may otherwise be available in their traditional fields of investment.

For Clarkson Financial Services, 2014 was a good year during which a number of high profile innovative transactions that included structured finance, debt raising and financial advisory assignments were successfully closed demonstrating the ability of Clarksons to validate transactions through our comprehensive market analysis. One of those deals has since been nominated for a prestigious 'Marine Money' award on the basis of the innovative structure implemented.

For 2015 there is a strong pipeline of transactions and we continue to pursue our growth strategy.

Investment services

The first half of 2014 started strongly with continued interest in both private and public capital raises for nearly all sectors of shipping.

As the year progressed and charter rates fell in the bulk sectors, deal activity also declined as investors appeared no longer willing to push asset prices higher without stronger support from charter markets. Activity in LPG and LNG shipping remained high though, underpinned by record high spot rates in the case of the former and attractive long-term charters packaged into yield-oriented investment vehicles such as MLPs in the case of the latter. There was anticipation of a strong final quarter in terms of deal activity that never materialised, as an expected recovery in dry bulk rates never came to fruition followed by significant market turbulence associated with the declining oil price.

For Clarkson Capital Markets (CCM), the group continued its growth and positioning in the market acting as a joint bookrunner in an initial public offering (IPO) in May and completing a number of sole managed private equity placements. In addition, the sales and trading desk enjoyed strong growth with a more than doubling of revenues versus 2013, and consistently recording quarter-on-quarter sales growth. In total, CCM closed 11 investment banking transactions in 2014 with a gross value of over US$3.3bn encompassing both private and public equity raises, convertible and high yield bonds and mezzanine debt.

Revenue

£28.6m
2013: £16.4m

Segment result

£4.0m
2013: £3.1m

Port services

2014 was an exciting year for Clarkson Port Services (CPS) seeing the first full year of trading for Gibb Tools and the acquisition in June of Michael F. Ewings (Shipping) Limited (Ewings).

Agency

The southern CPS offices performed well in 2014 with grain and animal feed shipments remaining strong. The 2014 harvest produced a sizeable exportable product that, due to the current market position, has largely been exported outside the EU in 25,000 + metric tonne sizes. This benefited our offices covering ports capable of handling handy size vessels, but meant a slower year for the coastal ports.

Coal and biomass imports have again remained strong with new contracts awarded and existing contracts renewed.

In Belfast, our new acquisition, Ewings, has performed well, focusing on conventional dry cargo and oil rig support. We are optimistic that revenue in Belfast will increase in 2015 with a rise in oil rig and offshore support activity.

In our north England and Scotland offices, offshore oil and gas revenue remained steady, but activity levels did not increase as hoped in the second half of the year. This seems attributable, in part, to some caution in the market due to the falling oil price. There is a concern that this cautious approach will continue into 2015 with the oil price continuing to fall. Clarkson EnShip was able to maintain results due to an increased focus on specialist offshore project support throughout Europe, Africa and the Americas. This will continue to be a focus in 2015 as we see this as an area we can add great value to our customers' operations.

Gibb Tools and Opex Industrial Supplies (Opex)

Gibb Tools and Opex had an excellent first half to the year, but monthly sales returned to levels that are more normal during the second half. This seems to be due to caution from our customers caused by the falling price of oil. During their first full year of trading following our acquisition, Gibb Tools has performed in line with expectations, and continues to experience strong year-on-year growth. During 2015, we will continue to focus on marketing and operating Gibb Tools and Opex as a single entity, maximising the combined strength they possess in the offshore supply industry.

Stevedoring

Activity in our Ipswich stevedoring operation remained steady both in our conventional grain export business and in the more specialised areas of our business, such as rice cleaning and seed import. As Ipswich is unable to handle larger grain exports due to restrictions on vessel dimensions within the port, we did not realise the full benefits of the large UK grain harvest that we had predicted. It is hoped that for 2015 a shift in the market towards smaller, inter-EU, shipments will show an increase in our grain export activity.

Freight forward

With continued support from major offshore oil rig operators, and the CPS agency business, our freight forwarding operations in Great Yarmouth, Aberdeen and Belfast had a strong year performing ahead of expectations. In 2015, we intend to focus on knitting together, and expanding, our three forwarding operations in order to fully maximise the service levels we can offer.

Property services

Included within the support segment are the revenues and profits derived from property services.

In June, Clarkson PLC signed a 15 year lease for a new flagship head office at Commodity Quay, St. Katharine Docks, commencing from the last quarter of 2014. The state of the art new head office will be Clarksons' main London trading base from mid-2015, following an extensive fit out. The lease on the current head office, St. Magnus House, Lower Thames Street, London will expire in December 2015. During the final quarter of 2014, and throughout 2015 there are additional rent and service charges, including an onerous lease provision on the existing property, of approximately £3.4m; these will be disclosed separately in the income statement as exceptional items.

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

Research revenues grew strongly in 2014, reaching £10.4m (2013: £9.7m) and continuing a consistent long-term growth profile.

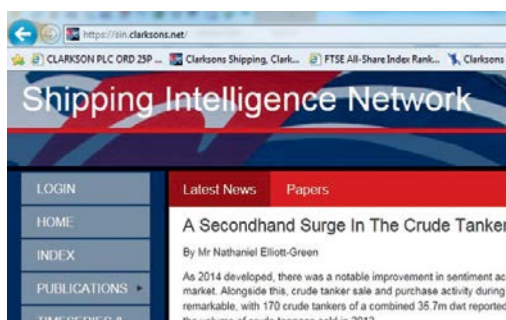
Despite challenging markets, underlying sales grew by 7% during the year, supported by demand for our market-leading shipping products, growth of offshore and energy related sales and a strong performance by our service contract and valuation business.

Clarkson Research is well established as a market leading provider of authoritative intelligence related to both shipping and trade and offshore and energy. Activities focus primarily on the collection, validation, management and analysis of data about the shipping and offshore markets. Clarkson Research continues to invest heavily in expanding its wide ranging proprietary database, developing and enhancing its broad product offering and supporting and promoting the Clarkson group across the global shipping and offshore industries. The research database includes coverage on over 100,000 vessels, over 20,000 companies, around 600 active shipyards and fabricators and over 100,000 time series.

The majority of Clarkson Research sales are derived from annuity revenue and the client base is broad and extensive with strong market penetration across the financial, asset owning, equipment suppliers, insurance, private equity, governmental, energy, commodity, shipyard, fabrication and oil service sectors. There is also broad global client spread and a strong position in expanding markets, with sales to Asia Pacific growing by over 15% in 2014. Research continues to broaden its geographic footprint, with the headcount outside of the UK expanding.

Research derived its income from the following principal sources:

Digital
Sales from digital products increased by 10% during the year, taking its share of revenue to 43%. Sales of Shipping Intelligence Network, our flagship commercial database, continued to grow and significant investments during the year will be rolled out in an upgrade in early 2015. A further enhancement to our leading online vessel register, World Fleet Register, during the year helped grow sales and this register is now firmly established as an authoritative source across our corporate and institutional client base. Continued data and product enhancements have helped Research consolidate its position as a leading provider of offshore data to the insurance market while the development of a broad digital offering within offshore and energy is now well advanced and being utilised by clients. Our offshore and energy database offers our clients comprehensive access to market intelligence on over 25,000 structures and companies, over 6,000 oil and gas fields,



intelligence on over 1,000 oil and gas projects, global Geographical Information System coverage and wide ranging commercial data and time series. Clarkson Research continues to develop new data areas within our offering, including additional company information, trade and commodity flows, tracking capital market activity, machinery and environmental packages on board ships and subsea and pipeline infrastructure.

Publications
Clarkson Research produces weekly, monthly, quarterly and annual publications, registers and maps, available both in print and online. An upgrade to our long standing and popular Shipping Intelligence Weekly during 2014 was particularly well received by our clients and has been followed by improvements and expansion across the publication range. Over recent years our well-established shipping range has been supplemented by a comprehensive offshore offering to which we continue to add a number of enhancements and new publications. Publications remain an important aspect of our overall offering besides generating important provenance and profile.

Services
Clarkson Research 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, consultancy, valuations and data for banks, shipyards, fabricators, engineering companies, insurers, governments, asset owners and other corporates. This continues to be an important growth area, with sales growing by 7% in 2014. Clarkson Research continues to be a leading provider of data to clients producing capital market prospectuses across a range of issuance types and exchanges. Clarkson Valuations remains the leading provider of asset valuation services to the industry: including many of the world's leading ship finance banks and public listed shipping companies, and performed particularly strongly throughout 2014.

Revenue

£10.4m
2013: £9.7m

Segment result

£3.5m
2013: £3.0m

More than 1.33bn tonnes shipped in 2014

54% was shipped from Australia and 26% from Brazil. Shipping from Brazil requires more than four times the number of ships for the same volumes. Iron ore is mostly shipped in the largest dry bulk ships and typically 618 ships per month are leaving a port loaded.

…to build cities

Clarksons exceeded market expectations with underlying profit before taxation of £33.8m, 35% higher than 2013.

Jeff Woyda Finance director

Results

Underlying profit before taxation, the exceptional item and acquisition costs was £33.8m (2013: £25.1m). Profit before taxation was £25.2m (2013: £22.0m).

Acquisition of RS Platou ASA

On 2 February 2015, the group concluded the acquisition of RS Platou ASA for a total consideration of £281.1m. Of this consideration, 75.00% was satisfied by the issuance of 9,518,369 new 25p ordinary shares in Clarkson PLC (consideration shares), 16.66% by the issuance of vendor loan notes totalling £46.8m (loan notes) and the remaining 8.34% or £23.4m in cash (cash consideration). The consideration shares are subject to lock-up provisions covering the next three years and the loan notes are repayable in two equal instalments on 30 June 2016 and 30 June 2017. Further information is set out in note 29.

On 2 December 2014, 1,613,698 new 25p ordinary shares in Clarkson PLC were issued and placed, generating net proceeds of £30.6m, to help finance the cash consideration and the repayment of the loan notes.

Acquisition of Michael F. Ewings (Shipping) Limited

On 12 June 2014, Clarkson Port Services Limited (CPS) acquired Michael F. Ewings (Shipping) Limited, a Belfast-based port agent. The acquisition extends the geographic coverage of CPS, for vessel agency, broking and supply logistics into Northern Ireland and enables CPS to broaden its service to existing and new customers.

Acquisition costs

Acquisition costs of £7.0m (2013: £2.1m) are shown in the 2014 income statement. The increase over 2013 reflects the costs incurred in respect of the acquisition of RS Platou ASA and additional deferred consideration arising from the Gibb Tools acquisition. Estimated acquisition costs for 2015 will amount to £5.1m.

Exceptional item

In June 2014, Clarkson PLC signed a 15 year lease for a new flagship head office at Commodity Quay, St. Katharine Docks. Rent commenced in the last quarter. Consequently, as previously reported, to allow for the new offices to be fitted out, there will be additional costs to the business from both the existing head office and the new head office through to the end of 2015. In 2014, these costs, including an onerous lease provision on the existing property, have been treated as an exceptional charge and amounted to £1.6m. A further exceptional charge of approximately £1.8m will be incurred in 2015.

Taxation

The group's effective tax rate, before the exceptional item and acquisition costs, was 25.9% (2013: 27.4%). After the exceptional item and acquisition costs, the rate was 32.0% (2013: 30.5%) which reflects the disallowable nature of certain acquisition costs.

Earnings per share (EPS)

Basic EPS before the exceptional item and acquisition costs was 134.2p (2013: 98.0p), an increase of 36.9%. After the exceptional item and acquisition costs, the basic EPS was 91.9p (2013: 82.2p).

Net assets	Earnings per share*	Dividend per share
£167.3m 2013: £137.7m	134.2p 2013: 98.0p	60p 2013: 56p

* Before exceptional items and acquisition costs

Dividends

The board is recommending a final dividend of 39p (2013: 37p). The interim dividend was 21p (2013: 19p) which, subject to shareholder approval, would give a total dividend of 60p (2013: 56p). In taking its decision, the board took into consideration the 2014 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 (2013: 1.5 times).

Foreign exchange

The average sterling exchange rate during 2014 was US$1.65 (2013: US$1.57). At 31 December 2014 the spot rate was US$1.56 (2013: US$1.66).

Cash and borrowings

The group remains cash generative, ending the year with cash balances, including the £30.6m raised from the issue of new shares, of £152.9m (2013: £96.9m). A further £25.3m (2013: £25.2m) was held in short-term deposit accounts, classified as current investments on the balance sheet.

After deducting amounts accrued for 2014 performance-related bonuses, which are generally paid during the first half of 2015, and the £23.4m paid in relation to the cash consideration on the acquisition of RS Platou ASA, net cash and available funds amounted to £92.3m (2013: £75.0m).

Balance sheet

Net assets at 31 December 2014 were £167.3m (2013: £137.7m). The balance sheet quality continues to improve with net current assets and investments exceeding non-current liabilities (excluding pension provisions) by a further £36.4m to £113.8m (2013: £77.4m) principally as a result of the placing.

The overall provision for impairment of trade receivables is little changed from the previous year at £9.9m (2013: £9.7m), though the underlying US dollar balance has reduced by US$0.7m.

The group's pension schemes have a combined liability before deferred tax of £10.3m (2013: £1.8m). This deterioration arises from the significant reduction in the discount rates used, which declined from 4.6% to 3.4%, and more than offset the positive investment returns and contributions by the company.

The group has built an enviable reputation in the market over the past 163 years, and relies upon this to attract business from all major participants in its markets.

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 2014, though some forward cover for 2015 and 2016 has been taken.

Interest rate risk

The group had no borrowings at the year-end. Monies held on longer 95 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 163 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. Our dedicated training officer and training programme continue 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
6 March 2015

Corporate and social responsibility

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, and 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 of 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 1,400 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 fair and objective criteria. We give full and fair consideration to all applications for employment and ensure that any reasonable adjustments are made to our interviewing processes to accommodate a person's disabilities.

The group is committed to employment policies which follow best practice, and deliver equal opportunities for all employees, irrespective of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, sex or sexual orientation. Disabled employees are encouraged to tell us about their disability so that we can support them as appropriate, whether they join us with a disability, or develop a disability whilst employed by the group. Reasonable adjustments are made to job content and work place to ensure that disabled employees are not placed at a substantial disadvantage. Appropriate arrangements are also made for the continued training, career development and promotion of disabled employees.

