Rethinking Our Industry

Clarkson PLC Annual Report 2017

Clarkson PLC

Clarksons is the world's leading provider of integrated shipping services

Through our 'best in class' offer, we bring unique industry connections and expertise to our ever-wider and increasingly diverse client base across all sectors of the shipping and offshore industries, providing unrivalled professionalism and support in the markets in which they operate.

Revenue	Underlying profit before taxation	Reported profit before taxation	Dividend per share
£324.0m	£50.2m	£45.4m	73p
2016: £306.1m	2016: £44.8m	2016: £47.3m	2016: 65p

Contents

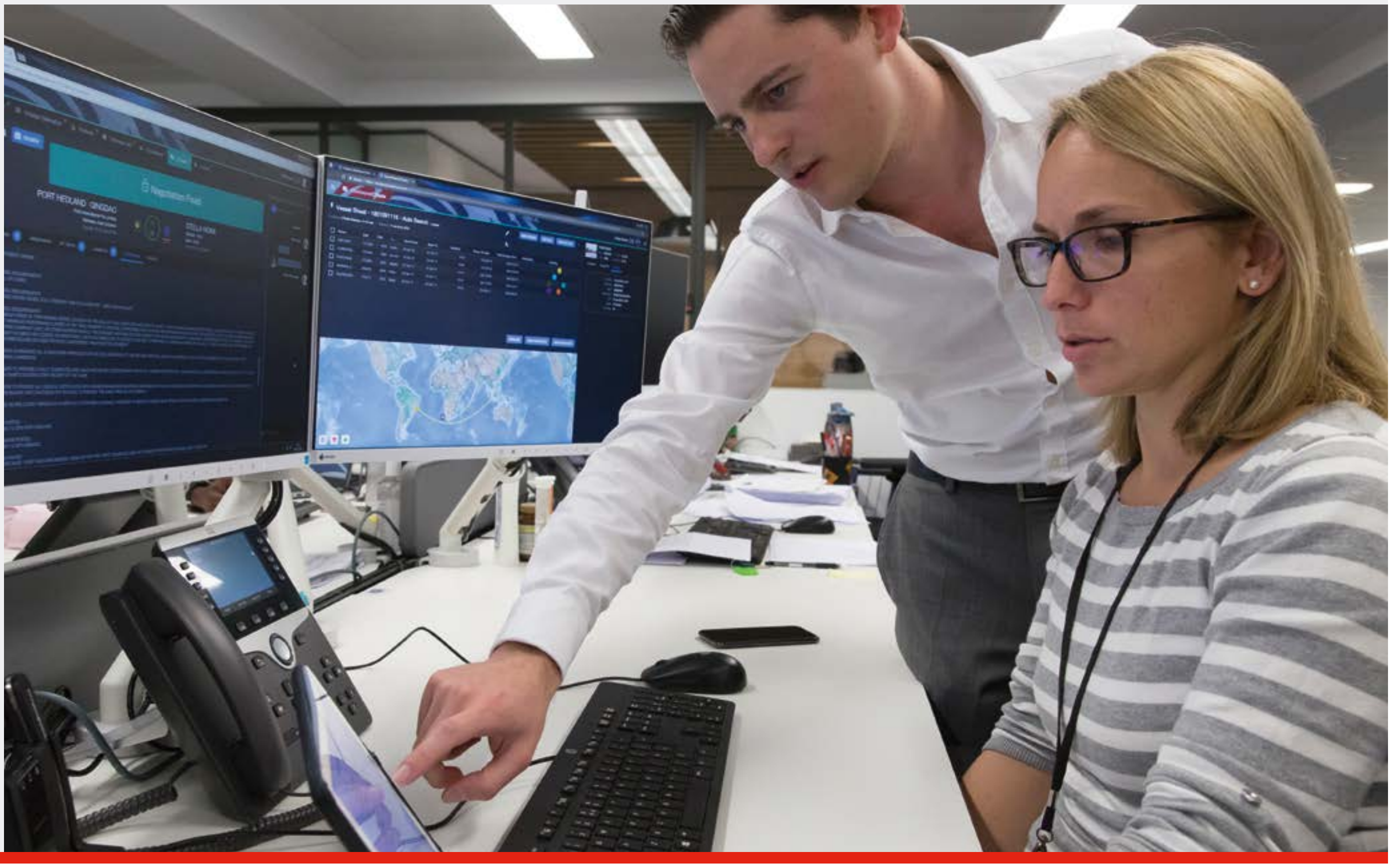
Please visit www.clarksons.com for more information.

RETHINKING OUR INDUSTRY

As economies advance and global trade evolves, Clarksons remains at the forefront of the industry; committed to innovation, driven by ambition and focused on the future.

To be successful is to constantly adapt, embrace change, invest in our capabilities and innovate new technologies whilst continuing to provide an unrivalled service to our clients.

We never stop rethinking our industry.



ERIK HELBERG
CHIEF EXECUTIVE OFFICER OF
CLARKSONS PLATOU SECURITIES

> "We operate at the forefront of a dynamic shipping market, where our dedication to innovation ensures we set new industry standards and continue to provide our clients with an unrivalled service."

EVOLVING OUR OFFER

Our marketplace is continually changing.

As industry leaders, it is our responsibility to set the benchmark for best practice standards.

We continue to grow the business profitably in line with our strategy, whilst ensuring that our efforts are centred around an ethos of excellence, evolution, innovation and expansion.

For more information on our market context see pages 14 to 15.

Group at a glance

As the world's leading provider of integrated shipping services, we work with our clients to achieve their business objectives across all aspects of this complex and dynamic industry.

Our business

Broking

Clarksons' broking 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.

For more information on broking see pages 22 to 32.

Financial

From full investment banking services to project finance and the arrangement of dedicated finance solutions for the shipping, offshore and natural resources markets, we help our clients fund transactions and conclude deals that would often be impossible via other, more traditional routes.

For more information on financial see pages 33 to 35.

Support

Our teams provide the highest levels of support with 24/7 attendance at a wide range of strategically located ports in the UK and Egypt, offering port services support, agency, freight forwarding, supplies and tools for the marine and offshore industries.

For more information on support see pages 36 to 37.

Research

Clarksons Research is the market leader in providing timely and authoritative information on all aspects of shipping. We provide data on over 140,000 vessels, 7,000 offshore fields, 40,000 companies and 700 shipyards as well as extensive trade and commercial data and over 100,000 time series.

For more information on research see pages 38 to 39.

The strategic report on pages 1 to 54 was approved by the Board and signed on its behalf by:

Jeff Woyda
Chief Financial Officer and Chief Operating Officer

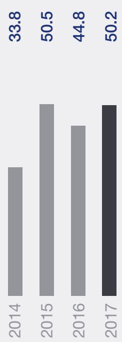
9 March 2018

2017 financial highlights

Revenue

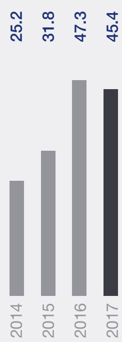
£324.0m
↑6%

Underlying profit before taxation



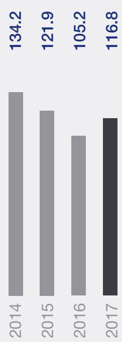
£50.2m
↑12%

Reported profit before taxation



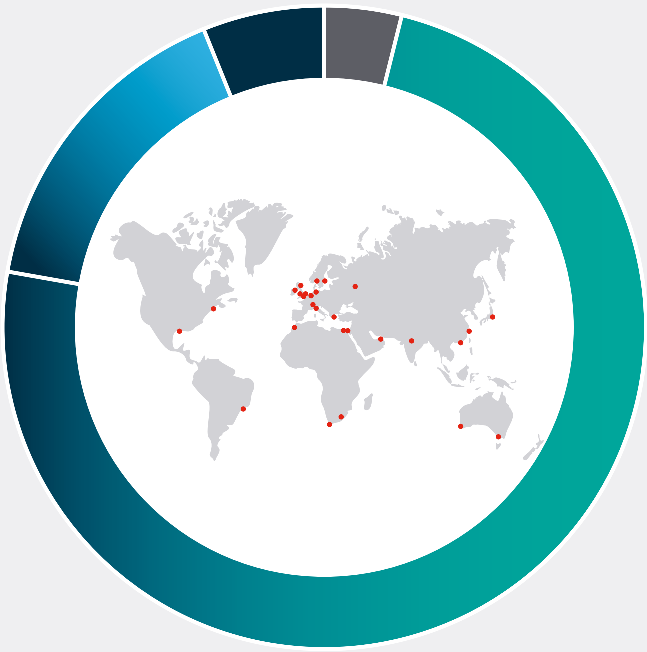
£45.4m
↓4%

Underlying earnings per share



116.8p
↑11%

2017 revenue



6%

- Port and agency services
- Tools and supplies
- Stevedoring
- Freight forwarding and logistics

4%

- Digital
- Consultancy
- Valuations
- Reports

16%

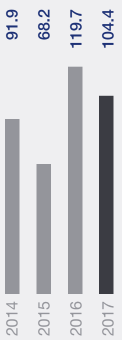
- Securities
- Project finance
- Structured asset finance

74%

- Dry cargo
- Containers
- Tankers
- Specialised products
- Gas
- LNG
- Sale and purchase
- Offshore
- Futures

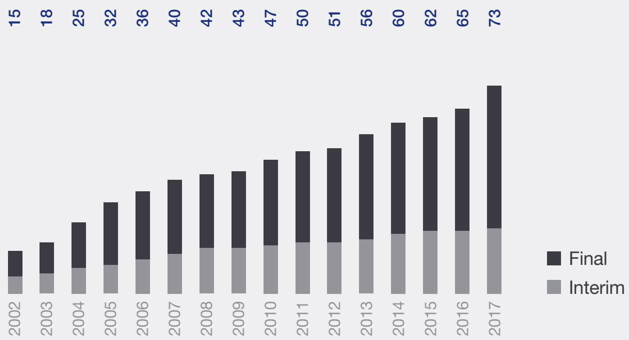
Years	Countries	Offices	Employees
166	22	48	1,546

Reported earnings per share



104.4p
↓13%

Dividend per share



73p
15 years' progressive dividend

Alternative performance measures (APMs)

Clarksons uses APMs as key financial indicators to assess the underlying performance of the Group. Management considers the APMs used by the Group to better reflect business performance and provide useful information.

Our APMs include underlying profit before taxation and underlying earnings per share.

An explanation of the term 'underlying' and related calculations are included within the financial review on page 40.

For more information see the financial review on pages 40 to 41.

EXPANDING OUR BUSINESS

We are committed to investing in, and developing, our talented global workforce.

Our ability to hire and retain the best new talents, as well as the industry's most experienced professionals, enables us to deliver 'best in class' service across every sector of the market, whilst our growing office network offers a valuable local service alongside our global offering.

For more information on our corporate social responsibility see pages 48 to 54.

"We are committed to developing the best talent to drive forward our unique and evolving offering across our global network."

BOB KNIGHT
CHIEF OPERATING OFFICER OF BROKING

Chair's review

JAMES HUGHES-HALLETT
CHAIR

> As the shipping markets begin to show signs of recovery, the strength and depth of our global expertise has enabled us to consolidate our market-leading position.

Overview

This year the shipping market has displayed some early signs of a recovery following a sustained period of challenging trading conditions for the industry. Despite ongoing headwinds in certain sectors, the strengthening of the broader global economy during 2017 has boosted the shipping market, highlighted within dry cargo where the Baltic Dry Index ended the year 42% higher than it started. Whilst we remain cautious about the near-term direction of the industry, we are pleased to report that Clarksons has once again delivered a confident performance on the back of this wider macro-economic improvement and continues to deliver substantial value to our shareholders. Improvements across a number of divisions over the past year have been particularly pleasing, notably in the dry cargo freight market and container sector, as well as the strong performance in investment banking and project finance.

Against this backdrop, we have consolidated our position as market leader, increasing our market activity through a mixture of innovation, investment and a continued commitment to providing a 'best in class' offering. We have made significant investments in technology over the past 12 months, ensuring that Clarksons not only remains at the forefront of the shipping industry, but continues to innovate and develop new services for our clients.

Our position at the heart of the shipping industry has been built over 166 years, based on a fundamental dedication to our clients, and providing them with a unique, tailored service that offers an unrivalled understanding of the sector.