As at 6 March 2015, there were eight directors of Clarkson PLC, all of whom were male. Of the 1,085 staff within the group at 31 December 2014, 299 or 28% were female and of the staff recruited in the last five years, 28% were female. There were 218 senior managers within the group, of which 20 or 9% 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 16% 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.

Participation in the company's ShareSave 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.

7 years average length of service

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, 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.

Our local community support

Supporting the local community and the wider world has always formed an important part of Clarksons' attitude to corporate responsibility, whether in terms of direct donations or in supporting our employees as they strive to make a difference in society. In 2014, the philanthropy committee continued to focus on the three areas it had identified on which to focus the group's support: maritime causes, children's charities and health issues. It was agreed the committee would spend around £200,000 in 2014 compared to £174,000 in 2013. As a result individual donations were made to:

Rays of Sunshine, a children's charity formed in 2003 to grant wishes and organise events and outings for children between the ages of 3-18 across the UK, who are living with serious or life-limiting illnesses, in order to provide the whole family with happy memories and a break from their daily routine.

Kids Company, a UK-based children's charity which provides a safe and secure environment for at-risk children and young people aged 4-11, and vulnerable families through various after school initiatives.

Face Value, part of Great Ormond Street Hospital's 'Bringing Research to Life' initiative, raising money for pioneering research into life-saving surgery on children born with the skull-bone condition Craniosynostosis.

Maritime London Officer Cadet Scheme, a sponsorship scheme which supports the training of UK-based mariners, and promotes improvements and standards of expertise on merchant vessels.

Cancer Research and Macmillan Cancer Support, two of the best-known cancer charities which, respectively, conduct research into the prevention, diagnosis and treatment of the disease, and provide specialist health care, information and financial support to people affected by cancer.

Additionally, in recognition of the recent Ebola crisis the committee intends to support an appropriate charity in order to support relief efforts and Clarksons continues to support staff worldwide in their charitable endeavours making more than 70 donations to different charities through matched funding.

Environment

This section includes the company's mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (strategic report and the report of the directors) regulations 2013 for which our reporting year is the same as our fiscal year, being 1 January 2014 to 31 December 2014.

The company reports 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.

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.

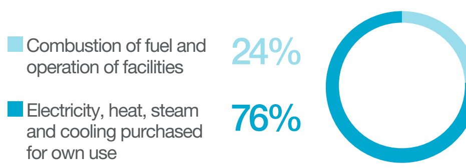
The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), together with the latest emission factors from recognised public sources including, but not limited to, Defra, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental panel on Climate Change.

Global greenhouse gas emissions data

	Tonnes of CO_2e	
	2014	2013
Combustion of fuel and operation of facilities	**1,067**	866
Electricity, heat, steam and cooling purchased for own use	**3,294**	2,815
Company's chosen intensity measurement: – Emissions reported above normalised to tonnes of CO_2e per full-time equivalent employee	**4.46**	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.



The company's most critical environmental and sustainability impact areas include carbon emissions linked to energy use and travel. The acquisition of Michael F. Ewings (Shipping) Limited in 2014 resulted in an increase in the number of vehicles in the group's motor fleet and the uplift in vehicle emissions being reported in the UK. The group continues to make extensive use of its video conferencing facility to reduce executive travel, and in the UK, Clarksons operates a cycle to work scheme which, combined with the provision of a secure bike store and shower facilities, encourages staff to use bicycles.

There was also an increase in the reported electricity consumption at the London head office, St. Magnus House, which can be attributed to improved data collection following the inaugural data-gathering exercise in 2013. In 2015, the company's head office operations will move to new office space at Commodity Quay which, having been recently re-developed, complies with up-to-date energy efficiency requirements and contains modern energy efficient air-conditioning plant and other equipment, which should see a reduction in the size of the company's carbon footprint in London.

1.6bn tonnes of containerised cargo moved in 2014

Lowering the unit cost of transportation, containerisation has allowed component manufacture across the spectrum of industrial activity from car production to the manufacture of electronic equipment, to be located according to specialisation and cost, with component goods then shipped on to economies best equipped to manufacture finished products.

…to become the finished product

Board of directors

James Hughes-Hallett, CMG
Chairman

James Hughes-Hallett, 65, was appointed as a director on 20 August 2014 and became chairman on 1 January 2015. He is a non-executive director of John Swire & Sons Limited and chairman of United States Cold Storage Inc. He is also chairman of the Courtauld Institute and of the Esmee Fairbairn Foundation.

James was chairman of John Swire & Sons Limited until the end of 2014 and chairman of Cathay Pacific Airways Limited and Swire Pacific Limited. Earlier in his career James was also the managing director and chairman of The China Navigation Company and of Swire Pacific Offshore, and chairman of the Hong Kong Shipowners Association. He served as a non-executive director of HSBC Holdings PLC from 2005 to 2014.

James is a fellow of the Institute of Chartered Accountants in England and Wales and an honorary fellow of the University of Hong Kong and of Merton College, Oxford.

Jeff Woyda
Finance director

Jeff Woyda, 52, 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. Jeff also spent 13 years at GNI where he was chief operating officer.

Andi Case
Chief executive

Andi Case, 48, 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.

Peter M. Anker
President of broking and investment banking

Peter M. Anker, 57, joined the board on 2 February 2015. He has been chief executive and managing partner of RS Platou Shipbrokers AS since 1987 and has also served as head of the Platou group and offshore division. He served as vice president of RS Platou (USA) Inc. from 1982 to 1986 and has been a deputy board member of Norwegian Shipowners Association since 1996.

Peter Backhouse
Senior independent director

Peter Backhouse, 63, was appointed to the board on 16 September 2013 and became senior independent director on 5 November 2013. He 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. At British Petroleum he was chairman and chief executive of BP Europe, executive vice-president of global refining and marketing, and head of North Sea oil development and mergers and acquisitions. He also served as a non-executive director of BG Group PLC, the international energy company, between 2000 and 2014.

Ed Warner, OBE
Non-executive director

Ed Warner, 51, was appointed to the board on 27 June 2008. He is chairman of investment bank Panmure Gordon, derivatives exchange LMAX Limited and the Standard Life European Private Equity Trust PLC. He is also a non-executive director of Grant Thornton UK LLP, a leading accountancy and advisory practice, the Blackrock Commodities Income Investment Trust PLC and SafeCharge International Group. He is chairman of UK Athletics, the sport's governing body.

Ed 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.

James Morley
Non-executive director

James Morley, 66, was appointed to the board on 5 November 2008. He is senior independent director of Costain Group PLC and The Innovation Group PLC, a non-executive director of Speedy Hire PLC and a director of Minova Insurance Holdings Limited. James is a chartered accountant.

James has served as chief operating officer of Primary Insurance Group, group finance director of Cox Insurance Holdings and Arjo Wiggins Appleton PLC, group executive director (finance) at Guardian Royal Exchange, deputy chief executive and group finance director at AVIS Europe PLC, and was a non-executive director of The Bankers Investment Trust PLC, W S Atkins PLC and Trade Indemnity Group PLC.

Birger Nergaard
Non-executive director

Birger Nergaard, 63, joined the board on 2 February 2015 and has been deputy chairman of the board of RS Platou ASA since 2008. He established Four Seasons Venture (today Verdane Capital) in 1985 and was the company's chief executive until 2006. He is currently a director of Verdane Capital's funds III, V, VI and VII, a director of Nergaard Investment Partners AS and an advisor to Advent International in Norway.

Birger was awarded King Harald's gold medal in 2006 for pioneering the Norwegian venture capital industry. Birger holds a law degree from the University of Oslo.

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 2 to 37. 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 38 to 67, 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) (the Code), which applies to the company for the year ended 31 December 2014. The Code is issued by the Financial Reporting Council and is available at www.frc.org.uk.

Leadership

The directors who were in office during the year were Bob Benton, Andi Case, Jeff Woyda, James Hughes-Hallett, Peter Backhouse, Ed Warner, James Morley and Philip Green. Biographies of those directors in office at the date of signing of the financial statements are set out on pages 38 to 39.

Following Philip Green's appointment as chairman in 2013, having taken on a number of new roles, he and the board recognised that it would be difficult for him to devote sufficient time to Clarksons' growing business, he stepped down as chairman on 6 March 2014 and resigned as a director of the company with effect from 9 May 2014. While a search for a new chairman was conducted, and in view of the contribution and continuity he provided as a long-serving director, Bob Benton agreed to act as interim chairman.

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 James Hughes-Hallett, the former chairman of the Swire shipping and transportation group and a former non-executive director of HSBC Holdings PLC, as a director, with effect from 20 August 2014. On 1 January 2015 Bob Benton stepped down as chairman and resigned from the board. James Hughes-Hallett became chairman with effect from 1 January 2015. James will stand for election by shareholders at the 2015 AGM.

Following completion of the acquisition of RS Platou ASA (Platou), Peter M. Anker, the chief executive of Platou, and Birger Nergaard, the deputy chairman of Platou, have joined the board of Clarkson PLC as an executive director and non-executive director respectively.

On appointment, James Hughes-Hallet, Peter Backhouse, James Morley, Ed Warner and Birger Nergaard met the independence criteria set out under the Code. The continuing independence of each non-executive director is assessed regularly.

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.

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 42.

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. The board will continue to monitor and review potential conflicts of interest on a regular basis.

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

There are currently eight directors on the board of Clarkson PLC, all of whom are male, however, the structure of the board is regularly reviewed as we seek to appoint the best candidate for each vacancy.

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 49. 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 senior independent director provides a sounding board for the chairman and serves as an intermediary for other directors when required.

The company purchased and maintained directors' and officers' liability insurance throughout 2014 and this cover has been renewed for 2015.

Performance evaluation

During the year, the board conducted an internal evaluation of its own performance and that of individual directors. At the end of 2014, the chairman's performance was evaluated by each of the other directors. A questionnaire was circulated to all directors seeking their evaluation of a number of matters, including board culture, balance, meetings and processes. 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.

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. At the forthcoming AGM, resolutions for the election of James Hughes-Hallett, Birger Nergaard, and Peter M. Anker will be proposed following their appointments by the board since the last AGM.

The Articles of Association currently provide that one-third of directors, excluding the chairman and chief executive, are subject to retirement by rotation each year. Accordingly, resolutions will be proposed at the forthcoming AGM for the re-election of Peter Backhouse and James Morley who will retire by rotation and offer themselves for re-election.

Shareholders are provided with comprehensive information about the directors subject to election and re-election, including their commitment to the role, in the notice of AGM.

A resolution will be put to shareholders at the AGM to amend the Articles of Association to remove the existing provisions on director retirement and re-election and introduce annual retirement and re-election in keeping with best practice guidelines for companies of Clarksons' size.

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 directors' responsibilities for preparing the company's financial statements are set out in the statement of directors' responsibilities on page 61.

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, 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 financial statements. 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 AGM will be held on 8 May 2015. 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 senior independent director is also available to meet with shareholders and institutional investors as required.

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 the board.

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

	Board	Audit committee	Remuneration committee	Nomination committee
Total number of meetings held in the year	**12**	**3**	**2**	**2**
James Hughes-Hallett[1]	4	–*	–	–
Peter Backhouse	12	3	1	2
Andi Case	11	3*	2*	1*
James Morley	12	3	2	2
Ed Warner	11	3	2	2
Jeff Woyda	12	3*	2*	1*
Bob Benton[2]	11	3	2	1
Philip Green[3]	2	–	–	–

* attends by invitation only.

1 Appointed as a director on 20 August 2014 and chairman of the board on 1 January 2015.

2 Appointed interim chairman from 6 March 2014. Stepped down as chairman and resigned as a director on 1 January 2015.

3 Stepped down as chairman of the board on 6 March 2014 and resigned as a director on 9 May 2014.

Audit committee

The members of the audit committee are 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. The committee meets privately on a regular basis with the external auditors in the absence of management. Further details on the work of the audit committee are shown in the audit committee report on pages 58 and 59.

Remuneration committee

The members of the remuneration committee are Ed Warner, Peter Backhouse, James Morley and, from 1 January 2015, James Hughes-Hallett. 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 43 to 57.

Nomination committee

The members of the nomination committee are Ed Warner, Peter Backhouse and James Morley. The committee is chaired by James Hughes-Hallett. The chairman of the board does not chair the committee when it is dealing with the matter of succession to the chairmanship. 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.

During the year the committee recommended the appointment of a new chairman following extensive search and selection using independent executive search firm, JCA Group.

Directors' remuneration report Annual statement

I am pleased to introduce the directors' remuneration report for the year ended 31 December 2014.

The report is split into three sections namely:

(i) this annual statement;

(ii) the remuneration policy (as approved by shareholders at the 2014 AGM); and

(iii) the annual report on remuneration (explaining payments made in the year under review and how the policy will be operated for 2015).

Remuneration policy

Our employees are central to the company's on-going success and in setting the remuneration policy at Clarksons our objective is to attract and retain the best talent in our markets. At the same time the remuneration committee seeks to ensure that executive pay is aligned to the corporate plan and business goals as well as supporting the interests of shareholders. 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. Bonus plans are operated company-wide and all UK employees have the opportunity to participate in share plans.

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 2014

The annual profit for 2014 was 35% ahead of 2013 and this is reflected in the 2014 bonus awards. The executive directors sacrificed 18% of the bonuses they were eligible to receive, to enable the company to reward other senior members of staff;

Strong growth in both the earnings per share and total shareholder return over the past 3 years led to a 69% vesting of the LTIP.

Policy for 2015

The remuneration committee is not proposing to make any changes to the remuneration policy approved by shareholders at the 2014 AGM. As such:

- base salary levels were not increased (for the eighth year in a row);
- the annual bonus will continue to be based on a bonus pool derived from group profit before tax (albeit the committee has adjusted the approach to calculating the pool to take into account the increase in the size of the business (i.e. profits and number of shares in issue) and the appointment of Peter M. Anker to the board following the completion of the RS Platou ASA acquisition;
- consistent with prior years, the chief executive's share of the bonus pool reflects not only his role as chief executive, but also his contribution to the generation of shipbroking revenues for the group. In previous years, the chief executive had the potential to earn a bonus higher than that determined by the pre-tax profit formula dependent on shipbroking revenues that he personally generated. However deeming it to be in the best interests of shareholders, he has voluntarily relinquished this entitlement for 2015 and future years;
- consistent with the policy applied to the majority of senior employees, 90% of the annual bonus payable will be paid in cash with 10% voluntarily deferred into shares for four years and clawback provisions will continue to apply; and
- the 2015 LTIP awards will be granted in 2015 based on a combination of earnings per share and relative total shareholder return targets.

The remuneration committee believes these continue 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. I will be available at the AGM to answer any questions and discuss the policy more widely.

Ed Warner Remuneration committee chairman
6 March 2015

Directors' remuneration policy

This remuneration policy report was put to a binding shareholder vote at the 2014 AGM and following its approval, became effective 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. We maintain a strong focus on ensuring that executives are incentivised to drive economic profit as well as being rewarded for creating sustainable value.

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 resolutions to approve last year's remuneration report and the renewal of the LTIP and any matters discussed with shareholders during 2014 are set out in the annual report on remuneration on page 57.

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	• 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

1 A description of how the company intends to implement the above policy for 2015 is set out in the annual report on remuneration on page 50.

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.

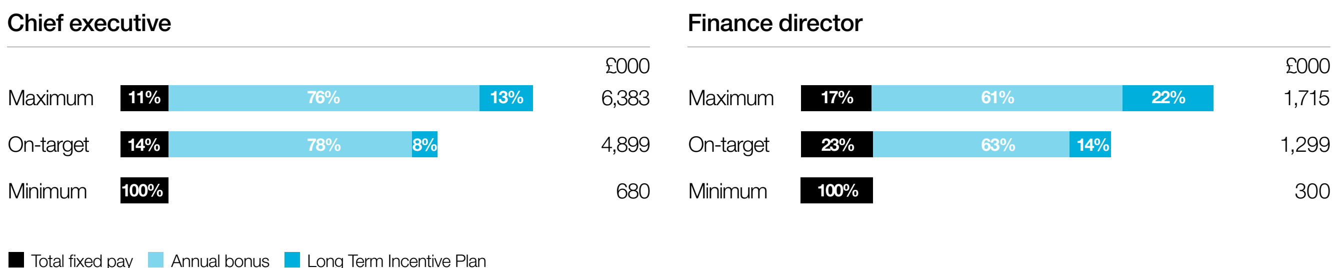
4 The remuneration policy for the executive directors is designed with regard to the policy for employees across the group as a whole and is consistent between the executive directors and the remainder of the workforce. In particular there has been a widespread salary freeze for all employees earning 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 LTIP 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, repeated from last year's policy report, show an estimate of the potential remuneration payable for the executive directors in office on 1 January 2015 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.



■ Total fixed pay ■ Annual bonus ■ Long Term Incentive Plan

1 Basic salary levels applying on 1 January 2014 (although salaries remain unchanged at 1 January 2015).

2 The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 31 December 2014.

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 the market consensus at the start of 2014 (i.e. at the start of the three year policy period) 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 45 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 remuneration committee has the objective to attract and retain the best talent in our markets, while at the same time ensuring executive pay is aligned to the corporate plan and business goals as well as supporting the interests of shareholders.

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 on-going remuneration obligations existing prior to appointment may continue.

The remuneration 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 (including Peter M. Anker, president of broking and investment banking, who was appointed to the board on 2 February 2015 upon the completion of the RS Platou ASA acquisition) 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 of 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.
	President of broking and investment banking: The company may elect to pay in lieu of notice: • an amount equivalent to base salary and contractual benefits only.
	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 for the chief executive and finance director 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 which has now reached the end of its ten 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 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.

Provision	Detailed terms
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.
	President of broking and investment banking: No change of control provisions exist.
	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	Notice period
Andi Case	17 June 2008	12 months	12 months
Jeff Woyda	3 October 2006	12 months	12 months
Peter M. Anker[1]	27 November 2014	12 months	12 months

1 Peter M. Anker was appointed to the board on 2 February 2015 upon the completion of the RS Platou ASA acquisition.

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 2014	Notice period
Bob Benton[1]	25 May 2005	5 months	3 months
James Hughes-Hallett	20 August 2014	32 months	3 months
Peter Backhouse	16 September 2013	21 months	3 months
Ed Warner	27 June 2008	30 months	3 months
James Morley	5 November 2008	35 months	3 months
Philip Green[2]	1 April 2013	n/a	3 months
Birger Nergaard[3]	2 February 2015	n/a	3 months

1 Bob Benton stepped down as chairman and retired from the board with effect from 1 January 2015.

2 Philip Green stepped down from the board with effect from 9 May 2014.

3 Birger Nergaard was appointed to the board with effect from 2 February 2015 upon the completion of the RS Platou ASA acquisition.

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 2015

Base salary

	2015 £000	2014 £000	% change
Andi Case	**550**	550	0%
Jeff Woyda	**250**	250	0%
Peter M. Anker[1]	**350**	n/a	n/a

1 Peter M. Anker was appointed to the board on 2 February 2015 upon the completion of the RS Platou ASA acquisition.

Annual bonus for 2015

For 2015, 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 2015 have not been disclosed on a prospective basis although it should be noted that: (i) the committee has adjusted the approach to calculating the pool to take into account the increase in the size of the business (i.e. profits and number of shares in issue) and the appointment of Peter M. Anker to the board following the completion of the RS Platou ASA acquisition; and (ii) details of the targets and bonus awards will be disclosed retrospectively in next year's remuneration report.

Consistent with prior years, the chief executive's share of the bonus pool reflects not only his role as chief executive, but also his contribution to the generation of shipbroking revenues for the group. In previous years, the chief executive had the potential to earn a bonus higher than that determined by the pre-tax profit formula dependent on shipbroking revenues that he personally generated. However, deeming it to be in the best interests of shareholders, he has voluntarily relinquished this entitlement for 2015 and future 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 2015

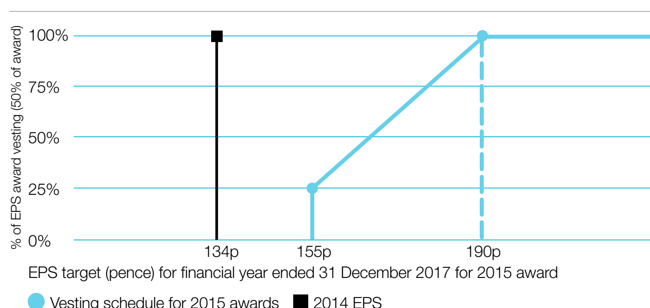
It is envisaged that executive directors serving on 1 January 2015 will receive awards over shares worth up to 150% of salary in 2015. Consistent with past awards:

- the vesting of 50% of the award will be determined by the company's EPS for 31 December 2017, as shown in chart (i) below. The EPS for 2014 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 2015 to 31 December 2017 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.

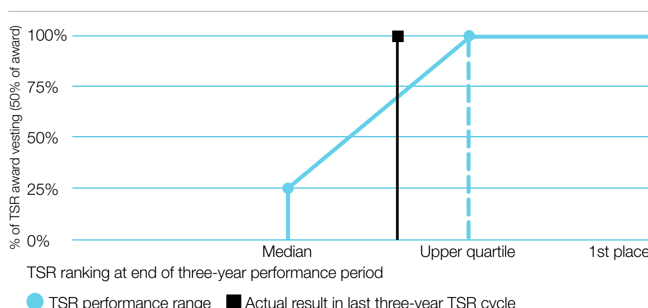
EPS and relative TSR are considered to be the most appropriate measures of long-term performance for the group, in that they ensure executives are incentivised and rewarded for the earnings performance of the group as well as returning value to shareholders.

The awards will be subject to clawback provisions.

(i) EPS target range for 2015 award (50% of award)



(ii) TSR target range for 2015 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:

2014	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**	**3,420**	**4,066**	**904**	**4,970**
Jeff Woyda	**250**	**12**	**33**	**730**	**1,025**	**411**	**1,436**
Non-executive directors							
Bob Benton[1]	**120**	**–**	**–**	**–**	**120**	**–**	**120**
James Hughes-Hallett[1]	**20**	**–**	**–**	**–**	**20**		**20**
Peter Backhouse	**69**	**–**	**–**	**–**	**69**	**–**	**69**
Ed Warner	**69**	**–**	**–**	**–**	**69**	**–**	**69**
James Morley	**69**	**–**	**–**	**–**	**69**	**–**	**69**
Philip Green[1]	**43**	**–**	**–**	**–**	**43**	**–**	**43**
	1,190	**34**	**107**	**4,150**	**5,481**	**1,315**	**6,796**

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

1 Philip Green and Bob Benton stepped down from the board on 9 May 2014 and 1 January 2015 respectively. James Hughes-Hallett was appointed to the board on 20 August 2014 and became chairman on 1 January 2015.

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

3 Pension includes pension contributions and cash supplements where relevant.

4 Annual bonus for 2014 was based on the allocation of the following pool:

Profit before taxation and bonus	% of pre-bonus profit
< £17.6m	0%
£17.6m – £35.3m	13%
£35.3m – £41.4m	20%
> £41.4m	25%

Actual profit before taxation	£33.8m
Actual bonus pool	£5.6m
% of pool allocated to executive directors	82%

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

5 Long term incentives relates to awards granted on 11 May 2012 which vest in May 2015 based on performance to the year ended 31 December 2014. The performance conditions attached to this award and actual performance against these conditions are 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	115p	150p	134.2p	66%
Total shareholder return	25% vesting of award at threshold up to 100% of award vesting at stretch on straight-line basis	Median	Upper quartile	114%	72%
Total vesting (out of 100%)					**69%**

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* £000
Andi Case	61,937	42,719	19,218	904
Jeff Woyda	28,153	19,418	8,735	411

*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 2014 of £21.15. These shares will vest on the third anniversary of grant, subject to continued employment.

Comparative LTIP values were based on the 2011 awards which vested in 2014 based on performance to 31 December 2013 and were based on a three month price to 31 December 2013 of £21.24. The actual share price at vesting was £26.70. 2013 LTIP amounts in the single figure table have not been restated.

Fees for the non-executive directors

Non-executive director fee levels are as follows:

	2015 £000	2014 £000	% change
Chairman	140	125	+12%
Non-executive director	55	55	+0%
Chair of committee*	18	15	+20%
Senior independent director*	18	15	+20%

* Incremental fees above base non-executive director fee.

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 46.

	Interests under plan at 1 January 2014	Awards granted in the year	Awards exercised in the year	Awards lapsed in the year	Interests under plan at 31 December 2014	Face value at 31 December 2014 £	% vesting at threshold performance	Grant date	End of performance period	Vesting date	Date exercisable until
Andi Case	99,388[1]	–	–	–	99,388	1,884,396	25%	16 Dec 09	Dec 11	15 Dec 12	15 Dec 19
	36,581[2]	–	–	–	36,581	693,576	25%	24 Dec 10	Dec 12	23 Dec 13	23 Dec 20
	33,618[3]	–	–	–	33,618*	637,397	25%	25 May 11	Dec 13	24 May 14	24 May 21
	61,937[4]	–	–	(19,218)	42,719	809,952	25%	11 May 12	Dec 14	10 May 15	–
	51,434[5]	–	–	–	51,434	975,189	25%	10 May 13	Dec 15	9 May 16	–
	–	31,682[6]	–	–	31,682	600,691	25%	5 Jun 14	Dec 16	4 Jun 17	–
Jeff Woyda	45,182[1]	–	(45,182)	–	–	–	25%	16 Dec 09	Dec 11	15 Dec 12	15 Dec 19
	16,628[2]	–	(16,628)	–	–	–	25%	24 Dec 10	Dec 12	23 Dec 13	23 Dec 20
	15,281[3]	–	–	–	15,281*	289,728	25%	25 May 11	Dec 13	24 May 14	24 May 21
	28,153[4]	–	–	(8,735)	19,418	368,165	25%	11 May 12	Dec 14	10 May 15	–
	23,379[5]	–	–	–	23,379	443,266	25%	10 May 13	Dec 15	9 May 16	–
	–	14,400[6]	–	–	14,400	273,024	25%	5 Jun 14	Dec 16	4 Jun 17	–

* Vested during the year.

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, 6. £26.04.

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 2014 was as follows:

	Number of ordinary shares		% of salary required to be held in shares under the shareholding guidelines	Guideline met?
	2014	2013		
Bob Benton	**4,700[1]**	4,700[1]	n/a	n/a
James Hughes-Hallett[2]	**–**	–	n/a	n/a
Andi Case	**646,324[3]**	648,976[3]	100%	Yes
Jeff Woyda	**92,585[3]**	60,465[3]	100%	Yes
Peter Backhouse	**3,500**	3,500	n/a	n/a
Ed Warner	**15,000**	15,000	n/a	n/a
James Morley	**4,500**	4,500	n/a	n/a

1 The beneficial owner of these shares is Marianne Kingham who is married to Bob Benton. Bob Benton stepped down from the board on 1 January 2015.

2 Appointed 20 August 2014.

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

		Number of shares			
	Bonus year Vesting date	2010 April 2015	2011 April 2016	2012 April 2017	2013 June 2018
Andi Case		34,971	29,241	13,103	9,924
Jeff Woyda		7,461	6,235	2,795	2,117

Further restricted share awards will be made in 2015 in respect of up to 10% of the directors' 2014 bonus.

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

		Options held at 1 January 2014	**Options granted during the year**	**Options exercised during the year**	**Options lapsed during the year**	**Options held at 31 December 2014**	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
	ShareSave	**–**	**426**	**–**	**–**	**426**	21.11	1 July 2017	31 December 2017
Jeff Woyda	ShareSave	**831**	**–**	**–**	**–**	**831**	10.82	1 July 2015	31 December 2015
	ShareSave	**–**	**426**	**–**	**–**	**426**	21.11	1 July 2017	31 December 2017

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

Pensions (audited)

Pension contributions were £nil (2013: £8,000) for Andi Case and £3,125 (2013: £37,500) for Jeff Woyda, with the balance for both Andi Case and Jeff Woyda (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 51 as pension.