As market leaders, we have an opportunity to set new benchmarks for best practice in the sector and to create and shape the next generation of broking, banking, market analysis and technology. This has been a key area of focus for Clarksons in 2017 and we are very pleased with the progress we have made during the year. Clarksons continues to pioneer new ways of doing business in the shipping industry and is well positioned to capitalise on this investment in 2018 and beyond.

Results

Underlying profit before taxation was £50.2m (2016: £44.8m). Reported profit before taxation was £45.4m (2016: £47.3m).

Underlying earnings per share was 116.8p (2016: 105.2p). Reported earnings per share was 104.4p (2016: 119.7p).

As explained in the financial review on page 41, free cash resources at 31 December 2017 were £54.1m (2016: £47.3m).

Dividend

Clarksons has maintained its impressive dividend record this year, having increased it every year since 2002. In line with this progressive dividend policy, the Board is recommending a final dividend of 50p (2016: 43p). Coupled with the interim dividend of 23p (2016: 22p), the resulting full year dividend is up 12% to 73p (2016: 65p), making it the 15th consecutive year of dividend growth.

The dividend will be payable on 1 June 2018 to shareholders on the register at 18 May 2018, subject to shareholder approval.

Clarksons remains a highly cash-generative business and, following the repayment of the outstanding loan notes during 2017, is now debt-free with a strong balance sheet. The current state of our markets means that there are a number of exciting opportunities for growth and the creation of shareholder value, which remains our primary goal. The Board intends to capitalise on these opportunities as a priority, whilst continuing to hold firm to our progressive dividend policy.

People

Our colleagues and their hard work and expertise are at the centre of Clarksons' continued success, and underpin our commitment to providing a 'best in class' global offering. We have continued to invest in and develop talent throughout 2017, as seen by the opening of new offices in Tokyo and Seoul, the hiring of a number of key individuals globally across many business lines and the extension of banking activities into convertible bonds and broking activities into wet FFAs. We take our position as the leading sector employer very seriously, and are committed to continually setting new industry benchmarks of excellence. I would like to thank all our colleagues for their hard work and dedication in 2017.

Board

Peter Backhouse, Senior Independent Director, and I have been interviewing prospective successors for Ed Warner on the Board and as Chair of the remuneration committee, and expect to be able to announce a new appointment to the Board this year. When a suitable candidate is found, Ed will retire from the Board and as Chair of the remuneration committee, having served nine years as an independent Non-Executive Director.

Outlook

The near-term future for the shipping markets remains mixed, but we have seen improvements in a number of our markets and are beginning to see the first signs of a broader industry turnaround. Clarksons remains well positioned for an industry upturn given our strong financial position, unrivalled sector expertise and the continual development of innovative client offerings across the sector.

James Hughes-Hallett
Chair

9 March 2018

> We are raising the bar and delivering simplified, transparent end-to-end IT solutions for the shipping market, adding value to every freight transaction, constantly optimising customer experience.

RICHARD WHITE
HEAD OF TECHNOLOGY

PIONEERING OUR TECHNOLOGY

We recognise the need to embrace and use technology to pioneer new ways of doing business in the shipping industry.

Through our significant investment into digital solutions and the first class teams behind them, we are shaping the next generation of shipping technology to complement, rather than replace, existing business processes.

For more information on our business review see pages 22 to 39.

Our business model

Resources and relationships

Financial
We are listed on the London Stock Exchange. We have a strong balance sheet, no bank borrowings and net cash available to fund the growth of the business.

Market insight
Our research and analysis teams produce and validate data, analysis, key insights and valuations across all sectors of shipping and offshore and are acknowledged as market leaders.

Technology
Our in-house technology team allows us to continually develop and improve our suite of platforms and software. It allows for more informed commercial decisions to be made, insight to be easily shared and interaction between brokers and clients optimised. In doing so, we improve our own operational efficiency and continue to deliver a 'best in class' service.

People
Our people are our most important asset across all parts of the business and we aim to recruit and retain the best in the industry.

Clients
We work ethically and build strong client relationships where our knowledge builds trust.

Stakeholder value

Shareholders
We continue to provide shareholders with increasing dividends whilst maintaining a good financial standing and strong balance sheet.

Clients
By ensuring that our clients receive the best information through a range of innovative technological solutions, we provide them with the tools they need to make key business decisions.

People
Our skills and knowledge ensure that world trade continues to flow in the most effective manner, that countries receive the raw materials to build and develop and people have the food and goods they need.

Commodity/service providers and their end users
As an essential part of the global supply chain, we have the necessary skills and information at our fingertips to ensure we know what commodities need moving to where and when, as well as the best solutions for this.

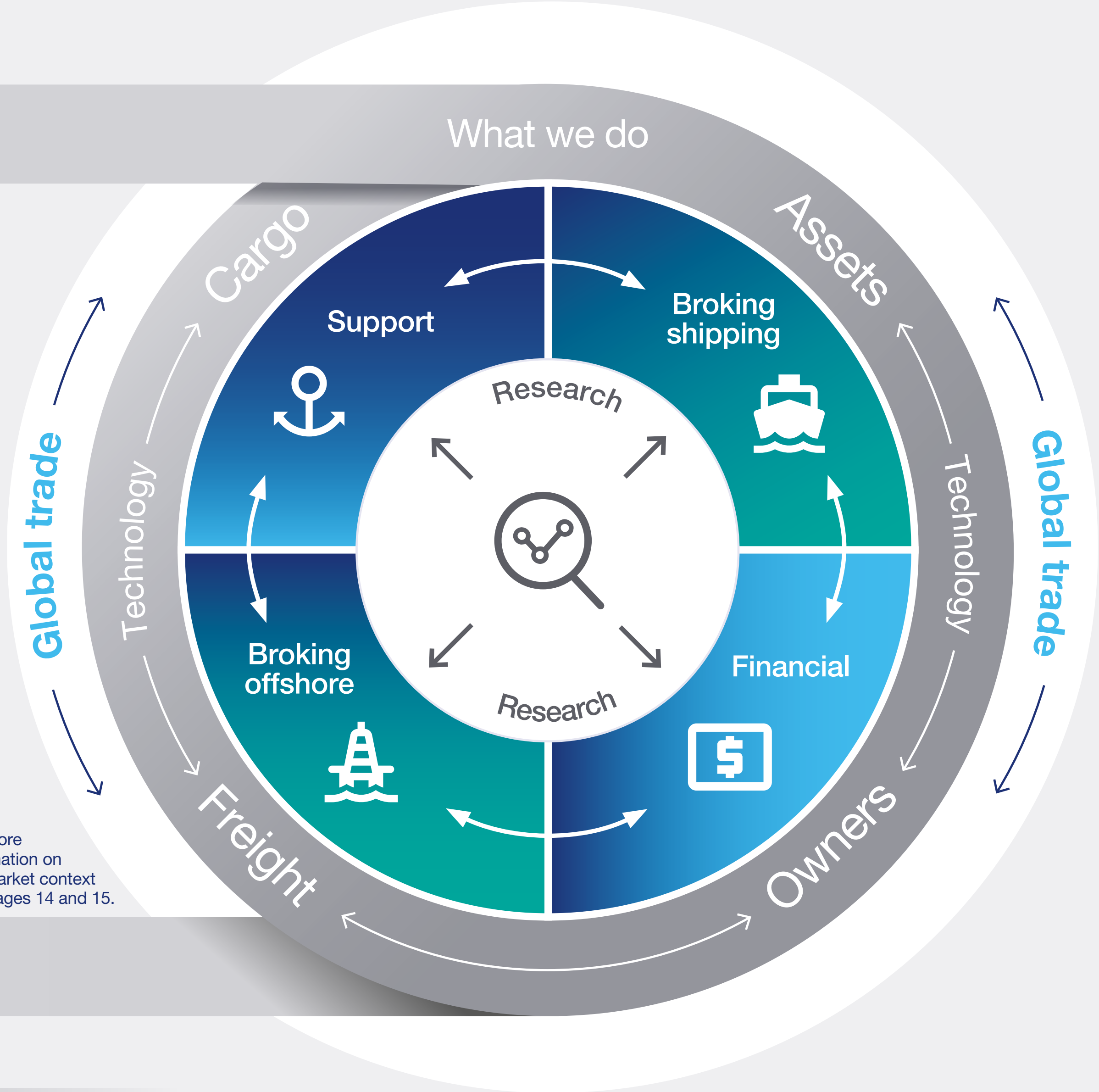
73p
dividend per share

50,000+
vessel positions updated each day

1,546
employees

145,000+
vessels in the world fleet

Underpinned by our values, our integrated business model provides the platform for an unrivalled level of service and information that enables trade and creates long-term value.



For more information on our market context see pages 14 and 15.

Our values

Integrity

Clarksons is a business built on long-term relationships and trust. Our clients and other stakeholders have always known that we will 'do the right thing'. We say what we mean and stand by those words, taking responsibility for our actions at all times.

Excellence

Second best has no place at Clarksons. We aim to excel in every way – helping our clients achieve their objectives, no matter how challenging, by applying our unrivalled breadth, reach, experience and expertise to each project. We deliver innovative solutions to complex problems and our challenge is to exceed our clients' expectations at all times, on every aspect of every project.

Fairness

Every person and business we encounter is treated equally. We are fair to our clients, in the terms we propose and the level of service each party can expect, and fair to our own people. As a PLC, we consistently reinvest profits in training and development, even through the downturns, supporting every member of Clarksons to fulfil their potential.

Transparency

Like many of our clients, we are a publicly listed company and we share many of the same drivers, challenges and concerns. Our PLC status requires that we adhere to high standards of governance throughout the Company.

Our market context

ENABLING GLOBAL TRADE

The complex dynamics and multi-cyclical nature of the shipping and offshore markets means that Clarksons' leadership position across each and every sector, and its integrated model of consultancy and execution, linked to financing and analytics, provides a unique resilience throughout the economic cycles…

Over the past 20 years, the capacity of the world's shipping fleet has grown by over 150% as the shipping industry has expanded to meet its crucial role in servicing global trade.

While accelerated fleet growth since the financial crisis created surplus and depressed rates, every fleet segment within which Clarksons operates has seen material expansion, with the bulk carrier fleet more than doubling in the past ten years.

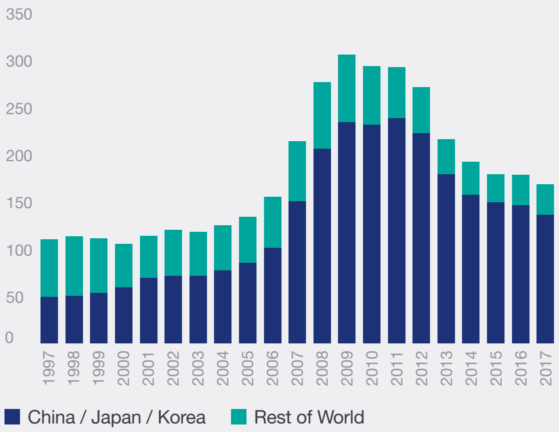
Fleet growth has begun to moderate in recent years, helping markets begin to recalibrate. Understanding the number of active shipyards and capacity reductions is a key insight that Clarksons provides to our clients.

In recent years, recycling of ships has increased, also helping markets recalibrate. New and complex environmental regulations, which Clarksons is uniquely placed to understand and explain, may put further pressure on the trading of older ships.

Financing this fleet is hugely capital intensive, with today's shipping and offshore fleet valued at US$1.2tn. The guidance that Clarksons' financial teams can provide across the rapidly evolving financial landscape is unique in the market.