Payment to former director (audited)

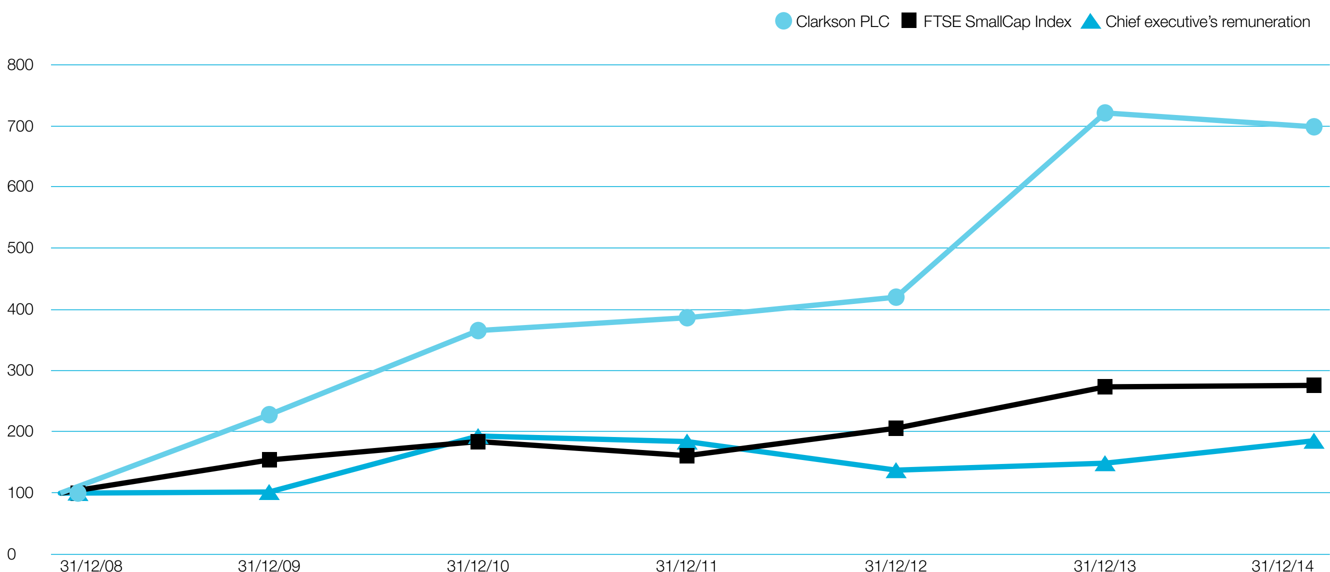
No payments falling for disclosure were made to past executive directors during the year ended 31 December 2014.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31 December 2014.

Performance graph

This graph shows Total Shareholder Return (TSR) (that is, share price growth assuming re-investment of any dividends) of the company over the last six 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 2014, 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 six years is as follows:

	2014	2013	2012	2011	2010	2009
LTIP vesting %	**69%**	50%	47%	98%	44%	50%

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Percentage change in remuneration levels

The table below shows the movement in salary, benefits and annual bonus for the chief executive between the 2013 and 2014 financial years, compared to the average for all employees:

	% change
Chief executive	
Salary and benefits	0%
Bonus	+32%
All employees	
Salary and benefits	0%
Bonus	+20%

Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in 2014 compared to 2013:

	2014 £m	2013 £m	% change
Underlying profit after tax	**25.1**	18.2	+37.9%
Dividends	**10.8**	9.6	+12.5%
Employee remuneration costs, of which:	**147.9**	129.3	+14.4%
Executive directors' total pay excluding LTIP (continuing)	**5.1**	4.1	+24.4%
Executive directors' annual bonus (continuing)	**4.1**	3.1	+32.3%

Remuneration committee

During the year the remuneration committee comprised the following non-executive directors – Bob Benton, Peter Backhouse, Ed Warner and James Morley. The committee was, and continues to be, 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	2 out of 2
Peter Backhouse	1 out of 2
Ed Warner	2 out of 2
James Morley	2 out of 2

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 £77,179. 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 2014 AGM, the remuneration-related resolutions received the following votes from shareholders:

	Remuneration Report		Remuneration Policy		2014 LTIP		2014 Share Option Plan	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	12,579,827	88.48%	12,499,786	87.59%	14,188,026	99.52%	14,188,085	99.86%
Against	1,637,743	11.52%	1,771,127	12.41%	68,457	0.48%	19,708	0.14%
Withheld	121,010	–	67,667	–	73,315	–	122,006	–
Total	**14,338,580**	**100%**	**14,338,580**	**100%**	**14,329,798**	**100%**	**14,329,799**	**100%**

At the AGM to be held on 8 May 2015 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
6 March 2015

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 reviewed the processes for the prevention, detection and reporting of fraud and the group's anti-fraud and ethics policies.

The committee also reviewed draft copies of the transaction documents relating to the aqisition of RS Platou ASA.

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 2014 and addressed three main areas in the year:

Financial reporting and significant issues

The audit 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, business model and strategy.

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.

The issues and how they were addressed by the committee are set out below:

Recoverability of trade receivables

A number of judgements are made in the calculation of the provision, primarily the age of the invoice, the existence of any disputes and the debtor's financial position.

The committee discussed with 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 financial statements.

Revenue recognition

In the broking and financial segments, the group's entitlement to commission revenue usually depends on third party obligations being fulfilled. Since the group has no control over this, it is important to recognise revenue at the appropriate time.

The committee considered the revenue recognition processes in place for all four business segments with management and cut-off procedures with the external auditors.

The committee is satisfied that the processes in place are appropriate and revenue has been recognised in the correct periods.

Accounting for pension schemes

Actuarial assumptions used in the measurement of the group's net pension liability position are inherently judgemental including long-term interest rates, salary increases, mortality, discount rates and inflation. Changes in these variables can have a material impact on the calculation of the group's liability.

The committee considered the key assumptions used by the actuaries and the disclosure in the financial statements.

The committee is satisfied that the assumptions used in the calculation of the defined benefit pension liability is comparable to market data.

Classification and recognition of adjusting items

Exceptional items are those which are non-recurring in nature and considered to be material in size. In 2014, this column in the consolidated income statement represents the additional rent on Commodity Quay and the onerous lease provision on St. Magnus House.

The 'acquisition costs' column includes the amortisation of intangible assets, the expensing of the cash and share-based elements of consideration linking to ongoing employment obligations on acquisitions and aquisition-related professional fees.

The committee considered the reasons behind showing these items separately and therefore excluding the costs from the 'underlying' earnings measures. The committee agreed that to include these items in 'underlying' earnings would be misleading to the users of the financial statements due to their nature and size.

The committee is satisfied that the existing format is consistent with the group's accounting policy.

Internal control, internal audit and risk management

The audit 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 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 32.

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 audit committee 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.

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;
- the length of appointment as external auditors (current length: six years); and
- the level of non-audit and audit fees.

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 £0.9m respectively. In 2014, the level of non-audit fees exceeded audit fees which was mainly due to professional services provided by the auditor's firm in respect of the Platou acquisition. The audit committee therefore expects the level of such non-audit fees will fall in 2015. 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), who have served since 2009, 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
6 March 2015

Report of the directors

The directors present the report of the directors, together with the financial statements for the year ended 31 December 2014. The report of the directors comprises page 60 and the sections of the annual report incorporated by reference are set out below which, taken together, contain the information to be included in the annual report, where applicable, under Listing Rule 9.8.4.

Board membership	Pages 38-42
Dividends	Page 31
Directors' long term incentives	Pages 43-57
Waiver of directors' emoluments	Page 43
Share placing	Page 99
Corporate governance report	Pages 40-42
Future developments of the business of the group	Pages 11-27
Employee equality, diversity and involvement	Pages 33-34
Post balance sheet event	Page 105
Amendment to Articles of Association	Page 40
Information to the independent auditor	Page 61
Principal subsidiaries	Page 106
Previously published unaudited financial information	Page 110

Shareholder information

Share capital and control

Details of the company's share capital 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 48 and 49.

Upon a change of control, all unvested awards under the 2004 and 2014 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

The following interests have been disclosed to the company by major shareholders under Rule 5 of the Financial Conduct Authority's Disclosure and Transparency Rules (DTR) as at 5 March 2015, being the latest practicable date prior to publication of the annual report:

RS Platou Holdings AS	7.14%
Heronbridge Investment Management LLP	4.96%
Legal & General Investment Management Limited	<5.00%
Franklin Templeton Investment Management Limited	<5.00%
Montanaro Asset Management Limited	2.19%
Kames Capital	2.78%

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 2015, employees directly held 28.23% of the company's share capital, and 5.94% 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 53 and 54.

At the 2014 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 9 May 2014). This authority is due to expire at the end of the 2015 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. As a result of increases in the company's share capital arising from the placing of shares and the Platou acquisition, the directors considered it appropriate to restate and renew the authorities of the directors to issue shares in the company and to dis-apply pre-emption rights at the General Meeting held on 23 December 2014 at the same percentage levels as the authorisations passed at the 2014 AGM, but by reference to ordinary shares in issue after completion of the acquisition of Platou. Having been approved by shareholders, these authorities will be renewed at the 2015 AGM.

By order of the board

Penny Watson Company Secretary
6 March 2015

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 62 to 67, 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 a 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 2 to 37. 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 30 to 32. As a result of this, the directors believe that the group is well placed to manage its business risks successfully despite the challenging market backdrop. The directors have a reasonable expectation that the group has sufficient resources to continue in operation for 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 38 and 39 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

James Hughes-Hallett Chairman
6 March 2015

Report on the financial statements

Our opinion

In our opinion:

- Clarkson PLC's group financial statements and parent company financial statements (the financial statements) give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit and the group's and the 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.

What we have audited

Clarkson PLC's financial statements comprise:

- the consolidated and parent company balance sheets as at 31 December 2014;
- the consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the consolidated and parent company cash flow statements for the year then ended;
- the consolidated and parent company statements of changes in equity 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 the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, 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 the 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.

Our audit approach

Overview

Materiality	• Overall group materiality: £1.7m which represents 5% of profit before taxation, adjusted for the exceptional item and acquisition costs.
Audit scope	• Identified 7 reporting units, comprising certain operating businesses and centralised functions, which required an audit of their complete financial information due to their size. • Conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units. • Group coverage of 92% of the profit before taxation adjusted for the exceptional item and acquisition costs, and 81% of group revenue.
Areas of focus	• Recoverability of trade receivables; • Revenue recognition; • Accounting for pension schemes; and • Classification and recognition of the adjusting items (exceptional item and acquisition costs).

The scope of our audit and our areas of focus

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

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as 'areas of focus' in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
a) Recoverability of trade receivables *Refer to page 58 (audit committee report), page 74 (note 2.3 accounting judgements and estimates) and page 92 (note 14) for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* At the year-end the group had trade receivables of £42.5m before provisions for impairment of £9.9m. Set out in the business review section of the strategic report, the shipping industry continues to be impacted by certain macroeconomic challenges meaning the group experienced uncertainty over the collectability of trade receivables from specific customers. The determination as to whether a trade receivable is collectable involves management judgement. Specific factors management considers include the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of counterparties. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall. We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved.	We tested aged balances where no provision was recognised to check that there were no indicators of impairment. This included verifying if payments had been received since the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates. We selected a sample of the larger trade receivable balances where a provision for impairment of trade receivables was recognised and understood the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available. By performing the procedures mentioned above we also challenged management's rationale where provisions were recognised on transactions that were not overdue as at the balance sheet date and verified these were appropriately supported. In assessing the appropriateness of the overall provision for impairment we considered the consistency of management's application of policy for recognising provisions with the prior year. Specifically we considered: i) how much of prior years' provisions had been utilised for bad debt write offs during the year; and ii) prior year provision amounts released where a customer had paid. Releases of the provision during the year included some infrequent payments of overdue amounts from customers where a provision continues to be recognised for new invoices raised. Despite these payments, management continues to provide for such customers on the basis there still remains ongoing uncertainty over their underlying financial condition as indicated by the ad hoc timing of payments beyond dates due. From the work we have performed we consider the level of provisioning to be acceptable.
b) Revenue recognition *Refer to page 58 (audit committee report) and page 78 (note 2.21 revenue recognition) for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* The group's entitlement to commission revenue in the broking and financial segments is usually dependent upon the fulfilment of certain obligations, for example stage completion of a vessel build, between two or more third parties over which the group has no control. Consideration is therefore required as to whether the parties' obligations have been fulfilled and the commission revenue can be recognised. Some of these transactions, such as within the sale and purchase and offshore revenue streams, are individually significant in value. We therefore focused on this area, particularly around the year-end, where there is a risk that large transactions may be recorded in the incorrect period. The support and research revenue streams involve limited judgement, are relatively smaller in value and these are recognised when the service is completed or when the products are despatched, as explained further in note 2.21 of the financial statements. There is therefore less risk of a cut-off error in these streams.	For transactions close to the year-end, we tested that revenue cut-off was appropriately determined. We selected a sample of transactions, including larger sale and purchase and offshore invoices near the year-end. We agreed the details of these transactions to underlying contractual information or other supporting documents which demonstrated the timing of when obligations had been fulfilled by the parties to the transaction. As part of our other evidence obtained over 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 financial statements. We also tested manual journal entries posted to revenue accounts to identify unusual or irregular items and performed computer assisted auditing techniques over the population in scope. We also considered the results of our work on trade receivables as discussed in a) above. From the evidence obtained, we concluded that the group had appropriately recognised revenue in the correct period.