> Active shipyard capacity

Number of yards, vessels >20,000 dwt



Supply

US$1.2tn
value of shipping and offshore assets

145,000
vessels and offshore assets

Clarksons' activities

Research
- World fleet register
- Shipping intelligence network
- Offshore intelligence network
- SeaNet

Financial
- Securities
- Project finance
- Structured asset finance

Broking
- Newbuilding
- Sale and purchase
- Ship recycling

Offshore sectors

Drilling
Survey
Construction
Production
Support
Renewables

Clarksons'

Demand

11.6bn mt
of seaborne trade

1.5t
of cargo per person globally

Clarksons' activities

Research
- Shipping intelligence network
- World offshore register
- Seaborne trade monitor

Support
- Agency services
- Tools and supplies
- Forwarding and logistics
- Stevedoring and warehousing

Broking
- Shipping
- Commodities
- Offshore

services

Dry cargo
Tankers
Specialised products
Gas
Containers
Specialist

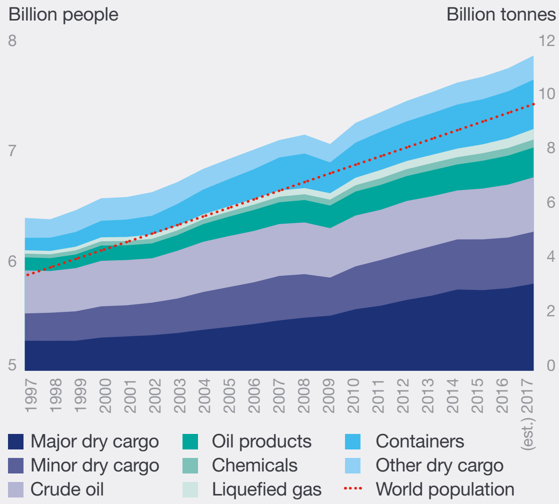
Shipping sectors

Shipping plays a vital role in facilitating global trade, with 85% of all trade moved by sea. World seaborne trade reached 11.6bn tonnes in 2017, almost double that at the turn of the millennium, and more than treble that of the mid-1980s. At the same time, the world's population has continued to expand, helping drive urbanisation, consumer activity and global energy demand.

In addition to these underlying mega-trends, seaborne trade per capita is also on the rise. In 1990, 0.8 tonnes of cargo was shipped for every person on the planet; by 2017 this figure stands at more than double, at 1.5 tonnes of cargo shipped per person. In 2017, seaborne trade grew at its fastest rate since 2012.

With population growth momentum expected to continue for decades and emerging economies likely to increase their requirements for goods and raw materials that shipping transports securely and efficiently, Clarksons are well placed to take advantage of these underlying long-term market fundamentals.

World seaborne trade



Chief Executive Officer's review

ANDI CASE
CHIEF EXECUTIVE OFFICER

> "As the shipping industry evolves, our commitment to hiring the best talent and investing in technology continues to drive growth and provides our clients with market-leading intelligence and innovative tools for trade."

I am pleased to report another strong performance from Clarksons in 2017 as the business achieved revenue of £324.0m, representing growth of 6%.

Through our commitment to differentiate our offering by innovating and constantly developing our capabilities, we have reinforced our position at the forefront of the shipping industry and delivered another year of profitable growth, resulting in a 15th consecutive year of dividend growth for our shareholders.

The continued overall recalibration of the shipping markets is a positive sign to the markets. However, movement in sectoral demand/supply balances have once again shown how reactive the individual markets are to such balances. The rising cost of steel and currency movements have led to the continued slowing of fleet growth through lower levels of newbuildings. This, together with reasonable levels of end of life recycling enabled by high scrap steel prices, are key factors in changing the demand/supply imbalance, which in turn supports an improvement in rates and asset values in a number of sectors.

The sector showing most improvement was the dry cargo market, evidenced by the strong recovery in the Baltic Dry Index, although some of these gains were tempered by other sectors such as deep sea tankers and LPG which saw continued deliveries into already fully supplied markets. Overall in 2017, the average of the ClarkSea Index, which measures earnings for most of the main vessels in bulk shipping, was 14% higher than last year.

As shipping represents in the order of 85% of world trade, we must always remain cautious of geo-political and macro-economic factors. We start 2018, as we did 2017, with lower forward visibility of earnings from a lower forward order book. This reflects both the reduced levels of newbuilding orders and lower period business done in the market in recent times, as highlighted last year. Nevertheless, spot volumes and rates have been improving, which during 2017 more than offset the lower forward order book brought forward, and produced increased revenue across the business.

We continue to place great emphasis on ensuring we are the advisors of choice across all of our divisions. This strategy of diversification and being 'best in class' in all verticals has served us well and should be a driver for growth as more of our markets see better times.

Overall, the broking teams enjoyed a successful year as, generally, market conditions improved. Dry cargo performed significantly better during 2017, with spot earnings reaching the highest level in five years, and following a protracted downturn, the offshore markets started to see some signs of renewed interest following the sustained strengthening of the oil price during the second half. There were also improvements seen in the specialised products and futures markets, with the secondhand sale and purchase team having a particularly strong year.

Clarksons Research had another year of strong revenue growth as it continues to establish itself as the market-leading provider of intelligence and data across the shipping, trade, offshore and energy markets. 2017 was a period of focused investment in new products and technologies, which muted profit growth, but will provide an improved platform for the future. Our clients recognise the invaluable contribution that Clarksons' trusted intelligence can provide in both helping them to set strategy and enabling fast and effective short-term decision-making.

The financial division performed strongly during the year. Clarksons Platou Securities completed an increased number of corporate transactions, including high profile activity in the equity and debt capital markets, continued activity in restructurings and a number of M&A transactions. The successful roll out of our metals and mining business during 2017 and the recent addition of a convertible bond team further adds to the extensive services we are able to deliver to our clients. The project finance market has also seen increased activity, particularly in the real estate sector, where our team in Oslo have been both busy and effective, and the dry cargo and container sectors, where clients are looking to benefit from the long awaited upturn.

> I am encouraged by the positive momentum in the market, with Clarksons well positioned to deliver long-term growth and returns for our investors.

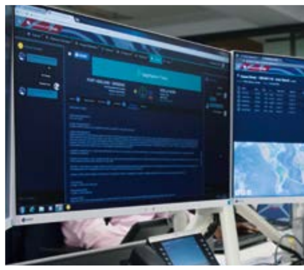
The port services team has had another profitable year, having benefited as the year unfolded from the upturn in activity in the oil and gas industry. The team has continued to expand into new markets and has made several hires, strengthening its offering.

As global trade evolves, we recognise the need to constantly innovate and improve to strengthen further our leading position in the sector. During the year, Clarksons has focused particularly on driving digital change, investing in developing digital solutions and pioneering innovative technology to shape the shipping industry and complement our existing business. Whilst it is early days, I am delighted to report increasing adoption of the Clarksons Cloud platform, both internally, where our teams are benefiting hugely from improved information flows and tools to help decision-making and improved connectivity to clients, and externally, where a number of high profile clients have adopted our tools, particularly through our collaboration in launching Recap Manager with the London Tanker Brokers’ Panel, and more generally through our operations platform, Gateway.

What sets us apart

We are constantly looking at how we can increase shareholder value by reinvesting in our business – whether this is in broadening our range of services, growing our global reach, attracting and retaining the best staff or the unique range of technological solutions we offer.

In 2017 we welcomed **over 200 new employees** to Clarksons, globally.



Continuous investment in technology which is transforming the transaction lifecycle.

Unique research capability, providing insights on all aspects of shipping, trade and commercial trends to inform effective decision-making.

Despite industry-leading technology investment, in the second half of the year, as announced to the market, Clarksons was subject to a cyber security incident. The team responded rapidly and decisively and whilst the eventual impact on the business was minimal, and at no time was the Clarksons Cloud impacted, we have put in place extensive additional security measures to best prevent a similar incident happening in the future.

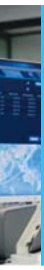
A leading edge offering across finance, broking, research, support and technology must be delivered by a first class team, and we have continued to invest in the best talent globally as we strive to deliver 'best in class' service to all our clients. Our office network has grown further to include offices in Japan and Korea as we continue to supplement our global capabilities with local expert knowledge. In addition, we have made a number of key hires in dry cargo, securities, structured asset finance, futures, port services, IT, data collection and operations. I would like to thank all of our employees for their hard work and dedication to Clarksons' success during 2017.

We are encouraged by the rebalancing of supply and demand we are seeing across the shipping industry, with activity levels picking up across a number of our key markets. The strengthening of the oil price in the second half of 2017 has been particularly beneficial to the offshore markets, whilst our financial teams have also profited from an improved economic outlook in both shipping and offshore. Increasing levels of industrial production and continued infrastructure spend in some of the world's major economies provide further momentum for growth in the medium-term.

Clarksons remains at the forefront of the shipping industry and our investment in cutting edge digital solutions will enable us to offer our clients a unique and innovative platform to support their business needs. Our commitment to providing 'best in class' service, combined with our global reach and unrivalled market insights, has enabled us to deliver another year of profitable growth and market share gains and positions us well for the coming year.

Andi Case
Chief Executive Officer

9 March 2018



Evolving the integrated service model offering bespoke solutions to clients.

20%
of employees across the globe have completed more than
10
years' service.

Skills-based training is open to clients, junior brokers, analysts and operators, across a range of office locations.

As well as experienced hires, we're committed to training and developing school leavers and graduates. We have an excellent track record of attracting young people.

52%
of the workforce is aged
<35

Strong, debt-free balance sheet and consistent dividend growth.

£54.1m
free cash resources, as defined in the financial review on page 41.

Our strategy

Our **purpose** is to maintain and extend our industry leadership.

Our **mission** is to grow value for our shareholders, building on our strong financial performance and supporting our progressive dividend policy by maintaining and developing our position as the world's leading shipping services Group.

Strategic pillars

Breadth

Expanding our breadth to better tailor our integrated offer

With an industry-leading range of products and services that span the maritime and financial markets, we are uniquely positioned to deliver bespoke commercial solutions to all our clients. 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.

Reach

Extending our reach to support clients globally

Our global presence enables us to meet client needs wherever and whenever they arise. With 48 offices in 22 countries, and growing, we share understanding, culture, IT systems and high standards of corporate governance across our business.

Understanding

Stronger understanding of clients' needs

Our client base ranges from oil majors, raw material producers, other multinationals and long-established shipowning families. We have worked with many of our clients for generations, building a deep understanding of their businesses and providing the services that have helped them to prosper.

Our progress in 2017

Breadth

A new team specialising in convertible bonds has been formulated and will start trading in April 2018.

Reach

Our new office in Seoul, South Korea officially opened in December 2017. Seoul is recognised as a major shipping market within Asia.

Our new office in Tokyo, Japan officially opened in April 2017. We have a long history, stretching back more than 80 years, of working with major Japanese shipping companies.

A number of smaller office openings in Egypt to better serve the local market.

Understanding

Continued investment in IT; developing and improving our portfolio of applications and tools to enhance our services to clients.

New applications are being developed and tested with a select group of clients, gaining feedback and informing future roadmaps.

People

Empowering people to fulfil their potential

We want Clarksons to be recognised as the place where the best people are empowered to do their best work. We hire the brightest talents and give them the tools to shine – including leading-edge IT systems, high quality training and development and financial reward.

Our commitment to training increased in 2017 with more skills-based training complementing the regular seminars delivered on topical industry issues and the annual ‘wet’ and ‘dry’ training courses.

Our long-established, London-based events are open to client representatives as well as junior brokers, analysts and operators and will be run in different office locations in 2018, starting in Dubai.

Trust

Maintaining trust in shipping intelligence

As the industry’s leading provider of data and market intelligence on the shipping and offshore industries, our research team is the largest commercially-led unit in the maritime world. Our database tracks over 140,000 ships and 7,000 offshore fields. Shipping Intelligence Network is viewed more than five million times per year.

Significant investment into our proprietary database continued throughout 2017, further expanding our scope and depth.

An expanded data analytics team has improved our ability to process and generate data.

Enhancements to all of our digital products were rolled out, including improved customisation and data visualisation of our systems.

Growth

Growing our business to improve performance

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 has been consistently strong and includes a progressive dividend policy that has been maintained for the last 15 years.

Free cash resources, as defined in the financial review on page 41, were 14% higher than 2016 at £54.1m, enabling an increased focus on opportunities as they arise.

Business review

Broking

Improving market conditions

In a year when the Baltic Dry Index increased by 42% and the container sector continued to make gains on 2016, our broking division delivered meaningful growth in both revenues and margins.

Revenue

£238.9m

2016: £233.6m

Segment underlying profit

£43.9m

2016: £40.2m

Forward order book for 2018

US$93m*

2016: US$112m*

* Directors' best estimate of deliverable forward order book (FOB)

Dry cargo

The dry cargo freight market performed significantly better in 2017 as seaborne trade continued to absorb excess fleet capacity. The average Baltic Dry Index was 53% higher in 2017 than in 2016, with spot earnings reaching the highest level in five years. The capesize sector rates doubled on last year's average, while the panamax sector increased by 76%, the supramax sector by 52% and the handysize sector by 46%. The stronger rates environment led the path for an increase in period rates and asset prices, particularly in secondhand values.

Newbuild deliveries slowed to a nine-year low, following a period of depressed contracting, yet a slowdown in demolition resulted in fleet expansion of 3% year-on-year. The improved earnings and market sentiment throughout 2017 led to an increase in new orders for delivery from late 2019 onwards; nevertheless the order book to fleet ratio remains at a 15-year low.

After a ten-year recessionary period following the financial crisis, world economic growth exceeded expectations in 2017. China was once again a key player during a year of economic and supply-side reforms. Its industrial production has expanded significantly since its about-turn in mid-2016, steered by the longest upturn in housing sales in more than two years. In addition, dry cargo demand was furthered by robust economic growth and strong industrial production in the majority of other nations.

Higher economic growth led to increased energy demand which outpaced the addition of new greener energies and thereby the ongoing reliance on coal. Emerging economies also continue to rely on coal as the cheapest energy form to propel economic growth. Pollution control has been a high priority, particularly in China, which focused on quality over quantity in industrial production, shifting the raw material demand to high quality minerals, which are most economical from Australia and Brazil.

The demand for grains grew alongside world GDP growth and 2017 witnessed a year of plentiful supply with record crops in most exporting countries.

Metals, minerals and mines seaborne trade

3.44bn tonnes

The demand outlook for 2018 is more conservative with uncertainties such as China's housing market, geo-politics, adverse weather conditions and stricter environmental regulations. At the same time, the slowing pace of fleet growth still indicates that the supply/demand balance will tighten by a further 1.4%, signifying a continued general improvement in rates, earnings and asset values.

The Clarksons Platou dry cargo team has expanded its global presence in 2017, with our offices strengthening on the back of growing young teams and improving quality of business concluded. Our Japan office is now established with its first full year of trading. We continue to look at key strategic hires to grow and improve our business, as all markets are giving a positive sentiment against the strong fundamentals.

Containers

2017 saw improvements in the container shipping sector, following the severely pressurised conditions of 2016. Box freight rates made further gains into 2017, having bottomed out in 2016. Although rates on some trade lanes have more recently lost some ground, 2017 saw freight rate levels on a global basis average around 20% above 2016 full year average levels, with the SCFI composite index average up 27%. Against this backdrop, charter market vessel earnings picked up from bottom of the cycle levels at the end of the first quarter. Although there has been some variation across ship sizes, in the main, the charter market held onto its gains or saw further gradual upward movements in the remainder of the year. The one-year rate for a 2,750 TEU ship stood at US$9,350 per day at the end of 2017, 55% above the level at the end of 2016, whilst the charter market 'basket' index rose by 35% on the same basis.

Demand side conditions improved further in 2017, with global trade volumes estimated to have expanded by around 5% in the full year to 191m TEU. The rate of expansion on intra-Asian trades accelerated further, growth on North-South trades bounced back more quickly than expected, and volumes on the key Transpacific and Far East-Europe trades also turned in a robust performance. Containership fleet capacity growth remained moderate, despite ongoing deliveries of 'mega-ships', with an expansion of 3.7% in 2017. Whilst some surplus remains in the sector, it appears to be much reduced, with 2% of the fleet standing idle at the end of 2017 compared to around 7% a year earlier.

Sector fundamentals look set to continue improving in 2018 with volume growth levels likely to be sustained and supply growth projected in the 4% range. Despite the first contracts for very large boxships in two years being signed in the autumn, the ordering of newbuild capacity remained relatively limited at 0.7m TEU in 2017; the order book now stands at 13% of fleet capacity. Meanwhile, record levels of containership sale and purchase activity were seen last year and consolidation of the sector remains ongoing with further merger and joint operation activity involving major operators to be concluded this year. Liner companies still face capacity management challenges and risks remain on the demand side, but in 2018 additional fundamental re-balancing could well support further market improvements.

The Clarksons Platou containers team has benefited from both a rise in sale and purchase and time charter rates, whilst at the same time adding to market share throughout our global network. Our chartering team is busy providing on and off market solutions to the liner industry as they navigate through a new and consolidated environment. The sale and purchase team has concluded significant marquee business and has provided strong support to institutional-backed sales where validation and execution are paramount. Our team continues to add to its footprint with an operational presence now in Seoul to add to our Singapore, Shanghai, Tokyo, London, Hamburg and Oslo bases.

2017 global seaborne trade in iron ore

1.5bn tonnes

Global container trade growth in 2017, reaching 192m TEU

5%

Tankers

As was anticipated, the tanker market weakened further in 2017. Clarksons' published assessments of average earnings for VLCCs, suezmaxes and aframaxes fell by 57%, 43% and 40% respectively year-on-year, to levels well below long run averages. Products tanker earnings also fell further, with Clarksons' earnings assessments for LR2s and LR1s on the key Middle East-Far East route falling by 39% and 36% respectively year-on-year, to very weak levels historically. MRs fared somewhat better; nevertheless Clarksons' published assessment of average earnings for 2017 was 16% lower year-on-year.

Crude tanker demand growth was restrained by OPEC and non-OPEC production cuts that took effect from the start of 2017. However, vessel demand did continue to grow, driven by an increase of 0.8m barrels per day in Chinese crude imports and rising crude exports from the US, Brazil and Kazakhstan, as well as Nigeria and Libya which were exempt from the cuts. The OPEC cuts meant that growing crude oil requirements in Asia were met by increased long-haul shipments from West of Suez. Products tanker demand also continued to grow, but growth was restrained by the high levels of products inventories that had built up previously and competition between naphtha and LPG in the petrochemicals sector.

Rethinking broking solutions: Charter Party Manager

In 2017 we focused on responding to the increasing demands from clients. The development team within our independent software house, Maritech, a subsidiary of Clarksons Cloud, has worked closely with market participants on the specification of a charter party manager tool to develop a better system to manage recaps and documentation.

The first version of this was delivered in mid-2017 to the tanker market and was licensed to the London Tanker Brokers' Panel as Recap Manager.

Both Recap Manager in the tanker market, and Charter Party Manager across other sectors, are now being used by clients globally to reduce documentation errors and increase efficiency.

2017 seaborne crude oil trade

2bn tonnes

2017 seaborne oil products trade

1.1bn tonnes

The crude tanker fleet size increased sharply for a second successive year, registering growth of 5.2%, following growth of 6.0% in 2016. Deliveries of new crude tanker tonnage rose to 27.8m dwt in 2017 versus 21.0m dwt in 2016, however the weaker freight market and higher prices on offer for selling vessels for demolition meant that scrapping rose substantially to 9.2m dwt, compared to 1.6m dwt in 2016. Products tanker net fleet growth fell to 3.9% in 2017, from 6.2% in 2016 and 5.4% in 2015. However, the overhang of tonnage that had built up in the previous two years, combined with slightly below average growth in trade, meant that the market weakened further. Products tanker demolition also increased, with 2.1m dwt removed from the market, compared to 0.8m dwt in 2016. Deliveries in the MR sector were reduced from previous years' levels, but deliveries of LR products tankers rose slightly.

In 2018, crude tanker fleet growth is projected to fall to 3.4% with deliveries declining somewhat and removals expected to increase further. OPEC and non-OPEC production cuts are due to continue to the end of the year, therefore vessel demand growth is expected to be driven once again by large increases in crude imports into Asia and growth in exports from predominantly the US, Brazil and Kazakhstan. The crude tanker sector seems likely to remain challenging in 2018, with the market expected to recover from 2019 when production cuts are due to end and fleet growth is expected to reduce further. There appears to be more upside potential in 2018 for products tankers. Fleet growth is projected to fall to 2.2%, which is below long-run levels of trade growth. Robust growth in global oil demand is projected and a further running down of oil products inventories may stimulate greater growth in volumes of trade and vessel demand.

We are now well established in every major tanker chartering hub, further proof that our global approach has been successful. We remain focused on increasing our volumes with Chinese accounts.

Our Clarksons Platou tankers team were successful during the year in commencing a working relationship with two target accounts, proving that opportunities still exist to enhance our client portfolio. Our pioneering IT applications, a key part of our overall IT strategy, are at the forefront of the tankers industry and provide us with confidence that we can further differentiate ourselves from our competitors going forward.

2017 daily seaborne crude and products trade equivalent as a % of daily world oil production

67%

Vessels in the deep sea oil tanker fleet in 2017

4,600

Specialised products

Key trade lanes throughout the chemical tanker market spent most of 2017 in a state of flux. However, in a reversal from the trend in 2016, the second half of the year experienced more buoyant spot markets than the first half. The Clarksons Platou Specialised Spot Chemical Index recorded a 6.7% increase throughout the year, whilst the Edible Oils Spot Index posted an increase to finish the year 5.3% up compared to where it began. Spot chemical freight rates finished the year on par with the long-run average; a result that was driven once again by a more active ex-US transpacific market.

Period charter and asset deal volume for much of 2017 was lacklustre due to the delta between charterers' and owners' ideas, however activity increased in the fourth quarter. The stainless steel sector has seen a two-tier market develop, with the gap between older and more modern 'eco' tonnage increasing.

Overall trade volume growth in the specialised products market was robust once again in 2017. Seaborne trade in 2017 is expected to reach nearly 300m mts, a year-on-year increase of nearly 5%. A combination of vast infrastructure spending, urbanisation rates, growing populations and increasing social mobility are positive mega-trends which continue to drive specialised products trade.

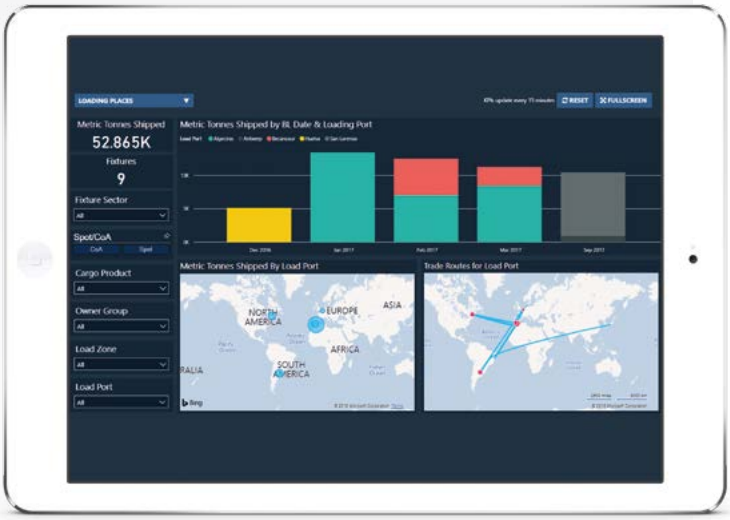
China and India remain two of the key end-user growth countries in our markets. Based on the first ten months of 2017, China recorded a 5.4% year-on-year rise in specialised products imports, while India showed import growth of 5.8% year-on-year for the first eight months of 2017. Elsewhere, the development of liquid shale gas based projects in the US and continued Middle East investment are clear signals that both of these regions will continue to strive to meet the chemical demand of these, and other, developing economies. A renewal in palm oil volumes seen towards the latter end of the summer, as well as a reinvigorated Asian petroleum products market, combined with resilient contract of affreightment nominations, also helped to push volumes upward.

Rethinking broking solutions: Clarksons Gateway

In the operations arena, our specialised products team were quick to identify a need for a more efficient way for their clients to monitor and manage their fixtures both on spot liftings and contracts.

Clarksons Gateway was developed in response to this need with the added benefit of being able to deliver key performance indicators for customers to analyse their business.

It is no exaggeration to say that the specialised products team interpreted the need very successfully but also that they adapted their own business practices to ensure that this dynamic product delivers real value to their customers. Gateway is now embedded within many clients' working practices and is available across all sectors of the chartering markets.



Anticipated 2018 specialised products seaborne trade, double that of 15 years ago

>300m mts

Estimated growth in global seaborne chemicals trade in 2017

5%

Turning to the other part of the tonne-mile factor, distance growth, we note that this continued to build on gains realised in 2016. Chemical tankers on average have travelled 0.5% further per voyage in 2017.