Area of focus	How our audit addressed the area of focus
c) Accounting for pension schemes *Refer to page 58 (audit committee report), page 77 (note 2.18 employee benefits) and page 96 (note 22 employee benefits) for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* The group has two defined benefit pension plans which have a net liability of £10.3m, which is significant in the context of the consolidated balance sheet and the consolidated statement of changes in equity. We focused on this area because the actuarial assumptions used in the measurement of the group's net pension liability are inherently judgemental, such as long-term interest rates, salary increases, mortality, discount rates and inflation and changes in these can have a material impact on the calculation of the liability.	We assessed the actuarial assumptions used to calculate the net pension liability by performing a critical assessment of the key assumptions as described in note 22 to the financial statements with reference against comparable market data and internally developed benchmarks. The assumptions and judgements that are required to formulate the provision mean that there are a range of possible outturns. We therefore verified that the impact of changes in these key assumptions is correctly disclosed within the notes of the financial statements. We found the assumptions used in the calculation of the defined benefit pension liability to be in line with our expectations.
d) Classification and recognition of adjusting items *Refer to page 58 (audit committee report), pages 73 (note 2.1 basis of preparation), 79 (note 2.26 exceptional items) and 83 (notes 5 and 6) for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* The group excludes adjusting items (exceptional and acquisition costs) from its 'underlying' earnings measure. The directors believe that alternative or additional performance measures can provide the users of the financial statements with a better understanding of the group's underlying financial performance and strategy, if properly used. If improperly used and presented these measures could mislead the users of the financial statements by obscuring the real profitability and financial position of the group. Management judgement is required as to what items qualify for this classification. There can also be judgement as to the point at which costs should be recognised and the amount to record. Included in adjusting items was an exceptional item relating to the group's head office move, including overlapping rent costs of £0.9m, and an onerous lease charge of £0.7m, as explained further in note 5. Adjusting items also include acquisition costs in the year which amount to £7.0m. These included £4.0m of transaction costs incurred in relation to the acquisition of RS Platou ASA. We also focused on the accuracy of other charges included in acquisition costs this year due to their financial significance, such as ongoing earn-out charges and acquired intangibles amortisation, which were presented as adjusting items consistent with prior periods.	We tested whether the exceptional item was non-recurring in nature and recognised and presented in accordance with the group's disclosed accounting policy. In relation to overlapping rent we examined lease agreements, confirmed planned office vacation dates and verified the accuracy of management's computation of the amount of overlapping rent. We tested directly attributable transaction costs to supporting invoices and agreements with advisors to verify these related to the Platou acquisition and were incurred during the year. In respect of other adjusting items we verified that management's computations of the costs were accurate. We have also assessed the extent to which 'underlying' financial information is given prominence in the annual report, whether it is clearly, accurately and consistently applied and whether the 'underlying' financial information is not otherwise misleading in the form and context in which it appears in the annual report. From the evidence obtained, we concurred with management's assessment to classify and disclose these items as adjusting items, in line with the disclosed accounting policy.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the group, the accounting processes and controls, and the industry in which the group operates.

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 of 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.

Seven 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 92% of the group's profit before taxation adjusted for the exceptional item and acquisition costs and 81% 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.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and 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 financial statements as a whole as follows:

Overall group materiality	£1.7m (2013: £1.2m).
How we determined it	5% of profit before taxation, adjusted for the exceptional item and acquisition costs.
Rationale for benchmark applied	In arriving at this judgement we have had regard to profit before taxation, adjusted for the exceptional item and acquisition costs, because, in our view this represents the most appropriate measure of underlying performance.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £0.2m (2013: £0.1m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the statement of directors' responsibilities, set out on page 61, in relation to going concern. We have nothing to report having performed our review.

As noted in the statement of directors' responsibilities, the directors have concluded that it is appropriate to prepare the 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 parent company's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

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; and
- the information given in the corporate governance statement (pages 40 to 42) with respect to internal control and risk management systems and the information given in the report of the directors (page 60) on share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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 • otherwise misleading.	We have no exceptions to report arising from this responsibility.
• the statement given by the directors on page 61, in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), 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 and parent company's performance, business model and strategy is materially inconsistent with our knowledge of the group and parent company acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
• the section of the annual report on page 58, as required by provision C.3.8 of the Code, 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.

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

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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 parent company's compliance with ten provisions of the UK Corporate Governance Code. We have nothing to report having performed our review.

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 61, the directors are responsible for the preparation of the 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 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.

What an audit of financial statements involves

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 the 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.

We primarily focus 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.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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.

John Waters Senior statutory auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

6 March 2015

Consolidated income statement

for the year ended 31 December

	Notes	2014 Before exceptional item and acquisition costs £m	2014 Exceptional item (note 5) £m	2014 Acquisition costs (note 6) £m	2014 After exceptional item and acquisition costs £m	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
Revenue	3, 4	**237.9**	**–**	**–**	**237.9**	198.0	–	–	198.0
Cost of sales		**(13.3)**	**–**	**–**	**(13.3)**	(6.2)	–	–	(6.2)
Trading profit		**224.6**	**–**	**–**	**224.6**	191.8	–	–	191.8
Administrative expenses		**(191.3)**	**(1.6)**	**(7.0)**	**(199.9)**	(166.9)	(1.0)	(2.0)	(169.9)
Operating profit	3, 4	**33.3**	**(1.6)**	**(7.0)**	**24.7**	24.9	(1.0)	(2.0)	21.9
Finance revenue	3	**0.7**	**–**	**–**	**0.7**	0.7	–	–	0.7
Finance costs	3	**–**	**–**	**–**	**–**	–	–	(0.1)	(0.1)
Other finance costs – pensions	3, 22	**(0.2)**	**–**	**–**	**(0.2)**	(0.5)	–	–	(0.5)
Profit before taxation		**33.8**	**(1.6)**	**(7.0)**	**25.2**	25.1	(1.0)	(2.1)	22.0
Taxation	7	**(8.7)**	**0.3**	**0.4**	**(8.0)**	(6.9)	0.1	0.1	(6.7)
Profit for the year		**25.1**	**(1.3)**	**(6.6)**	**17.2**	18.2	(0.9)	(2.0)	15.3
Attributable to:									
Equity holders of the parent		**25.1**	**(1.3)**	**(6.6)**	**17.2**	18.2	(0.9)	(2.0)	15.3
Earnings per share									
Basic	8	**134.2p**			**91.9p**	98.0p			82.2p
Diluted	8	**130.8p**			**89.6p**	95.8p			80.4p

Group

Consolidated statement of comprehensive income

for the year ended 31 December

	Notes	2014 £m	2013 £m
Profit for the year		**17.2**	15.3
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on employee benefit schemes – net of tax	22	**(8.2)**	4.5
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on retranslation of foreign operations	24	**1.5**	(1.8)
Foreign currency hedge – net of tax	24	**(3.4)**	2.3
Total comprehensive income for the year		**7.1**	20.3
Attributable to:			
Equity holders of the parent		**7.1**	20.3

Group

Consolidated and parent company balance sheets

as at 31 December

	Notes	Group 2014 £m	Group 2013 £m	Company 2014 £m	Company 2013 £m
Non-current assets					
Property, plant and equipment	10	**7.7**	8.5	**1.9**	2.8
Investment property	11	**0.3**	0.4	**0.3**	0.4
Intangible assets	12	**40.4**	40.2	**–**	–
Trade and other receivables	14	**0.4**	0.5	**–**	0.1
Investments	15	**1.9**	1.8	**–**	0.2
Investments in subsidiaries	16	**–**	–	**54.0**	54.0
Deferred tax asset	7	**15.0**	12.5	**5.7**	3.8
		65.7	63.9	**61.9**	61.3
Current assets					
Inventories	17	**1.4**	0.9	**–**	–
Trade and other receivables	14	**42.7**	45.2	**44.9**	13.2
Income tax receivable		**1.5**	2.6	**2.6**	2.0
Investments	15	**25.3**	25.2	**25.3**	25.2
Cash and cash equivalents	18	**152.9**	96.9	**32.1**	0.6
		223.8	170.8	**104.9**	41.0
Current liabilities					
Trade and other payables	19	**(102.2)**	(85.5)	**(19.2)**	(14.4)
Income tax payable		**(2.9)**	(3.9)	**–**	–
Provisions	20	**(3.0)**	–	**(3.0)**	–
		(108.1)	(89.4)	**(22.2)**	(14.4)
Net current assets		**115.7**	81.4	**82.7**	26.6
Non-current liabilities					
Trade and other payables	19	**(1.8)**	(1.3)	**(0.7)**	–
Provisions	20	**–**	(2.0)	**–**	(2.0)
Employee benefits	22	**(10.3)**	(1.8)	**(10.3)**	(1.8)
Deferred tax liability	7	**(2.0)**	(2.5)	**–**	–
		(14.1)	(7.6)	**(11.0)**	(3.8)
Net assets		**167.3**	137.7	**133.6**	84.1
Capital and reserves					
Share capital	23	**5.2**	4.7	**5.2**	4.7
Other reserves	24	**35.5**	35.7	**33.1**	32.5
Retained earnings		**126.6**	97.3	**95.3**	46.9
Total equity		**167.3**	137.7	**133.6**	84.1

The financial statements were approved by the board on 6 March 2015, and signed on its behalf by:

James Hughes-Hallett 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 2014		**4.7**	**35.7**	**97.3**	**137.7**
Profit for the year		**–**	**–**	**17.2**	**17.2**
Other comprehensive income:					
Actuarial loss on employee benefit schemes – net of tax	22	**–**	**–**	**(8.2)**	**(8.2)**
Foreign exchange differences on retranslation of foreign operations	24	**–**	**1.5**	**–**	**1.5**
Foreign currency hedge – net of tax	24	**–**	**(3.4)**	**–**	**(3.4)**
Total comprehensive income for the year		**–**	**(1.9)**	**9.0**	**7.1**
Transactions with owners:					
Net ESOP shares utilised	24	**–**	**0.7**	**–**	**0.7**
Gain on ESOP shares		**–**	**–**	**0.9**	**0.9**
Share-based payments	24	**–**	**1.0**	**–**	**1.0**
Share issues	23, 24	**0.5**	**30.1**	**–**	**30.6**
Transfer	24	**–**	**(30.1)**	**30.1**	**–**
Tax on other employee benefits	7	**–**	**–**	**0.1**	**0.1**
Dividend paid	9	**–**	**–**	**(10.8)**	**(10.8)**
		0.5	**1.7**	**20.3**	**22.5**
Balance at 31 December 2014		**5.2**	**35.5**	**126.6**	**167.3**

	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	7	–	–	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

Parent company statement of changes in equity

for the year ended 31 December

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
		Company Attributable to equity holders of the parent			
Balance at 1 January 2014		**4.7**	**32.5**	**46.9**	**84.1**
Profit for the year		**–**	**–**	**36.4**	**36.4**
Other comprehensive income:					
Actuarial loss on employee benefit schemes – net of tax	22	**–**	**–**	**(8.2)**	**(8.2)**
Total comprehensive income for the year		**–**	**–**	**28.2**	**28.2**
Transactions with owners:					
Gain on ESOP shares		**–**	**–**	**0.9**	**0.9**
Share-based payments	24	**–**	**0.6**	**–**	**0.6**
Share issues	23, 24	**0.5**	**30.1**	**–**	**30.6**
Transfer	24	**–**	**(30.1)**	**30.1**	**–**
Dividend paid	9	**–**	**–**	**(10.8)**	**(10.8)**
		0.5	**0.6**	**20.2**	**21.3**
Balance at 31 December 2014		**5.2**	**33.1**	**95.3**	**133.6**

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
		Company Attributable to equity holders of the parent			
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		–	–	0.2	0.2
Share-based payments	24	–	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

Consolidated and parent company cash flow statements

for the year ended 31 December

	Notes	Group		Company	
		2014 £m	2013 £m	**2014 £m**	2013 £m
Cash flows from operating activities					
Profit/(loss) before taxation		**25.2**	22.0	**33.5**	(7.7)
Adjustments for:					
Foreign exchange differences	3	**(4.4)**	0.3	**(0.4)**	–
Depreciation of property, plant and equipment	3, 10	**2.9**	2.2	**0.9**	0.6
Depreciation of investment property	3, 11	**0.1**	–	**0.1**	–
Share-based payment expense	21	**1.4**	1.0	**0.8**	0.6
Gain on sale of property, plant and equipment		**–**	(0.2)	**–**	–
Amortisation of intangibles	3, 12	**0.1**	0.5	**–**	–
Impairment of intangibles	3, 12	**0.2**	–	**–**	–
Impairment of investments		**0.2**	–	**0.2**	–
Difference between pension contributions paid and amount recognised in the income statement		**(1.9)**	(2.2)	**(1.9)**	(2.2)
Finance revenue	3	**(0.7)**	(0.7)	**(52.8)**	(10.3)
Finance costs	3	**–**	0.1	**–**	–
Other finance costs – pensions	3	**0.2**	0.5	**0.2**	0.5
Increase in inventories	17	**(0.5)**	–	**–**	–
Decrease/(increase) in trade and other receivables		**6.0**	(7.2)	**(32.2)**	11.5
Increase in bonus accrual		**14.8**	8.5	**4.1**	3.7
Increase in trade and other payables		**0.8**	2.5	**3.0**	3.8
Increase in provisions	20	**1.0**	0.2	**1.0**	0.2
Cash generated/(utilised) from operations		**45.4**	27.5	**(43.5)**	0.7
Income tax (paid)/received		**(7.6)**	(4.7)	**2.5**	0.8
Net cash flow from operating activities		**37.8**	22.8	**(41.0)**	1.5
Cash flows from investing activities					
Interest received		**0.5**	0.5	**0.2**	0.3
Purchase of property, plant and equipment	10	**(1.8)**	(1.6)	**–**	–
Proceeds from sale of investments		**–**	0.1	**–**	–
Proceeds from sale of property, plant and equipment		**0.1**	0.4	**–**	–
Purchase of investments		**(0.2)**	–	**–**	–
Transfer to current investments (funds on deposit)	15	**(0.1)**	–	**(0.1)**	(12.1)
Acquisition of subsidiaries, including deferred consideration	12, 16	**(4.5)**	(6.6)	**–**	(0.6)
Cash acquired on acquisitions	12	**0.5**	3.2	**–**	–
Dividends received from investments		**0.2**	0.2	**52.6**	10.0
Net cash flow from investing activities		**(5.3)**	(3.8)	**52.7**	(2.4)
Cash flows from financing activities					
Dividend paid	9	**(10.8)**	(9.6)	**(10.8)**	(9.6)
Proceeds from shares issued (net of transaction costs)	23, 24	**30.6**	–	**30.6**	–
Net cash flow from financing activities		**19.8**	(9.6)	**19.8**	(9.6)
Net increase/(decrease) in cash and cash equivalents		**52.3**	9.4	**31.5**	(10.5)
Cash and cash equivalents at 1 January		**96.9**	89.4	**0.6**	11.1
Net foreign exchange differences		**3.7**	(1.9)	**–**	–
Cash and cash equivalents at 31 December	18	**152.9**	96.9	**32.1**	0.6

Notes to the financial statements

1 Corporate information

The group and parent company financial statements of Clarkson PLC for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 6 March 2015. Clarkson PLC is a Public Limited Company, listed on the London Stock Exchange, registered in England and Wales and domiciled in the UK.

The 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 2014.

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 term 'underlying' excludes the impact of the exceptional item and acquisition costs.