As expected, average annual growth for the chemical tanker fleet in 2017 decreased. Net fleet growth in 2017 was approximately 3%, and we believe that in the medium-term this will reduce further due to a meagre order book and continued scrapping. The total chemical tanker order book is now less than 7% of the fleet, representing the lowest level for more than ten years in the sector and the lowest across all major shipping markets.

Overall, set against a backdrop of a global economy seemingly firing on most cylinders, continued import demand growth driven by China and India, as well as positive indications from the US and Middle East in terms of new liquid capacity, we believe that seaborne volumes will continue to grow on an annual basis. Rapidly reducing net fleet growth in the medium-term, longer trading distances and continued issues with fleet productivity remain key determinants for freight rates in the future. Taking this into account, and based purely on fundamentals, we believe that the medium to long-term outlook for the sector remains encouraging.

The Clarksons Platou specialised products team had a busy year and 2017 once again saw us develop the breadth and depth of our offer in this market. Despite the stagnant market backdrop, we have grown volume across both spot, contract of affreightment and period charter markets. Our investment in broking throughout the supply chain from production to end-user has continued, with an approach focused on both expertise and scale. Over the course of the year, we have also strengthened our service level through deeper market insight and investment in technology.

Gas

The second half of 2017 saw little change from the first half of the year as freights remained under pressure across most segments of the gas carrier market. Newbuilding deliveries, in conjunction with a slowdown in the pace of seaborne LPG trade growth, failed to lift freights and the averages for the year slipped below 2016 levels. In the VLGC sector, a total of 20 units were delivered following the slippage of some units into 2018 and two older units were removed from the fleet.

Tonne-miles continued to hold up as arbitrage volumes from the US into Asia grew again on the back of strong import demand, mainly in China, and as a result of strong growth in US export volumes which rose by almost 17%, despite cargo cancellations throughout the year and the delayed start-up of the Mariner East II terminal on the East Coast. However, globally, the annual pace of LPG trade growth slowed to 4.7% year-on-year mainly owing to a reduction in exports from the Middle East due to maintenance and OPEC cuts.

As a result of this and the expansion of the fleet, we saw the benchmark ME Gulf-Japan assessed rate fall 8% to a time charter equivalent just below US$15,000 per day. The weakness in the VLGC sector continued to weigh on the size sectors below, as did further growth in fleet supply in both the mid and handysize sectors. In each of these segments, we saw the fleet grow by 20% and 4% respectively. Although we saw some recovery in ammonia trade, which grew by 1.9% and accounts for a significant proportion of midsize trade, the slowdown in the pace of LPG trade growth and increased availability of tonnage saw the assessed 12 month time charter rate fall by 37% on a 35,000 cbm unit to US$450,000 per calendar month. This downward correction was also mirrored in the handysize sector, with the time charter rate falling 40% to an average of just under US$410,000 per calendar month on a 20,500 cbm semi-ref unit.

Vessels in the chemical tanker fleet

3,200

Seaborne LPG trade in 2017, 60% higher than 10 years ago

90m mt

Given the growing competition for market share with the midsizes, we increasingly saw the handysizes competing with the smaller 12,000 and even 8,000 cbm semi-ref units for petrochemical gas parcels, occasionally even fixing part cargoes at lower numbers to secure employment. Volume-wise, there was little fundamental change last year compared with 2016, and with this added competition from the larger units, we saw rates for the 12,000 cbm and 8,250 cbm ethylene carriers drop by 7% and 2% respectively, despite a negligible change in fleet supply. In the smaller semi-ref and pressure sectors sub-6,000 cbm, relatively static fleet supply has seen freight levels bottom out and, in combination with more positive coastal LPG and shorter haul petrochemical gas trade, we have seen average East and West trading freight levels for the 3,500 cbm pressure units rebound 21% to almost US$210,000 per calendar month.

Looking ahead, we are expecting continued growth in seaborne LPG volumes albeit at a slower pace than 2017. Much will depend upon the utilisation levels through the existing terminals in the US, as there is only one new terminal expected to start up, and the timing of this remains uncertain. Regarding growth from other regions, new volumes from South Pars should add to the Middle Eastern balances, although last year these were slow to find their way into the international market. Ammonia trade is expected to contract slightly next year and there is limited fundamental growth in petrochemical export volumes, although tonne–miles for both should grow. The main challenge for the larger vessels remains deliveries and the overhang of surplus tonnage which was apparent through 2017. In the smallest sectors of the fleet, it would appear that freights have started to turn a corner and with no tonnage on order and an ageing fleet, we may see further upside from this segment.

On the assets, the number of secondhand transactions went up in 2017 but this figure was inflated by more financial transactions, like sale and leasebacks between private and public companies. The total volume of contracting newbuildings was relatively steady, although significant interest in VLGCs resurfaced from mid-year. Given the age profile of the fleet, the expectation is that we will see a number of overage VLGCs finally hit the beaches, which will have a significant impact on supply/demand balances.

On the product side, given the increase in production over the last few years, 2017 was expected to see a noticeable surplus for the whole year. However, balances for large parts of the year were tighter than expected as lower than predicted exports from the Middle East Gulf added to price constricted arbitrage flows. The market adapted to the new supply capacity, the weaker freight market and the impact of neo Panama on timing and, towards the end of the year, the surplus had started to kick in, dampening the market somewhat. So far, the expected winter surge in pricing and demand has been lower than many expected and some question the direction the market will take in the coming months.

Our growing investment in commodity brokerage, not only in terms of volume of trades but also geographical areas, has started to show gains. We have made inroads into markets which, until now, were the domain of other ‘heritage’ brokers who have dominated those areas, the Mediterranean Basin for example. We also saw growth in the number of commodity trades done out of the US and a number of new companies added to our client list. During the year, we took our first steps towards expanding our activity into China, now the major LPG importer in Asia. New hires are under training with a view to transferring to our Shanghai office within the next one to two years, the first time we will have local staff based in China and a move we expect to bring positive results.

LNG

The near-term LNG shipping market recovered through 2017 with a particular strong finish to the year. The spot freight rate assessment for modern dual-fuelled vessels averaged US$54,400 per day for the second half of the year compared with US$37,700 per day in the first half of 2017 and US$33,500 per day for 2016. From July, rates more than doubled to US$82,000 per day by the end of 2017 basis round trip economics.

Strong Asian LNG demand, particularly in China, resulted in a sustained West-East arbitrage and consequently firmer rates. Chinese year-on-year imports were up by 47% to 38m mts in 2017 and the country overtook South Korea as the second largest LNG importer. Demand growth was driven by Chinese environmental concerns, including a nationwide scheme to switch around two million boilers to use gas and discard coal. South Korean LNG demand was also higher for power generation due to lower nuclear power availability.

The fastest rate of growth for LNG in 6 years

10%

New LNG production capacity expected to start up in 2018

28m mt

Overall, northeast Asian demand was up 11% in the year to 174.6m mts. This offset flat to lower imports in other regions including the Middle East and South America. High northeast Asian LNG spot prices towards the latter part of the year were a catalyst for an active spot European reload market supplementing increased Atlantic basin LNG production which was also targeting Asian buyers. US and Angolan LNG output both rose over 300% to nearly 13m mts per annum and 3.8m mts per annum respectively. New Atlantic basin production increased the average distance travelled globally by each cargo in 2017 by 3% to around 3,928 nautical miles, compared with last year's average of 3,809 nautical miles. Overall, global LNG exports grew by 9.3% to 292m mts per annum in 2017.

Some 26 conventional LNG carriers and FSRUs were delivered in 2017 with 52 scheduled to be delivered in 2018. However, roughly 28m mts per annum of additional supply capacity is expected to come online in 2018 and most of the order book is already committed to projects. Additional LNG production includes the ramp up of Australian, US and Russian projects started in the latter half of last year, as well as new projects. This includes the US Cove Point and Freeport projects, Australia's Ichthys, Equatorial Guinea's Fortuna FLNG and Russia's Yamal LNG second train, amongst others.

Two other floating liquefaction projects are scheduled to start in 2018. Australia's large-scale Prelude FLNG is the largest vessel ever constructed and will have 3.6m mts per annum liquefaction capacity. Cameroon's Perenco FLNG is a conversion project with 1.2m mts per annum capacity. A number of new liquefaction projects may also take final investment decisions in 2018, including the US Golden Pass, Driftwood and Rio Grande projects, and the onshore Mozambique facility.

Qatar also indicated it would build more liquefaction capacity after lifting the moratorium on North Field, which would provide more gas for export. It would also debottleneck its existing liquefaction facilities, which in total would add roughly 23m mts per annum by 2024. Two FSRUs were installed in 2017 in Turkey and Pakistan and FSRU import projects in Bangladesh, India, Ghana, and the Ivory Coast are said to be scheduled to start up in 2018.

The Clarksons Platou LNG team was buoyed by the re-establishment of its presence in Singapore and early in the year, the team achieved a significant milestone by embarking on a successful FSRU newbuilding programme. However, it has been another challenging year with projects slowly materialising, re-negotiated or simply deferred. We remain bullish on the market's fundamentals despite this prolonged lull and we look forward to 2018 and beyond. We are engaged in interesting projects, pursuing new opportunities and strengthening our position in the marketplace. Our focus remains on conventional tonnage, FSRU/FSU and small scale and we continue to work closely with other Clarkson Platou teams to promote our range of services and bespoke solutions to clients.

Sale and purchase

Secondhand

The year as a whole was extremely successful for the sale and purchase department with every desk throughout the Group improving their revenues on a like-for-like basis when compared with 2016 – the second half of the year was particularly pleasing in terms of market share across all sectors. It helped of course that positive sentiment was returning to both the dry cargo and container markets whilst at the same time we had a continued stream of committed sales candidates from major banks across the world looking to reduce their exposure to bad debt. So, with shipowners seeing reasons to be optimistic, and lenders committed to disposing of bad assets, we had the perfect ingredients with which to transact. As such, we were able to conclude a relatively high volume of business whilst asset values continued to steadily rise.

On the tanker side, activity levels were not so high as the freight market weakened in the second half of the year and there were not the same levels of distressed sellers. Nevertheless, we concluded a number of reasonably-sized transactions which gave us a higher market share over our competitors than we might reasonably expect to be able to achieve. If the freight market continues with its current negative trend then we would expect increased demolition activity within this sector, especially amongst the larger crude tonnage, and that in itself should help to turn the markets around during 2018.

The challenge is to continue with these increased activity levels through 2018 and, whilst this will undoubtedly not be easy, we feel reasonably confident that there will be a sufficient flow of sales candidates from the contraction of the European lending market and that we remain well placed to be involved.

Chinese LNG imports increase year-on-year

46%

Record sale and purchase volumes in 2017

93m dwt

Newbuilding

Whilst 2017 showed an uptick from a notably subdued 2016 market, it still remained a challenging year for the shipbuilding industry.

Just 902 orders of 72.8m dwt were reported globally, only the third year in the past 20 in which fewer than 1,000 new orders were reported. Of the major sectors, bulk carrier orders saw the biggest uptick, with 286 vessels contracted last year, although this remained subdued compared to historical levels. Driven by large crude units, tanker contracting increased to 271 vessels, but fell well below the level of ordering in 2015. Meanwhile, the boxship newbuilding market showed fewer signs of improvement and just 108 units were ordered. Gas carrier and 'ship-shaped' offshore ordering was also limited, with just 39 and 37 contracts reported respectively in 2017.

Chinese builders won the largest share of orders last year, picking up the majority of bulker orders and taking 9.2m cgt in total. Ordering at Korean yards improved on record low 2016 levels, but remained limited at 6.4m cgt, while reported contracting reached 2.0m cgt at Japanese yards. The strength of cruise newbuilding continued to benefit European shipbuilders, which accounted for 38% of global estimated contract investment in 2017 in value terms, though many yards operating outside the cruise sector struggled.

Although contracting improved year-on-year, it remained a challenging environment for active shipbuilders. Input costs continued to appreciate and freight market fundamentals presented real challenges in owners' willingness to accommodate any upward movement in asset pricing to allow the yards to pass this through. It therefore remained speculative demand that drove activity and this in turn made for a fragile and highly price sensitive environment.