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 'exceptional item' represents the additional rent and onerous lease provision. The column 'acquisition costs' includes the amortisation of intangible assets, the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on acquisitions and acquisition-related professional fees. These notes form an integral part of the financial statements on pages 68 to 72.

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 profit for the parent company for the year was £36.4m (2013: £5.7m loss).

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 2014:

- IFRS 10, 'Consolidated financial statements' (endorsed as effective annual periods beginning on or after 1 January 2014) – this standard identifies the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements.
- Amendments to IFRSs 10, 11 and 12 on transition guidance (endorsed as effective annual periods beginning on or after 1 January 2014) – these amendments also provide additional transition relief in IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- Amendments to IAS 32 on financial instruments asset and liability offsetting (effective annual periods on or after 1 January 2014) – this amendment updates the application guidance in IAS 32, 'Financial instruments: presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective annual periods on or after 1 January 2014) – these amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to IAS 39 'Financial instruments: recognition and measurement', on novation of derivatives and hedge accounting (effective annual periods on or after 1 January 2014) – these amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.

2 Statement of accounting policies continued

The group has assessed the impact of the above changes as being not material to these financial statements.

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

New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2014 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.

- Amendment to IAS 19 regarding defined benefit plans
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'
- IFRS 15 'Revenue from contracts with customers'
- IFRS 9 'Financial instruments'
- Amendments to IFRS 9, 'Financial instruments', regarding general hedge accounting

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

Trade receivables are amounts due from customers in the ordinary course of business. Trade receivables are classified as current assets if collection 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 assets.

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.

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.

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.

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 acquisition 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 are expensed in the income statement as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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 Statement of accounting policies continued

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.

2.10 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, taking into account the purpose for which the financial assets were acquired. Where allowed and appropriate, the group 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. They are included in non-current assets unless the investment matures within 12 months of the end of the reporting period. 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.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

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).

The social security contributions payable in connection with the grant of the share options is considered an integral part of the grant itself, and the charge will be treated as a cash-settled transaction.

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, except when applying the merger relief provision of the Companies Act 2006.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

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 recognised in the consolidated statement of comprehensive income 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 is recognised in the consolidated statement of comprehensive income.

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, where there is an intention to settle the balances on a net basis.

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

	2014 £m	2013 £m
Revenue		
Rendering of services	**213.6**	185.4
Rental income	**3.7**	3.7
Sale of goods	**20.6**	8.9
	237.9	198.0
Finance revenue		
Bank interest income	**0.5**	0.5
Income from available-for-sale financial assets	**0.2**	0.2
	0.7	0.7
Finance costs		
Other interest	**–**	(0.1)
	–	(0.1)
Other finance costs – pensions		
Net benefit charge	**(0.2)**	(0.5)
	(0.2)	(0.5)

Operating profit
Operating profit from continuing operations is stated after charging/(crediting):

	2014 £m	2013 £m
Depreciation	**3.0**	2.2
Amortisation and impairment of intangible assets	**0.3**	0.5
Operating leases – land and buildings	**6.6**	6.5
Net foreign exchange (gains)/losses	**(4.4)**	0.3

Auditors' remuneration	2014 £000	2013 £000
Fees payable to the company's auditor for the audit of the company's and group financial statements	**98**	101
Fees payable to the company's auditor and its associates for other services:		
The auditing of financial statements of subsidiaries of the company	**200**	201
Audit-related assurance services	**40**	40
Taxation compliance services	**47**	45
Taxation advisory services	**175**	117
All other services	**871**	82
	1,431	586

In 2014, the level of non-audit fees exceeded audit fees which was mainly due to professional services provided by the auditor's firm in respect of the Platou acquisition. The audit committee therefore expects the level of such non-audit fees will fall in 2015, as set out in the audit committee report on page 59.

Employee compensation and benefits expense	2014 £m	2013 £m
Wages and salaries	**130.3**	112.6
Social security costs	**13.2**	12.7
Expense of share-based payments	**1.4**	1.0
Pension costs – defined contribution plans	**3.0**	3.0
	147.9	129.3

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 51.

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

	2014	2013
Broking	**785**	761
Financial	**62**	59
Support	**149**	94
Research	**83**	75
	1,079	989

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	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Broking	**183.4**	160.3	**34.1**	27.5
Financial	**15.5**	11.6	**(1.4)**	(3.3)
Support	**31.9**	19.7	**4.0**	3.1
Research	**10.4**	9.7	**3.5**	3.0
	241.2	201.3		
Less: property services revenue arising within the group, included under support	**(3.3)**	(3.3)		
Segment revenue/results	**237.9**	198.0	**40.2**	30.3
Head office costs			**(6.9)**	(5.4)
Operating profit before exceptional items and acquisition costs			**33.3**	24.9
Exceptional items			**(1.6)**	(1.0)
Acquisition costs			**(7.0)**	(2.0)
Operating profit after exceptional items and acquisition costs			**24.7**	21.9
Finance revenue			**0.7**	0.7
Finance costs			**–**	(0.1)
Other finance costs – pensions			**(0.2)**	(0.5)
Profit before taxation			**25.2**	22.0
Taxation			**(8.0)**	(6.7)
Profit for the year			**17.2**	15.3

Business segments

	Assets		Liabilities	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Broking	**162.7**	142.3	**72.5**	61.9
Financial	**15.3**	14.8	**4.6**	2.7
Support	**27.0**	26.6	**9.4**	8.9
Research	**8.8**	8.6	**3.5**	3.5
Segment assets/liabilities	**213.8**	192.3	**90.0**	77.0
Unallocated assets/liabilities	**75.7**	42.4	**32.2**	20.0
	289.5	234.7	**122.2**	97.0

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 and impairment	
	Property, plant and equipment 2014 £m	**Intangible assets 2014 £m**	Property, plant and equipment 2013 £m	Intangible assets 2013 £m	**2014 £m**	2013 £m	**2014 £m**	2013 £m
Broking	**0.3**	**–**	0.4	–	**0.6**	0.6	**0.1**	0.5
Financial	**0.1**	**–**	0.1	–	**0.1**	0.1	**0.2**	–
Support	**1.4**	**0.4**	1.1	1.6	**2.3**	1.5	**–**	–
	1.8	**0.4**	1.6	1.6	**3.0**	2.2	**0.3**	0.5

Geographical segments – by origin of invoice

	Revenue	
	2014 £m	2013 £m
Europe, Middle East and Africa*	**176.3**	141.0
Americas	**26.5**	28.8
Asia Pacific	**35.1**	28.2
	237.9	198.0

Geographical segments – by location of assets

	Non-current assets**	
	2014 £m	2013 £m
Europe, Middle East and Africa*	**47.2**	47.8
Americas	**2.4**	2.2
Asia Pacific	**1.1**	1.4
	50.7	51.4

*Includes revenue for the UK of £146.7m (2013: £115.1m) and non-current assets for the UK of £44.6m (2013: £41.7m).
**Non-current assets exclude deferred tax assets.

5 Exceptional items

2014

In June 2014, Clarkson PLC signed a 15 year lease on a new flagship head office at Commodity Quay, St. Katharine Docks, London, commencing on 29 September 2014. The existing lease for St. Magnus House, London expires in December 2015. An onerous lease provision of £0.7m for St. Magnus House and the additional rent charge for Commodity Quay of £0.9m have been treated as an exceptional item.

2013

During 2013, the decision was made to restructure the cost base of Clarkson Capital Markets, which included the closure of the Dubai operation. This led to an exceptional charge of £1.0m.

6 Acquisition costs

Included in acquisition costs are cash and share-based payment charges of £2.8m (2013: £1.3m) and interest of £nil (2013: £0.1m) relating to acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period.

Also included is £4.0m (2013: £nil) of legal and professional fees relating to the Platou acquisition, £0.1m (2013: £0.2m) of legal and professional fees relating to the Ewings acquisition, and £0.1m (2013: £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:

	2014 £m	2013 £m
Current tax		
Tax on profits for the year	8.4	7.2
Adjustments in respect of prior years	1.0	(0.2)
	9.4	7.0
Deferred tax		
Origination and reversal of temporary differences	(1.3)	(0.7)
Impact of change in tax rates	(0.1)	0.4
	(1.4)	(0.3)
Total tax charge in the income statement	8.0	6.7

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

	2014 £m	2013 £m
Current tax		
Employee benefits – on pension benefit liability	(0.4)	(0.6)
– other employee benefits	(1.1)	(2.5)
Other items in equity	–	(0.4)
	(1.5)	(3.5)
Deferred tax		
Employee benefits – on pension benefit liability	(1.7)	2.0
– other employee benefits	1.0	(0.2)
Foreign currency hedge	(0.8)	0.5
	(1.5)	2.3
Total tax credit in the statement of changes in equity	(3.0)	(1.2)

Reconciliation of tax charge

The tax charge in the income statement for the year is higher (2013: higher) than the average standard rate of corporation tax in the UK of 21.49% (2013: 23.25%). The differences are reconciled below:

	2014 £m	2013 £m
Profit before taxation	25.2	22.0
Profit at UK average standard rate of corporation tax of 21.49% (2013: 23.25%)	5.4	5.1
Effects of:		
Expenses not deductible for tax purposes	2.5	1.4
Non-taxable income	–	(0.1)
(Lower)/higher tax rates on overseas earnings	(0.9)	0.6
Tax losses recognised	0.4	(0.4)
Adjustments relating to prior year	0.6	(0.1)
Adjustments relating to changes in tax rates	(0.1)	0.4
Other adjustments	0.1	(0.2)
Total tax charge in the income statement	8.0	6.7

The standard rate of corporation tax in the UK decreased from 23% to 21% with effect from 1 April 2014. Accordingly, the UK's profits for this accounting period are taxed at an effective rate of 21.49%.

Deferred tax

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

	2014 £m	2013 £m
Employee benefits – on pension benefit liability	–	(0.3)
– other employee benefits	(1.3)	(0.9)
Tax losses recognised	0.4	0.9
Other temporary differences	(0.5)	–
Deferred tax credit in the income statement	**(1.4)**	(0.3)

Deferred tax included in the balance sheet is as follows:

	Group		Company	
	2014 £m	2013 £m	2014 £m	2013 £m
Deferred tax asset				
Employee benefits – on pension benefit liability	2.1	0.4	2.1	0.4
– other employee benefits	10.4	10.0	2.9	3.0
Tax losses	0.5	0.9	–	–
Other temporary differences	2.0	1.2	0.7	0.4
	15.0	12.5	5.7	3.8
Deferred tax liability				
Unremitted earnings of overseas subsidiaries	(1.1)	(1.1)	–	–
Foreign currency contracts	–	(0.8)	–	–
Intangible assets recognised on acquisition	(0.1)	(0.1)	–	–
Other temporary differences	(0.8)	(0.5)	–	–
	(2.0)	(2.5)	–	–

Included in the above are deferred tax assets of £4.8m (2013: £3.6m) and deferred tax liabilities of £nil (2013: £0.6m) which are due within one year. Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

All deferred tax movements arise from the origination and reversal of temporary differences. The group did not recognise a deferred tax asset of £0.8m (2013: £0.5m) in respect of unused tax losses, which have no expiry date.

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:

	2014 £m	2013 £m
Profit for the year attributable to ordinary equity holders of the parent	**17.2**	15.3

	2014	2013
Weighted average number of ordinary shares (excluding share purchase trusts' shares) for basic earnings per share	**18,685,243**	18,604,169
Dilutive effect of share options	**89,349**	62,224
Dilutive effect of performance share awards	**250,018**	244,025
Dilutive effect of acquisition-related shares	**137,499**	107,444
Weighted average number of ordinary shares (excluding share purchase trusts' shares) adjusted for the effect of dilution	**19,162,109**	19,017,862

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 120,895 (2013: 164,905).

9 Dividends

	2014 £m	2013 £m
Declared and paid during the year:		
Final dividend for 2013 of 37p per share (2012: 33p per share)	**6.9**	6.2
Interim dividend for 2014 of 21p per share (2013: 19p per share)	**3.9**	3.4
Dividend paid	**10.8**	9.6
Proposed for approval at the AGM (not recognised as a liability at 31 December):		
Final dividend for 2014 proposed of 39p per share (2013: 37p per share)	**11.7**	6.9

10 Property, plant and equipment

31 December 2014

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 2014	4.7	1.8	17.9	1.2	25.6
Additions	0.1	0.1	1.5	0.1	1.8
Arising on acquisitions	–	–	0.5	0.1	0.6
Disposals	–	–	(0.1)	(0.3)	(0.4)
At 31 December 2014	4.8	1.9	19.8	1.1	27.6
Accumulated depreciation					
At 1 January 2014	1.1	1.1	14.4	0.5	17.1
Charged during the year	0.1	0.2	2.4	0.2	2.9
Disposals	–	–	(0.1)	(0.2)	(0.3)
Foreign exchange differences	–	–	0.2	–	0.2
At 31 December 2014	1.2	1.3	16.9	0.5	19.9
Net book value at 31 December 2014	3.6	0.6	2.9	0.6	7.7

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

10 Property, plant and equipment continued

31 December 2014

	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 2014	**1.9**	**0.5**	**6.9**	**9.3**
Accumulated depreciation				
At 1 January 2014	**0.3**	**0.4**	**5.8**	**6.5**
Charged during the year	**–**	**0.1**	**0.8**	**0.9**
At 31 December 2014	**0.3**	**0.5**	**6.6**	**7.4**
Net book value at 31 December 2014	**1.6**	**–**	**0.3**	**1.9**

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

11 Investment property

31 December 2014	**Group and company £m**
Cost	
At 1 January and 31 December 2014	**0.6**
Accumulated depreciation	
At 1 January 2014	**0.2**
Charged during the year	**0.1**
At 31 December 2014	**0.3**
Net book value at 31 December 2014	**0.3**

Clarkson PLC's freehold property, Hamilton Barr House, was valued on 31 December 2014 by Mr S P Wainwright FRICS, for and on behalf of J Peiser Wainwright Real Estate Advisors. The fair value of the investment property at 31 December 2014 was £0.7m (2013: £0.6m). The valuation was on the basis of fair value as defined by IFRS 13, assuming that the property would be sold subject to any existing leases. The valuer's opinion of fair value was primarily derived using comparable recent market transactions on arms-length terms. J Peiser Wainwright has acted for the group since 2004 and in accordance with their policy, the valuer is rotated every three years and this is the second successive year Mr S P Wainwright has been signatory on this valuation.