Although contracting remained limited in 2017, shipbuilders continued to deliver a steady volume of tonnage. Total shipyard output reached 97.0m dwt, although 'non-delivery' of the scheduled start year order book was still significant at 30% in dwt terms. However, given the smaller order book, deliveries are currently projected to decline by around 20% in tonnage terms in 2018. After a strong start to the year, total demolition activity in 2017 declined by 21% in tonnage terms to total 35.2m dwt. This left overall fleet growth relatively steady at 3.3%, slightly faster than the previous year but well below pre-2015 levels. The total world fleet stood at 1,924.0m dwt at the end of the year, with fleet growth remaining firm in the gas carrier and tanker sectors.

With output set to decline following multiple years of weak contracting, shipbuilders will be hoping that the moderate upward trend in orders in 2017 accelerates in 2018. Capacity reductions remain ongoing, but many shipyards are still hungry for new orders. Although contracting activity has picked up slightly, conditions remain difficult, and shipbuilders will be hoping for further signs of market improvement in the coming year.

In spite of such challenges, we remained active across all key markets. Our market share in Korea continues to grow, with the team placing over a third of the total number of contracts placed with Korean yards in 2017. We also grew value through some notable transactions in the passenger/cruise space leveraging from our expertise in Sweden and Oslo together with the team in Shanghai. Corporate transactions that have also delivered large volumes to our business activity over the last few years continue to develop and we placed significant volume orders for such industrial business in Korea again this year.

2018 will again present its own challenges and shipbuilders are yet to see the light at the end of the tunnel. However, our breadth of service continues to ensure that we are well placed to capitalise on all opportunities that arise and we are well placed to continue to grow and deliver volumes across all key markets.

Total ship recycling in 2017

35m dwt

Newbuilding deliveries in 2017

98m dwt

Offshore

General

Oil prices strengthened significantly during the second half of 2017, painting a more positive backdrop for the offshore oil services sector in general. Improving oil prices and significant cost reductions amongst most oil companies have enabled significant cash flow improvement in the upstream E&P sector. Most of the major international oil companies have reported significant positive free cash flow during 2017, enabling them to gradually increase investment levels again, should they decide to do so. Activity in most offshore segments is thought to have bottomed out during 2017 and underlying activity drivers have in general turned to the more positive. This is noteworthy both within offshore drilling, field development and subsea services.

During the year, the Clarksons Platou offshore team grew global OSV chartering volumes, gained proper foothold within the offshore renewable/wind sector by expanding into Hamburg and won exclusive brokerage. We anticipate these factors will increase our market share in 2018, notably in the North Sea.

Despite sale and purchase volumes remaining low, the Clarksons Platou offshore team managed to maintain market share and completed key sales to new clients and key important OSV owners.

Our focus and footprint within offshore analysis increased in the year, with key hires in Oslo. We now have the strongest dedicated offshore analysis team in the brokerage business.

Drilling market

As of December 2017, global jackup fleet utilisation stood at around 66%, while floater utilisation was around 62%. While these utilisation levels are exceptionally low, there were some positive developments in the offshore drilling sector during 2017. Jackup utilisation bottomed and stabilised before climbing slightly throughout the year, and both rig segments saw a notable increase in rig fixing activity. In spite of improving fixing activity, active floater utilisation drifted lower as rigs rolling off existing contracts still outpaced new rig contracts and extensions in terms of rig years. Other positive developments included a tightening of the North Sea harsh environment market, particularly for floaters, with an increased number of contracts entered into and future rates climbing slightly. Furthermore, the segment saw an increase in both asset and corporate transactions. Secondhand asset values for certain rig categories (for example stranded harsh semi-submersible newbuilds) also showed noteworthy increases.

The subsea and field development market

Lead times in the segments for field development and subsea services are significant. 2017, however, demonstrated a clear uptick in equipment awards, marking a clear turning point, and the oil companies increased sanctioning activity compared to 2015 and 2016. For floating production units, ten new contracts were entered into during 2017. This compares to zero new awards in 2016 and four awards in 2015. Correspondingly, awards for subsea Christmas trees (well control units) likely totalled 160-170 in 2017, up from 83 in 2016. These equipment awards relate to fields planned to come on stream mainly from 2020 onwards, implying the majority of SURF/subsea installation work offshore will take place from 2019 onwards. As a consequence of low sanctioning activity since late 2014, most leading subsea contractors currently have substantially reduced order backlogs and we witnessed a notable drop in fleet utilisation for the leading players during 2017. This will likely continue through 2018, until field development work should pick up again from 2019/2020. Reduced fleet utilisation puts pressure on the leading players, which again will provide knock-on effects to smaller industry players and vessel owners. An anticipated recovery in subsea maintenance work may compensate somewhat for reduced field development activity in 2018 and into 2019 but, so far, we have not observed a meaningful uptick in inspection and maintenance-related contracts.

Offshore support vessels (PSV and AHTS)

The offshore support vessel (OSV) market generally remained highly challenging throughout 2017 both for the PSV and AHTS segments. Though there are naturally some regional variances, all or most regional markets continued to face very low utilisation levels and depressed day rates. Currently, we estimate that around 32% of the global PSV fleet is in lay-up, while the corresponding number for the global AHTS fleet is around 34%. The North Sea is the region with best data and visibility in this segment, and, as such, is usually a good proxy for other regions. Utilisation for large PSVs (900+ m^2 deck) in the North Sea averaged 75%, equal to 2016 levels, while utilisation for large AHTSs (20,000+ BHP) averaged around 32%,

Barrels per day of oil produced offshore

25.5m

Daily offshore gas production in 2017

115.6bn cu ft

compared to 35% for 2016. North Sea PSV term rates seem to have bottomed out between GBP5,500 – 6,750 per day for the different categories, slightly up from 2016 levels, but nevertheless levels that provide no meaningful return for vessel owners. There are no representative term rates for AHTSs. Spot rates fluctuated substantially throughout the year, as usual, but in general, averages were marginally higher in 2017 compared to 2016, supported by a relatively strong summer season. Going forward, we anticipate offshore rig activity to increase somewhat in the North Sea, in line with improved fixing activity observed through 2017. This, combined with increasing field development activity post 2018, should support gradually higher demand for OSVs in the region. Overcapacity, however, still remains a significant issue, and we see limited room for substantially higher utilisation and rates near-term. Most other regions remain somewhat behind the North Sea in terms of activity, implying utilisation and day rate levels remained very low throughout 2017. We also continue to expect recovery for these regions to be slow in terms of OSV utilisation and day rates.

Futures

2017 was a year of improved notional values across all ship sizes in the dry market. Capes averaged US$15,128 for the year (US$7,388 in 2016) having finally made the conversion from the older ship size of 172,000dwt to the new 180,000dwt 5TC average. Panamaxes averaged US$9,766 (US$5,562 in 2016) and supramaxes averaged US$9,168 (US$6,235 in 2016). A shift in the supramax liquidity from the 52,000dwt 6TC average to the new 58,000dwt 10TC average has yet to take place and a change of ship type on panamax to the 82,500dwt is some way off.

Whilst volumes for the year were up as a whole, the dispersal was more mixed. Capes had a strong start in the first quarter before deteriorating over the course of the year to come in slightly down; 501,511 lots in 2017 versus 521,161 in 2016 (a decrease of 3.7%) despite the removal of uncertainty over the ship size. Panamaxes conversely improved from 460,829 lots in 2016 to 519,387 lots in 2017 (an increase of 12.7%) whilst supramaxes showed the greatest improvement from 123,688 lots in 2016 to 150,297 lots in 2017 (an increase of 21.5%).

The combined improvement in notional values and volumes resulted in a better year for the division with stronger revenues.

Options volumes on dry FFAs were down 27% from 264,879 lots in 2016 to 192,779 lots in 2017, but the value of these was significantly higher. Given our strong position in the options market which we continue to hold, we have seen a strong performance from this area over the year.

The meteoric rise in annual iron ore volumes slowed to a trickle last year with growth of 1.5% compared to over 50% growth the previous year. This, coupled with a drop in the general commission levels in the sector and the increased activity of the SGX trading screen, made for a difficult year. Despite this, our teams in Singapore and London grew market share in both futures and options and established a stronger position in the market.

With fundamental personnel changes in 2017, our Clarksons Platou futures team held their resolve and positioned themselves with expertise for 2018 by establishing a stronger, leaner desk. We maintained our market share in the options and FFA markets in 2017 and we hope to gain market share in 2018 on the back of the strength of the new team.

The outlook for 2018 is positive and the goal is for Clarksons Platou futures to lead the futures and options space across all commodities.

Supramax/handymax futures volumes increase in 2017

21%

Capes notional values in 2017, doubled from US$7,388 in 2016

US$15,128

Financial

Landmark transactions

2017 was a year of landmark transactions, with the financial division involved in record levels of activity across the equity and M&A markets.

Revenue

£52.0m

2016: £41.0m

Segment underlying profit

£10.1m

2016: £6.8m

Securities

2017 has been a tumultuous year marked by natural disasters, geo-political tensions and deep political divisions in many countries. For Europe in particular, the effect of the new and revised regulations like the Market Abuse Regulations and Markets in Financial Instruments Directives (MiFID II) has undoubtedly left the financial community in a state of resignation and confusion. Despite this, the markets have looked at other positives as growth has increased and equity valuations have continued to climb and are near record highs due to low interest rates, an improved economic outlook and increased risk appetite.

Markets have received a double boost from low interest rates and tax cuts this year, stimulating demand for shares. Global stock markets have ended 2017 at record highs and the MSCI all country world index gained 22% to finish the year at an all-time high. The US market was again the big winner. Investors continued to invest in US equities in the wake of the presidential election in the hope of getting fiscal stimulus on top of monetary stimulus, believing that the Federal Reserve has risk assets back-stopped.

The general bond markets were relatively calm in 2017 and US and European bonds traded horizontally. The Norwegian bond market, however, saw increasing activity. Last year, several companies took advantage of the low yields and strong bond market to issue approximately US$2bn of new bonds on Norwegian documentation. Many of the new issues have been secured debt at similar LTVs to bank financing, but without amortisation. Hence, offering reduced debt service and thus more cash flow flexibility for shipowners.

Metal and fuel prices were supported by stronger momentum in global demand as well as supply restraints in the energy sector, including hurricane-related stoppages in the US, financial disruptions in Venezuela and security problems in regions of Iraq.

At the same time, rapidly advancing technology allows companies and individuals to do business in new ways. Technology is redefining the financial markets in the EU's goal of transparency, investor protection and reporting obligations, however it comes at a steep price.

During 2017, our industry has focused on implementing processes and technology in order to be at the forefront of all the new regulations. However, the financial markets in Norway went into shock when

Equity capital raised for our clients in 2017

US$2.9bn

the Norwegian authorities, without warning, on 10 December 2017 announced that the EU regulations will come into force on 1 January 2018 in Norway, instead of late 2018 as earlier announced.

Clarksons Platou Securities has been very busy throughout 2017, however, at times the markets were difficult and windows short. Our strong pipeline resulted in approximately 35 equity and debt capital market transactions raising approximately US$4.3bn and the completion of nine M&A transactions/restructurings during 2017. We are also pleased to announce the addition of a convertible bond team in Oslo and New York, which will be fully operational during the second quarter of 2018, and which we expect will make a contribution from day one.

After a year like 2017, it is hard to predict how global equities in general, and US equities in particular, will perform during 2018. The backdrop for our core sectors (shipping, offshore and metals and mining) is however supported by some very interesting fundamentals. Since the commodity cycle turned negative in 2011, we have seen a continued disappointment and downward adjustment to world GDP growth forecasts. In 2017, however, we finally saw upward revisions. This has come on the back of broad and synchronised growth in Asia, the US and Europe. We are seeing healthy world GDP growth supported by rising commodity prices. Shipping order books are touching lows and fleet growth is slowing. Asset prices in both shipping and offshore are at very low levels from a historical perspective. Banks are reducing their exposure to the sector, limiting the capital available for more speculative orders, which is good for the industry longer-term. Internally, we will continue to add resources within support functions and front office personnel. We have a strong pipeline into 2018, but we need to remember that good times are most likely temporary and our priority is to remain focused in order to continue successfully adding revenue.

Project finance

Shipping

2017 has been an active year in the project finance market with increased activity from the different project houses. The flavour of the year in the Norwegian market has been dry cargo and containerships.

The dry cargo market has continued to improve, and a more stable charter market now generates a healthy cash flow to cover operating expenses, debt financing and a decent return on equity for secondhand acquisitions.

In the containership sector, the beginning of the year was an interesting period, when German banks were selling off assets at very low levels in order to clear their books. Many of the investors and funds were already in asset play mode from seeing recent opportunities in the dry cargo market, and this appetite spilled over on containerships which, at the time, were priced at scrap value or slightly above. Since then, the earnings and market values of the vessels have recovered significantly.

The total transaction volume in the Norwegian project finance market was approximately US$1.65bn. Clarksons Platou Project Finance completed eight transactions in 2017 involving five bulk carriers, three OSVs, two containerships, a chemical carrier and a cruise vessel, with a total project volume of US$164m.

We expect an active 2018 with both asset play and structured projects, as cash flows are starting to return in the various segments.

Debt capital raised for our clients in 2017

US$1.3bn

Shipping/offshore transactions concluded by Clarksons Project Finance in 2017

8

Real estate

The Nordic real estate market continued to perform strongly in 2017 with growth in all the Nordic countries. The final count for the Norwegian market is not yet complete, but consensus from the main analysts estimate a total transaction market of NOK85bn, an increase of 20% from 2016. The growth in the number of transactions in 2017 compared to 2016 is more than 30%. Across the entire Nordic market, yields on prime assets and long leases compressed as institutional funds, private equity funds, family offices and other investors sought yielding assets with stable dividends in stable macro-economies like the Nordic. At the beginning of 2018, prime yields in Stockholm and Oslo are almost the same as in major European cities. Foreign investors are still present in the Nordic markets, but their share of the transaction market in Norway dropped to an estimated 19% in 2017 from almost 40% in 2016. Even though yields on prime assets have declined, the yield gap (the difference between real estate yield and interest rate level) is still attractive. And, as long as the rates stay low, the consensus is that 2018 will at least be at the same levels as 2017. The vacancy rate in the Oslo office market is expected to decline over the coming years as a result of conversion and demolition of older office buildings to residential properties combined with few new office buildings. The growth in rent levels was 10.5% even though the CPI only reached 1.1% for 2017. Clarksons Platou Real Estate reached an all-time high turnover in 2017 with a growth of 27% compared to 2016. The transaction team completed 27 transactions with a total market value of NOK7.8bn. Seven of these were sales of older projects, giving our investors a weighted yearly internal rate of return of 62% based on all projects actually realised from 2010 until today.

Structured asset finance

While we see renewed enthusiasm around the shipping markets as a result of an improved supply/demand balance across many sectors, the asset-based financing backdrop remains challenging with an overall reduction in the number of active debt and leasing providers.

Ship finance volumes continue to decline with 2017 syndicated marine finance volumes, which includes shipping and offshore, falling to US$45.9bn in 156 transactions compared to US$50.3bn a year earlier spread over 189 transactions according to statistics produced by Dealogic. Credit losses, coupled with tighter regulations, have hampered traditional banks' appetite for new business/risk and there is a clear focus among remaining active lenders to support top-tier, stronger credits while reducing exposure to weaker credits.

Activity levels amongst the alternative capital providers and leasing houses, particularly those in China and Japan, have increased and we have also seen increased support from the export credit agencies with respect to newbuilding orders and to a lesser extent modification costs.

Notwithstanding this, we expect that overall asset-based financing levels for 2017 will be below 2016, which itself was one of the lowest lending years in recent times.

In addition, access to asset-based finance is not universal, there is a real flight to quality and a two tier market exists. Top tier borrowers continue to enjoy attractive terms and pricing, but for others, options are far more limited with terms and pricing far more lender-friendly. For some, any offer of finance is a good offer.

With significant re-financing requirements over the next few years, in addition to the capital expenditure required to satisfy impending regulatory requirements, the outlook for 2018 is a continued lack of asset-based financing liquidity which we expect to continue to increase pressure on borrowers to commit/raise equity to fund the gap. Data from the Oslo Stock Exchange supports this view with equity issues in 2017 surpassing those of 2016 and with some large high profile new issues in the wings for 2018.

27 real estate transactions concluded by Clarksons in 2017

US$1.0bn

156 transactions of syndicated marine finance volume in 2017

US$45.9bn

Support

Upturn in activity

Support has seen an upturn in general market activity over the last year, with a notable growth in confidence returning to the offshore and gas sectors.

Revenue

£18.5m

2016: £17.8m

Segment underlying profit

£2.1m

2016: £2.1m

Agency

Following a challenging grain harvest in 2017, both in quality and quantity, our agency operations experienced reduced export volumes across the UK. However, we did start to see some movement predominantly in the short sea market driven by increased malting barley shipments towards the end of 2017. This increase looks to continue into early 2018, and we anticipate starting to see some wheat exports as merchants look to clear storage prior to the 2018 harvest.

The flip side to the poor grain export has been an increase in milling wheat imports, most noticeably from the US and Canada, which has also benefited our short sea broking division. We hope this will continue in the spring of 2018 when the seasonal restrictions for shipping from the US and Canadian Great Lakes are past.

In 2017, we experienced a marked upturn in our aggregate business with significant contracts being awarded on the Thames, Humber, Tyne and Great Yarmouth. We anticipate this area of our business will grow into 2018 as tonnages are brought into the UK to meet the demand of major construction projects.

Throughout 2017, animal feed imports remained constant into the UK, with a slight uplift towards the end of the year. It is anticipated that this will remain one of our core businesses throughout 2018.

The offshore oil and gas industry has shown marked improvement during 2017, with increased activity in the second half. Although not nearly at the levels we were experiencing in 2014, confidence is definitely growing, and we expect to see this trend continue into 2018. We now have a much larger customer base in this sector which will give us the platform to take maximum advantage of the improving market. We have also been successful in handling major projects outside the UK and will continue to target this area using our dedicated project team.

Offshore wind became a major activity for us during 2017, with contracts awarded throughout the UK as the renewable energy industry continues to grow. We have become the preferred partner for many of the offshore installation and maintenance companies. We already have projects in place for 2018 and are confident that this will continue well into 2019.

Expanded agency involvement in offshore wind, representing projects in

9 UK ports

Gibb Industrial Supplies

As with agency, our supply businesses in Aberdeen and Great Yarmouth are benefiting from a slight upturn in the oil and gas industry. The business performed better than expected in 2017 and again we anticipate this trend continuing into 2018.

We are encouraged to see many of our customers renewing agreements into 2018 and beyond, which reflects the confidence we are seeing in the offshore oil and gas market elsewhere.

We continue to explore markets away from oil and gas, with offshore wind being one of our key targets.

Stevedoring

Whilst our stevedoring business has suffered due to the reduced grain exports in 2017, we have markedly increased our import activity with the stores in Ipswich being almost at capacity for the majority of the year.

We continue to enjoy a large customer base, and remain one of the few operations in the UK not controlled by one of the major grain houses.

We have continued to diversify in the products that we handle in order to meet customers' expectations.

Freight forwarding and logistics

In 2017 we recruited a new Head of Forwarding who is working to expand this area of our business, both by commodity and geographically. His experience in this area of our business is enabling us to challenge some of our larger competitors whilst still offering a bespoke service to our customers. Traditionally, our freight forwarding business has been very much linked to our agency activity and the business it has generated, but we are now able to offer freight forwarding as a standalone service, which we intend to expand.

Again we see the improvement in the oil and gas sector benefiting this area of our business.

Egypt agency

With seven offices in 2017 relative to three offices during 2016, Clarksons Shipping Agency is capable of providing full agency, husbandry and protective agency services around the clock for a fast and efficient vessels turnaround at all Egyptian ports.

Despite the decrease in the volume of port calls handled by agency all over Egypt due to current market conditions, 2017 was a good year in terms of Suez Canal transits, as the number of transits increased by about 16%, as well as serving new market segments such as LPG and LNG.

Clarksons Shipping Agency handled the Suez Canal transit of the world's largest towed crude oil floating storage BW Catcher, with no delay and by her own tugs for the first time in the history of the Suez Canal.

Represented the first wind turbine installation vessels to be handled in Green Port Hull

1st

Expanded agency services with new office openings across Egypt

5 new ports

Research

Investment in growth

Revenues continued to rise whilst we maintained our commitment to investing in growth, consolidating Clarksons Research's position as the market-leading provider of intelligence and data.

Revenue

£14.6m

2016: £13.7m

Segment underlying profit

£4.8m

2016: £4.9m

Research revenues continued their long-term growth projectory, with sales up 7% to £14.6m (2016: £13.7m). Clarksons Research is respected and trusted worldwide as the market-leading provider of authoritative intelligence and data across shipping, trade, offshore and energy. Research successfully enhances the Clarksons' profile across the global shipping and offshore industries and continues to be the core data provider to the broking, financial and support teams of Clarksons.

Research focuses on the collection, validation, management, processing and analysis of data about the shipping and offshore markets. Significant investments into our proprietary database and intelligence management tools have helped support the further enhancement of our integrated digital platform in 2017. Our fully relational database continues to expand in breadth and depth, with our shipping and trade database now providing coverage on over 140,000 vessels totalling 1.9bn dwt, over 40,000 companies, over 25,000 machinery models, over 600 active shipyards and fabricators, over 600,000 fixtures and over 100,000 commercial and trade time series, including coverage of 11.6bn tonnes of seaborne trade.

Our offshore and energy database provides comprehensive coverage of 7,000 offshore fields, over 2,000 projects, 8,000 production platforms, 8,000 subsea trees, 1,000 offshore rigs, 5,000 support vessels and construction vessels, all integrated within a Geographical Information System platform. Further data development has focused on the utilisation of AIS data, trade and commodity flows, the tracking of capital market activity and shipping loan data, machinery and environmental packages on board ships, offshore renewables, ports and terminals, ship repair yards and other shore side infrastructure relating to trade and energy, including refineries and LNG processing plants.

Research maintains a regionally broad and diversified client base, including good market penetration across the financial, shipowning, insurance, supplier, governmental, private equity, energy, commodity, shipyard, fabrication and oil service sectors. Over 75% of research sales are annuity-based and there is high customer retention. Total research headcount is now over 120, with expansion of global operations, including Asia Pacific, during 2017. Expansion has also focused on our IT development, data analytics and business development teams.

Digital

Sales from digital products across shipping and offshore grew by an encouraging 16% (2016: 19%). Our digital product range, consolidated within a single access portal, continues to expand and benefit from significant investment, utilising our growing proprietary database, in-house developed IT technology and our expanded data analytics team to remain market-leading. Further new digital products and product enhancements are expected to come on line in 2018.

Major shipping digital products include:

Shipping Intelligence Network. Sales from our flagship commercial shipping database continued to grow, consolidating our market-leading position, particularly within the financial sector. The scope of data and analysis available has expanded and further product enhancements are planned for 2018.

World Fleet Register. Our authoritative online vessel register benefited from a significant upgrade that focused on comprehensive fleet intelligence, environmental regulation, the tracking of new technology on board ships and market trends in the shipbuilding market. The register now offers a range of powerful functionality including owner and yard profiles, alert functions, customisation tools and interactive data visualisation.

SeaNet. Following its launch in late 2016, our vessel tracking system, SeaNet, successfully expanded its user base across 2017. SeaNet blends satellite and land-based AIS data with our proprietary database of vessels and ports, utilising latest technology developed in-house. It tracks global vessel movements for over 60,000 ships, with a combined fleet tonnage of 1.2bn gt, across over 5,000 ports and zones. The completion of a major data project to enhance our global port and infrastructure coverage will significantly enhance the SeaNet offer besides supporting a wide range of broking technology platforms. SeaNet is fully complementary to both the research digital offer and broader technology strategy across broking and financial. Further enhancements to SeaNet are planned for 2018.

Major offshore digital products include:

Offshore Intelligence Network. Significant product enhancements have been rolled out. This includes database-driven intelligence alerts, rig availability charting, enhanced commercial data and life cycle project tracking.

World Offshore Register. Our comprehensive offshore register provides detailed intelligence on all offshore oil and gas fields, the infrastructure involved and related support vessels. During 2017, the platform benefited from expanded data coverage and functionality, including data on the renewables sector, dynamic utilisation analysis, enhanced data visualisation tools and improved mapping functionality.

Sales across our combined offshore digital product range grew by 25% as we continued to gain traction with the client base and the quality and breadth of our offering increased. We have retained our market-leading position in the insurance market while expanding further into the financial and oil service sector.