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

12 Intangible assets

31 December 2014

	Intangibles £m	Goodwill £m	Group Total £m
Cost			
At 1 January 2014	7.8	52.2	60.0
Additions	–	0.4	0.4
Foreign exchange differences	–	0.1	0.1
At 31 December 2014	7.8	52.7	60.5
Accumulated amortisation and impairment			
At 1 January 2014	7.7	12.1	19.8
Charged during the year	0.1	–	0.1
Impairment	–	0.2	0.2
At 31 December 2014	7.8	12.3	20.1
Net book value at 31 December 2014	–	40.4	40.4

31 December 2013

	Intangibles £m	Goodwill £m	Group 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

Acquisitions
2014
On 12 June 2014, the group acquired 100% of the share capital of Belfast-based port agent Michael F. Ewings (Shipping) Limited (Ewings), via its port and agency business, Clarkson Port Services Limited (CPS).

The acquisition extends the geographic coverage of CPS, for vessel agency, broking and supply logistics into Northern Ireland and enables CPS to broaden its services to existing and new customers.

The goodwill of £0.4m is attributable to the acquired team and the synergies that will arise as part of the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

Consideration is payable in cash totalling £1.4m. On the acquisition date £1.1m was paid, the remaining £0.3m was paid by January 2015.

In addition, a further £0.6m will be payable in cash to key employees contingent on them remaining in employment for three years. An additional sum up to £0.5m will also be payable in three years subject to the same service conditions and Ewings achieving certain earnings targets over the three years. For both of the above, the cost will be charged to the consolidated income statement over the service period.

Acquisition costs of £0.1m have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2014.

12 Intangible assets continued

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

Recognised amounts of identifiable assets acquired and liabilities assumed:	£m
Property, plant and equipment*	**0.6**
Trade and other receivables	**3.1**
Cash and cash equivalents	**0.5**
Total assets	**4.2**
Trade and other payables	**3.0**
Income tax payable	**0.2**
Total liabilities	**3.2**
Total identifiable net assets	**1.0**
Goodwill	**0.4**
Total consideration payable in cash	**1.4**

* £0.3m fair value adjustment made on acquisition.

The revenue included in the consolidated income statement since 12 June 2014 contributed by Ewings was £0.7m. Ewings contributed profit of £0.1m over the same period.

Had Ewings been consolidated from 1 January 2014, the consolidated income statement would show revenue of £238.7m and profit before taxation, the exceptional item and acquisition costs, of £34.1m. This information is not necessarily indicative of the 2014 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.

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 was paid in cash totalling £7.4m. On the acquisition date, £6.2m was paid, the remaining £1.2m was paid 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 2015 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 costs of £0.2m were 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 have shown revenue of £206.8m and profit before taxation, the exceptional item 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 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:

	2014 £m	2013 £m
Dry bulk chartering	**12.0**	12.0
Container chartering	**1.8**	1.8
Specialised chartering	**12.2**	12.2
Gas chartering	**2.7**	2.7
Sale and purchase broking	**5.4**	5.2
Investment services	**–**	0.2
Port and agency services	**3.0**	2.7
Research services	**3.3**	3.3
	40.4	40.1

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 12% (2013: 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% (2013: 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. Accordingly, no reasonably possible change is foreseen which gives rise to an impairment of goodwill.

14 Trade and other receivables

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Non-current				
Other receivables	**0.4**	0.4	**–**	–
Prepayments and accrued income	**–**	0.1	**–**	0.1
	0.4	0.5	**–**	0.1
Current				
Trade receivables	**32.6**	33.2	**–**	–
Foreign currency contracts	**–**	4.3	**–**	–
Other receivables	**4.6**	3.2	**–**	–
Prepayments and accrued income	**5.5**	4.5	**0.3**	–
Owed by group companies	**–**	–	**44.6**	13.2
	42.7	45.2	**44.9**	13.2

As at 31 December 2014, the company did not provide for related party receivables (2013: £7.2m). 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 2014, group trade receivables at nominal value of £9.9m (2013: £9.7m) 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 (2013: none).

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

	Group	
	2014 £m	2013 £m
At 1 January	**9.7**	12.2
Provision release	**(3.5)**	(6.2)
Written off	**(0.9)**	(1.4)
New provision	**4.0**	5.2
Foreign exchange differences	**0.6**	(0.1)
At 31 December	**9.9**	9.7

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	
	2014 £m	2013 £m
Neither past due nor impaired	**29.7**	30.0
Past due not impaired > 90 days	**2.9**	3.2
	32.6	33.2

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

	Group	
	2014 £m	2013 £m
US dollar	**24.4**	26.6
Sterling	**7.1**	6.0
Other currencies	**1.1**	0.6
	32.6	33.2

15 Investments

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Non-current				
Available-for-sale financial assets	**1.9**	1.8	**–**	0.2
Current				
Funds on deposit	**25.3**	25.2	**25.3**	25.2

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 £25.3m in deposits with a maturity of 95 days at the year-end. These deposits are held with an A-rated financial institution.

16 Investments in subsidiaries

	Company	
	2014 £m	2013 £m
Cost at 1 January	**54.0**	53.9
Recapitalisation of existing subsidiary	**–**	0.6
Capital contribution recharged to subsidiary	**–**	(0.5)
Cost at 31 December	**54.0**	54.0

During 2013 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 2013 to a subsidiary.

17 Inventories

	Group	
	2014 £m	2013 £m
Finished goods	**1.4**	0.9

The cost of inventories recognised as an expense and included in cost of sales amounted to £9.8m (2013: £3.1m).

18 Cash and cash equivalents

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Cash at bank and in hand	**150.8**	95.4	**32.1**	0.6
Short-term deposits	**2.1**	1.5	**–**	–
	152.9	96.9	**32.1**	0.6

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 £152.9m (2013: £96.9m).

19 Trade and other payables

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Current				
Trade payables	**12.4**	9.5	**–**	–
Other payables	**1.4**	1.3	**0.4**	–
Owed to group companies	**–**	–	**5.9**	4.5
Other tax and social security	**2.6**	4.5	**–**	–
Deferred consideration	**2.1**	2.5	**–**	–
Accruals and deferred income	**83.7**	67.7	**12.9**	9.9
	102.2	85.5	**19.2**	14.4
Non-current				
Other payables	**1.7**	1.0	**0.7**	–
Deferred consideration	**0.1**	0.3	**–**	–
	1.8	1.3	**0.7**	–

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	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Current				
At 1 January	**–**	–	**–**	–
Transferred from non-current	**2.0**	–	**2.0**	–
Arising during the year	**1.0**	–	**1.0**	–
At 31 December	**3.0**	–	**3.0**	–
Non-current				
At 1 January	**2.0**	1.8	**2.0**	1.8
Transferred to current	**(2.0)**	–	**(2.0)**	–
Arising during the year	**–**	0.2	**–**	0.2
At 31 December	**–**	2.0	**–**	2.0

Provisions have been recognised for the dilapidation of various leasehold premises and the onerous lease on St. Magnus House, see note 5.

21 Share-based payment plans

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Expense arising from equity-settled share-based payment transactions	**1.4**	1.0	**0.8**	0.6

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2014 or 2013.

Share options

Long Term Incentive Plan (LTIP)

Details of the LTIP are included in the directors' remuneration report on page 46. Awards made to the directors are given in the directors' remuneration report on page 53. 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 ShareSave 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 2014	**WAEP**	**Granted in year**	**Lapsed in year**	**Exercised in year**	**Outstanding at 31 December 2014**	**WAEP**	**Exercisable at 31 December 2014**	**WAEP**
LTIP	**411,581**	**–**	**46,082**	**(27,953)**	**(61,810)**	**367,900**	**–**	**184,868**	**–**
2012 SAYE	**132,955**	**10.82**	**–**	**(13,210)**	**–**	**119,745**	**10.82**	**–**	**–**
2013 SAYE	**18,964**	**13.03**	**–**	**(1,338)**	**–**	**17,626**	**13.03**	**–**	**–**
2014 SAYE	**–**	**–**	**81,792**	**(3,577)**	**–**	**78,215**	**21.11**	**–**	**–**
Other options	**40,000**	**9.91**	**–**	**–**	**–**	**40,000**	**9.91**	**40,000**	**9.91**
	603,500		**127,874**	**(46,078)**	**(61,810)**	**623,486**		**224,868**	

	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	

The contractual life of the outstanding options is between one and ten years.

Other employee incentives

During the year, 243,784 shares (2013: 189,915 shares) at a weighted average price of £25.04 (2013: £16.04) were awarded to employees in settlement of 2013 (2012) cash bonuses. There was no expense in 2014 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 2014 charge in relation to these awards is £0.4m (2013: £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 prepared 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 valuation of the Plowrights scheme showed a pension deficit of £2.9m as at 31 March 2013.

It has been 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.

The group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility
The scheme liabilities are calculated using a discount rate set with reference to corporate bond yields; if scheme assets underperform this yield, this will create a deficit. Both schemes hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

Changes in bond yields
A decrease in corporate bond yields will increase scheme liabilities, although this will be partially offset by an increase in the value of the schemes' bond holdings.

Inflation risk
Some of the group pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the schemes' assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy
The majority of the schemes' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the schemes' liabilities.

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	
	2014 £m	2013 £m
Fair value of schemes' assets	163.0	152.7
Present value of funded defined benefit obligations	(173.3)	(153.6)
	(10.3)	(0.9)
Minimum funding requirement in relation to the Plowrights scheme	–	(0.9)
Benefit liability recognised in the balance sheet	**(10.3)**	(1.8)

A deferred tax asset on the above recognised liability amounting to £2.1m (2013: £0.4m) is shown in note 7.

Recognised in the income statement

	Group and company	
	2014 £m	2013 £m
Expected return on schemes' assets	6.9	5.9
Interest cost on benefit obligation and minimum funding requirement	(7.0)	(6.3)
Service cost	(0.1)	(0.1)
Net benefit charge recognised in other finance costs – pensions	**(0.2)**	(0.5)

Recognised in the statement of comprehensive income

	Group and company	
	2014 £m	2013 £m
Actual return on schemes' assets	17.1	14.4
Less: expected return on schemes' assets	(6.9)	(5.9)
Actuarial gains on schemes' assets	10.2	8.5
Actuarial losses on defined benefit obligations	(21.4)	(3.0)
Actuarial (losses)/gains recognised in the statement of comprehensive income	(11.2)	5.5
Tax credit/(charge) on actuarial (losses)/gains	2.3	(1.3)
Minimum funding requirement in relation to the Plowrights scheme	0.9	0.4
Tax charge on minimum funding requirement	(0.2)	(0.1)
Net actuarial (losses)/gains on employee benefit obligations	**(8.2)**	4.5
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	**(26.5)**	(15.3)

Schemes' assets

The assets of the schemes are made up as follows:

	Group and company			
	%	2014 £m	%	2013 £m
Equities	47.4	77.2	46.2	70.5
Government bonds	34.3	55.9	35.5	54.2
Corporate bonds	13.4	21.9	12.5	19.1
Property	3.7	6.0	3.5	5.3
Cash and other assets	1.2	2.0	2.3	3.6
	100.0	163.0	100.0	152.7

22 Employee benefits continued

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

	Group and company	
	2014 £m	2013 £m
At 1 January	**152.7**	144.0
Expected return on assets	**6.9**	5.9
Contributions	**1.9**	1.9
Service costs	**(0.1)**	(0.1)
Insurance income for insured pensioners	**0.1**	0.2
Benefits paid	**(8.7)**	(7.7)
Actuarial gains	**10.2**	8.5
At 31 December	**163.0**	152.7

The group expects, based on the valuations and funding requirements including expenses, to contribute £1.9m to its defined benefit pension schemes in 2015 (2014: £1.9m).

Defined benefit obligations

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

	Group and company	
	2014 £m	2013 £m
At 1 January	**153.6**	152.1
Interest costs	**7.0**	6.2
Actuarial losses	**21.4**	3.0
Benefits paid	**(8.7)**	(7.7)
At 31 December	**173.3**	153.6

The principal valuation assumptions are as follows:

	Group and company	
	2014 %	2013 %
Rate of increase in pensions in payment	**2.80 – 3.00**	3.10 – 3.40
Price inflation (RPI)	**3.20**	3.60
Price inflation (CPI)	**2.20**	2.90
Discount rate for scheme liabilities	**3.40**	4.60

The mortality assumptions used to assess the defined benefit obligation at 31 December 2014 and 31 December 2013 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	
		2014 Additional years	2013 Additional years
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	**24.4**	24.3
	– female	**25.6**	25.5
Pensioners retiring in twenty years' time	– male	**26.1**	26.0
	– female	**27.5**	27.4

Historical comparative information

	Group and company				
	2014 £m	2013 £m	2012* £m	2011 £m	2010 £m
Fair value of schemes' assets	**163.0**	152.7	144.0	138.0	131.9
Defined benefit obligations	**(173.3)**	(153.6)	(152.1)	(141.0)	(132.7)
Unrecognised asset	**–**	–	–	(1.1)	–
Minimum funding requirement	**–**	(0.9)	(1.3)	(2.5)	–
Benefit liability	**(10.3)**	(1.8)	(9.4)	(6.6)	(0.8)
Experience adjustments on schemes' assets	**10.2**	8.5	3.4	1.9	6.6
Experience adjustments on schemes' liabilities	**(21.4)**	1.4	–	(0.3)	0.8

* Restated for the effects of IAS 19 (revised).

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	+0.5%	–8.0%
	–0.5%	+8.6%
Price inflation (RPI)	+0.5%	+6.6%
	–0.5%	–5.7%

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligation by 4.2%.

23 Share capital

	Group and company			
Ordinary shares of 25p each:	**2014 Number**	2013 Number	**2014 £m**	2013 £m
At 1 January	**18,984,691**	18,984,691	**4.7**	4.7
Additions	**1,613,698**	–	**0.5**	–
At 31 December	**20,598,389**	18,984,691	**5.2**	4.7

On 27 November 2014, the company placed 1,613,698 ordinary shares in the capital of the company, raising gross proceeds of £31.5m. The proceeds of £30.6m, net of £0.9m transaction costs, are shown in the statement of changes in equity.

24 Other reserves

31 December 2014 — Group

	Share premium £m	ESOP reserve £m	Employee benefits reserve £m	Capital redemption reserve £m	Hedging reserve £m	Currency translation reserve £m	Merger reserve £m	Total £m
At 1 January 2014	**27.8**	**(6.1)**	**3.6**	**2.0**	**3.4**	**5.0**	**–**	**35.7**
Total comprehensive income	**–**	**–**	**–**	**–**	**(3.4)**	**1.5**	**–**	**(1.9)**
Net ESOP shares utilised	**–**	**0.7**	**–**	**–**	**–**	**–**	**–**	**0.7**
Share-based payments	**–**	**–**	**1.0**	**–**	**–**	**–**	**–**	**1.0**
Share issues	**–**	**–**	**–**	**–**	**–**	**–**	**30.1**	**30.1**
Transfer	**–**	**–**	**–**	**–**	**–**	**–**	**(30.1)**	**(30.1)**
At 31 December 2014	**27.8**	**(5.4)**	**4.6**	**2.0**	**–**	**6.5**	**–**	**35.5**

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 2014 — Company

	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Merger reserve £m	Total £m
At 1 January 2014	**27.8**	**2.7**	**2.0**	**–**	**32.5**
Share-based payments	**–**	**0.6**	**–**	**–**	**0.6**
Share issues	**–**	**–**	**–**	**30.1**	**30.1**
Transfer	**–**	**–**	**–**	**(30.1)**	**(30.1)**
At 31 December 2014	**27.8**	**3.3**	**2.0**	**–**	**33.1**

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

Nature and purpose of other reserves

ESOP reserve – group

The ESOP reserve in the group represents 411,920 shares (2013: 514,246 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 2014 was £7.8m (2013: £10.3m). At 31 December 2014 none of these shares were under option (2013: none). During the year the share purchase trusts acquired 215,082 shares at a weighted average price of £26.10 (2013: 339,914 shares at £17.65).

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.

Merger reserve – group and company
This comprises the premium on the share placing in November 2014. No share premium is recorded in the financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

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 a life of between 1 and 15 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.

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

	Group		Company	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Within one year	**6.6**	6.6	**4.3**	4.3
After one year but not more than five years	**11.0**	7.9	**8.0**	4.3
After five years	**34.9**	0.6	**34.5**	–
	52.5	15.1	**46.8**	8.6

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 2014 is £3.5m (2013: £7m).

Contingencies
The group and company have given no financial commitments to suppliers (2013: none).

The group and company have given no guarantees (2013: 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.

The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

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 2014 and 2013, 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; based on experience and ongoing market information about the credit-worthiness of counterparties, we reasonably expect to collect all amounts unimpaired. 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.

26 Financial risk management objectives and policies continued

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 2014

					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	13.8	–	–	1.7	15.5
Deferred consideration	–	0.1	2.0	0.1	2.2
Provisions	–	–	3.0	–	3.0
	13.8	0.1	5.0	1.8	20.7

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

The company has undiscounted provisions totalling £3.0m (2013: £2.0m) which are payable in 3 to 12 months (2013: 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 90% 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
2014	**5%**	**1.4**	**3.1**
	(5%)	**(1.3)**	**(2.8)**
2013	5%	1.3	3.2
	(5%)	(1.1)	(2.9)

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 2014 £m	Assets 2013 £m
Foreign currency contracts	**–**	4.3

At 31 December 2014 the group had US$100m outstanding forward contracts due for settlement in 2015 and 2016 (2013: US$80m for settlement in 2014 and 2015).

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.

		Group	Company
	Increase in basis points	**Effect on profit before taxation £m**	**Effect on profit before taxation £m**
2014			
Sterling	**100**	**0.6**	**0.3**
US dollars	**100**	**0.5**	**–**
2013			
Sterling	100	0.6	0.3
US dollars	100	0.4	–

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.

During the year, the company placed 1,613,698 ordinary shares in the capital of the company. See note 23 for further details.

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 2014 and 31 December 2013.

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	
	2014 Level 2 £m	2013 Level 2 £m
Assets		
Foreign currency contracts	**–**	4.3

27 Financial instruments continued

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

Financial assets

								Group
				2014				2013
	Hedging instruments £m	Available for sale £m	Loans and receivables £m	Total £m	Hedging instruments £m	Available for sale £m	Loans and receivables £m	Total £m
Other receivables	–	–	5.0	5.0	–	–	3.6	3.6
Investments	–	1.9	25.3	27.2	–	1.8	25.2	27.0
Trade receivables	–	–	32.6	32.6	–	–	33.2	33.2
Foreign currency contracts	–	–	–	–	4.3	–	–	4.3
Cash and cash equivalents	–	–	152.9	152.9	–	–	96.9	96.9
ESOP reserve	–	5.4	–	5.4	–	6.1	–	6.1
	–	7.3	215.8	223.1	4.3	7.9	158.9	171.1

						Company
			2014			2013
	Available for sale £m	Loans and receivables £m	Total £m	Available for sale £m	Loans and receivables £m	Total £m
Owed by group companies	–	44.6	44.6	–	13.2	13.2
Investments	–	25.3	25.3	0.2	25.2	25.4
Cash and cash equivalents	–	32.1	32.1	–	0.6	0.6
	–	102.0	102.0	0.2	39.0	39.2

Financial liabilities

				Group
		2014		2013
	Amortised cost £m	Total £m	Amortised cost £m	Total £m
Trade payables	12.4	12.4	9.5	9.5
Other payables	3.1	3.1	2.3	2.3
Other tax and social security	2.6	2.6	4.5	4.5
Deferred consideration	2.2	2.2	2.8	2.8
Accruals	80.5	80.5	64.5	64.5
Provisions	3.0	3.0	2.0	2.0
	103.8	103.8	85.6	85.6

				Company
		2014		2013
	Amortised cost £m	Total £m	Amortised cost £m	Total £m
Other payables	1.1	1.1	–	–
Owed to group companies	5.9	5.9	4.5	4.5
Accruals	12.9	12.9	9.9	9.9
Provisions	3.0	3.0	2.0	2.0
	22.9	22.9	16.4	16.4

28 Related party transactions

The group did not enter into any related party transactions during the year.

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	
	2014 £m	2013 £m
Management fees charged	**1.8**	0.9
Dividends received	**52.6**	10.0
Provision for impairment of receivables	**–**	(7.2)

Balances with subsidiaries at 31 December were as follows:

	Company	
	2014 £m	2013 £m
Amounts owed by related parties	**44.6**	13.2
Amounts owed to related parties	**(5.9)**	(4.5)

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 51. Share-based payments relating to the Clarkson PLC directors during the year amounted to £0.8m (2013: £0.6m).

29 Post balance sheet event

On 2 February 2015, the group completed the acquisition of RS Platou ASA (Platou).

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

Total consideration is £281.1m, of which 8.34% (£23.4m) of cash was paid, and 75.00% (£210.9m) of consideration shares were issued, on completion. The outstanding consideration of 16.66% (£46.8m) is payable in loan notes.

Acquisition costs included in administration expenses in the consolidated income statement for the year ended 31 December 2014 amounted to £4.0m.

The process of fair valuing the Platou business has not been completed at the date of these financial statements. As a result, the group is currently unable to disclose the following information regarding the acquisition:

- the gross contractual amount, fair value amount, or estimated contractual cash flows not expected to be collected of/from the receivables acquired;
- the amounts recognised as of the acquisition date for each major class of assets and liabilities acquired/assumed;
- the existence of or the values relating to any contingent liabilities recognised in accordance with IAS 37 on acquisition; and
- the amount of goodwill acquired and the amount of goodwill that is expected to be deductible for tax purposes.

The unaudited results for the Platou group for the 12 months ended 31 December 2014 are set out below:

Continuing operations	**2014 £m (unaudited)**
Revenue	**115.3**
Administrative expenses	**(87.7)**
Operating profit	**27.6**
Finance revenue	**2.1**
Finance costs	**(1.4)**
Other finance costs	**(0.6)**
Profit before taxation	**27.7**
Taxation	**(7.5)**
Profit for the period	**20.2**
Minority interest	**(2.0)**
Retained profit	**18.2**

On a constant currency basis the retained profit increased by 6.4% from the previous year.

30 Subsidiaries

The group had the following principal subsidiaries at 31 December 2014:

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
	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
Egypt	Clarkson Shipping Agency*	48
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
	Clarkson CSL 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 or its associates.
†Held by Clarkson PLC.
∆Incorporated in the Marshall Islands.

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 respective company's 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.
AG	Arabian Gulf
AHTS	Anchor Handling Tug and Supply vessel. Used to tow offshore drilling and production units to location and deploy their anchors, and also perform a range of other support roles.
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	A 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	A 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 tonne. A measure expressed in metric tonnes (1,000 kg) or long tonnes (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.
FFA	Forward Freight Agreement. 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.
FPSO	Floating Production, Storage and Offloading unit. Used offshore for the production and processing of hydrocarbons in remote deepwater areas.
Freight rate	The agreed charge for the carriage of cargo expressed per tonne of cargo (also Worldscale in the tanker market) or as a lump sum.
Handysize	Bulk carrier size range defined by Clarksons as 10-40,000 dwt or tanker size range defined by Clarksons as 10-60,000 dwt.
Handymax	Bulk carrier size range defined by Clarksons as 40-65,000 dwt. Includes supramax and ultramax vessels.
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.
LR1	Long Range 1. Coated products tanker defined by Clarksons as 60,000-80,000 dwt.
LR2	Long Range 2. Coated products tanker defined by Clarksons as 80,000-120,000 dwt.
MGC	Mid-sized Gas Carrier. Vessel defined by Clarksons as 20-40,000 cbm.
MLP	Master Limited Partnership. A limited partnership that is publicly traded on a securities exchange.
MOA	Memorandum of Agreement.
MR	Medium Range. A product tanker of around 45-60,000 dwt.
NGL	Natural gas liquids.
OBO	Oil, Bulk, Ore carrier (see combination carrier).
Oil tanker	Tanker carrying crude oil or refined oil products.
OPEC	Organisation of the Petroleum Exporting Countries.
OSV	Offshore Support Vessels. Such as AHTSs and PSVs. Ships engaged in providing support to offshore rigs and oil platforms.
OTC	Over the counter. Directly between two parties, without any supervision of an exchange.
Panamax	Bulk carrier size range defined by Clarksons as 65-100,000 dwt or tanker size range defined as 60-80,000 dwt. Containership size range defined as vessels 3,000+ TEU capable of transiting the Panama Canal.
Parcel tanker	Tanker equipped to carry several types of cargo simultaneously.
Product tanker	Tanker that carries refined oil products.
PSV	Platform Supply Vessel. Used in supporting offshore rigs and platforms by delivering materials to them from onshore.
Reefer	A vessel capable of handling refrigerated cargoes such as meat, fish and fruit.
Ro-Ro	Ship with roll-on roll-off ramps for wheeled or tracked cargo.
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.
SOx/NOx	Sulphur Oxides/Nitrogen Oxides. A ship's emissions of which are subject to regulatory limits.
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 sub-sector of the wider handymax bulk carrier fleet defined by Clarksons as 50-65,000 dwt.
TEU	20-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.
Tonne	Imperial/Metric tonne of 2,240 lbs/1,000 kilos (2,204 lbs).
ULCC	Ultra Large Crude Carrier. Tanker of more than 320,000 dwt.
Ultramax	A modern sub-sector of the wider handymax bulk carrier fleet, definded by Clarksons as 60-65,000 dwt.
VLCC	Very Large Crude Carrier. Tanker over 200,000 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 tonne 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

	2014* £m	2013* £m	2012*† £m	2011* £m	2010 £m
Revenue	**237.9**	198.0	176.2	194.6	202.6
Cost of sales	**(13.3)**	(6.2)	(6.3)	(3.4)	(8.0)
Trading profit	**224.6**	191.8	169.9	191.2	194.6
Administrative expenses	**(191.3)**	(166.9)	(150.8)	(161.0)	(160.1)
Operating profit	**33.3**	24.9	19.1	30.2	34.5
Profit before taxation	**33.8**	25.1	20.0	32.2	32.4
Taxation	**(8.7)**	(6.9)	(6.0)	(9.5)	(8.9)
Profit for the year	**25.1**	18.2	14.0	22.7	23.5

* Before exceptional items and acquisition costs.
†Restated for the effects of IAS 19 (revised).

Cash flow

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Net cash inflow/(outflow) from operating activities	**37.8**	22.8	(4.4)	7.2	42.3

Balance sheet

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Non-current assets	**65.7**	63.9	65.2	63.5	56.1
Inventories	**1.4**	0.9	–	–	–
Trade and other receivables (including income tax receivable)	**44.2**	47.8	33.5	38.1	28.9
Current asset investments	**25.3**	25.2	25.2	–	11.4
Cash and cash equivalents	**152.9**	96.9	89.4	132.9	176.3
Current liabilities	**(108.1)**	(89.4)	(72.2)	(99.9)	(149.9)
Non-current liabilities	**(14.1)**	(7.6)	(15.1)	(11.3)	(6.4)
Net assets	**167.3**	137.7	126.0	123.3	116.4

Statistics

	2014	2013	2012	2011	2010
Earnings per share – basic	**134.2p***	98.0p*	74.8p*	121.5p*	125.4p
Dividend per share	**60p**	56p	51p	50p	47p

* Before exceptional items and acquisition costs.

Previously published unaudited financial information

Certain unaudited financial information was included in the class 1 circular to shareholders issued by the company on 27 November 2014 (the circular) and the prospectus issued by the company on 17 December 2014 (the prospectus). Unaudited financial information is contained in the following sections of those documents: Results of operations of the former Platou group (pages 45 to 48 of the circular); Historical financial information relating to the Platou group (pages 61 to 104 of the circular); Operating and financial review for the Clarksons group (pages 52 to 68 of the prospectus) and Capitalisation and indebtedness (pages 72 to 73 of the prospectus), and the documents incorporated by reference into the prospectus. This unaudited financial information is available on the company's website (www.clarksons.com). For the purposes of Listing Rule 9.2.18(2), there is no difference between such unaudited financial information and the actual figures as at the relevant dates.

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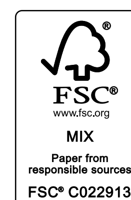

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Thank you.

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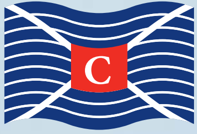

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