Services

Clarksons Valuations performed well in 2017, consolidating its position as the leading provider of valuation services to the ship finance sector. A project to digitalise workflows, supported by significant investment into the team's operating platform, has improved workflow efficiency. The valuations team work closely with all major ship finance banks, leasing companies and asset owners, and are recognised as the market leader in the provision of authoritative valuations.

Our services business continues to grow, with underlying sales up 16%. We have added further headcount to our specialist team which concentrates on managing retainers and providing bespoke data, consultancy and seminars for a range of corporate clients including banks, shipyards, fabricators, engineering companies, insurers, governments, asset owners and other corporates. These bespoke services often become embedded within our clients' workflows, supporting client retention.

Reports

Market intelligence reports remain an important aspect of the Clarksons Research overall offering, generating provenance and profile across the industry. Our flagship shipping reports, including Shipping Intelligence Weekly and Shipping Review and Outlook, are well established across the industry while our comprehensive offshore offering, including Offshore Review and Outlook, Offshore Drilling Rig Monthly and Offshore Support Vessel Monthly, continue to expand their footprint. We publish weekly, monthly, quarterly and annual reports, registers and maps, available individually and embedded within our digital offering, continuing a 50-year heritage.

Viewings of Shipping Intelligence Network each year

>5,000,000

Number of valuations provided by Clarksons Valuations in 2017

>30,000

Financial review

JEFF WOYDA
CHIEF FINANCIAL OFFICER AND CHIEF OPERATING OFFICER

> Clarksons' strong balance sheet and cash-generative business model supports a 15th year of consecutive dividend increases, with a total proposed dividend of 73p.

Results

The Group made revenue of £324.0m (2016: £306.1m) and incurred administrative expenses of £264.8m (2016: £253.0m). The majority of revenue and a significant proportion of expenses are earned in foreign currency.

Underlying profit before taxation was £50.2m (2016: £44.8m). The term 'underlying' excludes the impact of exceptional items and acquisition related costs, which are shown separately on the face of the income statement. Management separates these items due to their nature and size and believe this provides further useful information, in addition to statutory measures, to assist users of the annual report to understand the results for the year.

	2017 £m	2016 £m
Underlying profit before taxation	**50.2**	44.8
Exceptional items	**–**	11.1
Acquisition related costs	**(4.8)**	(8.6)
Reported profit before taxation	**45.4**	47.3

Exceptional items

There were no exceptional items in 2017. In 2016, both the gain on the sale of The Baltic Exchange shares and a special final dividend closely linked to that sale were included as exceptional items.

Acquisition related costs

Acquisition related costs includes £3.6m of amortisation of intangibles, £0.9m of cash and share-based payments spread over employee service periods and £0.3m of interest on the remaining loan notes, which were repaid in full in June 2017. Estimated acquisition related costs for 2018, assuming no other acquisitions are made, would be £2.5m.

Taxation

The Group's effective tax rate, before acquisition related costs, was 24.0% (2016: 25.0% before exceptional items and acquisition related costs), reflecting the broad international operations of the Group and the disallowable nature of many incurred costs, particularly entertaining. After acquisition related costs, the rate was 24.3% (2016: 19.8% after exceptional items and acquisition related costs).

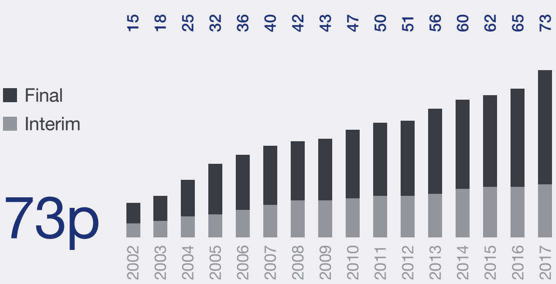
Earnings per share (EPS)

Underlying basic EPS was 116.8p (2016: 105.2p), calculated as underlying profit after taxation divided by the weighted average number of ordinary shares in issue during the year. The reported basic EPS was 104.4p (2016: 119.7p).

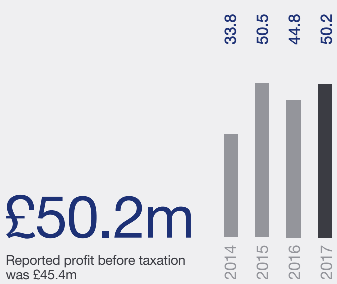
Forward order book (FOB)

The Group earns some of its commissions on contracts where the duration extends beyond the current year. Where this is the case, amounts that are able to be invoiced and collected during the current financial year are recognised as revenue accordingly.

> Dividend per share



> Underlying profit before taxation



However, those amounts which are not yet invoiced and recognised as revenue are held in the FOB. In challenging markets, such amounts may be cancelled or deferred into later periods. Consequently, the Directors review the FOB at the end of the year, and only publish the total of those items that are in the FOB which will, in their view, be invoiced in the following 12 months. At 31 December 2017, this estimate was US$93m (at 31 December 2016: US$112m). The reduction in forward visibility of earnings reflects the low levels of newbuilding contracting for delivery in 2018 and the prevalence of spot business arising from the still challenging rate environment, as highlighted in the interim statement.

Dividend

The Board is recommending a final dividend of 50p (2016: 43p), which, subject to shareholder approval, will be paid on 1 June 2018 to shareholders on the register at the close of business on 18 May 2018. Together with the interim dividend of 23p (2016: 22p), this would give a total dividend of 73p (2016: 65p). In taking its decision, the Board took into consideration the 2017 performance, the repayment of all outstanding loan notes during the year, the strength of the Group's balance sheet and its ability to generate cash and the FOB. The dividend is covered 1.4 times by basic EPS (2016: 1.8 times). This increased dividend represents the 15th consecutive year that the Board has raised the dividend.

Foreign exchange

The average sterling exchange rate during 2017 was US$1.30 (2016: US$1.35). At 31 December 2017 the spot rate was US$1.35 (2016: US$1.24).

Cash and borrowings

The Group continues to be cash-generative, ending the year with cash balances of £161.7m (2016: £154.0m) and a further £5.5m (2016: £29.4m) held in short-term deposit accounts, classified as current investments on the balance sheet.

The Board has previously used net cash and available funds, being cash balances after the deduction of accrued bonuses and all loans outstanding, as a better representation of the net cash available to the business, since bonuses are typically only paid once a year after the year-end, and thus an element of the cash held at the year-end is earmarked for this purpose. On this basis, net cash and available funds ended the year at £79.1m (2016: £74.8m).

Given the increasing regulatory nature of our business however, an alternative measure used by the Board in taking decisions over capital allocation is free cash resources, which deducts both monies held by regulated entities and Board-approved future capital commitments from the net cash and available funds figure. Free cash resources, as defined, at 31 December 2017 were £54.1m (2016: £47.3m).

Following the repayment of the final tranche of loan notes amounting to £23.9m in June 2017, the Group is now debt-free.

Balance sheet

Net assets at 31 December 2017 were £423.4m (2016: £406.7m). The balance sheet remains strong, with net current assets and investments exceeding non-current liabilities (excluding pension provisions) by £77.1m (2016: £58.1m). The overall provision for impairment of trade receivables was £13.3m (2016: £15.5m). The Group's pension schemes have a combined surplus before deferred tax of £12.3m (2016: £2.3m). In light of this surplus, the pension trustees have been taking advice on de-risking schemes, where appropriate.

Key performance indicators (KPIs)

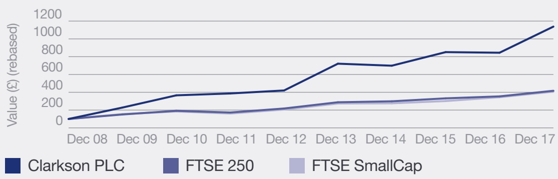
1. Financial KPIs used in the management of the business are included on pages 4, 5 and 22. These include revenue, profit before taxation, earnings per share and the FOB.
2. The business also aims to generate long-term shareholder value, as reflected by a review of total shareholder return.

Jeff Woyda
Chief Financial Officer and Chief Operating Officer

9 March 2018

> Total shareholder return

Source: Datastream (Thomson Reuters)



This graph shows the value, by 31 December 2017, of £100 invested in Clarkson PLC on 31 December 2008, compared with the value of £100 invested in the FTSE 250 and FTSE SmallCap Indices on the same date.
Other points plotted are the values at intervening financial year-ends.

Risk management

The balance of effective risk management and embracing opportunities enables us to deliver our strategic objective of enhancing shareholder value by maintaining and extending our industry leadership. It is imperative that the integrity and reputation of the Clarksons brand, which underpins the successful delivery of our strategy, is preserved through effective risk management.

The risk profile faced by our business continues to adapt as external market conditions and regulations change and there is an increasingly uncertain global political environment with associated market volatility and increasing cyber criminality.

Approach and framework

Our approach is to maintain and strengthen our risk management and internal control framework of identifying, monitoring and managing the principal risks facing our business and assessing them regularly. This framework cannot eliminate risk entirely, and can only provide reasonable, not absolute, assurance against material misstatement or loss.

Our risk assessment is formed in stages:

1. Identify the risks facing the Group by business sector;
2. Document risks on a centrally-managed risk register;
3. Assess the likelihood of occurrence of each risk;
4. Evaluate the potential impact of each risk on the Group;
5. Determine the strength and adequacy of the controls operating over each risk;
6. Assess the effect of any mitigating procedures or processes;
7. Plot the above factors on a risk matrix; and
8. Monitor the above on a regular basis.

The Board recognises that whilst it has limited control over many of the external risks it faces, including, for example, the macro-economic environment, it nevertheless reviews the potential impact of such risks on the business and actively considers them in its decision-making. The Board actively monitors internal risks and ensures that appropriate controls are in place to manage them.

Inherent risk attributes of Clarksons' business include the following principles:

- We act as agents in the provision of services for and on behalf of our clients;
- We do not own physical assets of material value;
- We do not hold principal positions, other than in exceptional circumstances within the financial division, should there be a failure of a client to meet its obligations during the settlement period;
- Aside from cash held in regulated entities, we are not required to commit material amounts of capital in the conduct of our day-to-day business; and
- We have no debt.

Every year, through an integration of culture and compliance, we make further progress embedding our risk management approach with all employees. Our objectives and values are clearly communicated and our training, systems, processes and internal controls are developed in accordance with our risk management model. This is, of course, an ongoing process and we continue to work hard to improve risk awareness and embed controls and procedures to mitigate risks.

The Board and senior management take a forward-looking approach to risk to ensure early identification, timely assessment and, where necessary, mitigation of new and emerging risks, such that they can be evaluated alongside known and continuing risks.

In November 2017, the audit committee carried out its annual formal assessment of risk which was communicated in full to the Board, which subsequently agreed the key risks, risk appetite, controls and risk management processes in place within the Group.

In addition to our regular risk management activities, the priority for 2018 is to continue promoting a 'monitoring environment' which consists of validating, monitoring and reviewing the effectiveness of our current controls in order to support the Board in their responsibilities.

Risk governance

For detailed information about the role of the Board and the audit committee in the risk management process, see pages 60 and 82 respectively.

Board

- Overall responsibility for the Group's risk management and internal control systems
- Sets strategic objectives and defines risk appetite
- Monitors the nature and extent of risk exposure against risk appetite for our principal risks
- Provides direction on the importance of risk management

Audit committee

- Supports the Board in monitoring risk exposure against risk appetite
- Reviews the effectiveness of our risk management and internal control systems

Operational management

- Risk management process and internal controls embedded across divisions and functional areas
- Risk identification, assessment and mitigation performed across the business
- Risk awareness and safety culture embedded across the business

Risk appetite

Risk appetite is at the heart of our risk management processes, since it is integral to our consideration of strategy and medium-term planning process. The Board is responsible for the amount and type of risk the Group is willing to accept to achieve our strategic and operational objectives. It performs this function by setting the business strategy and approving the Group's policies and procedures, enabling, where possible, a reduction in risks to the tolerance levels set by the Board. The Board further considers the inherent risk attributes of the business when identifying its appetite and tolerances for risk and opportunities. The Group's risk appetite is monitored at each Board meeting and formally reviewed and approved by the Board annually.

Viability statement

In accordance with provision C.2.2 of the revised 2016 UK Corporate Governance Code, the Board has assessed the prospects of the Group over a longer period than the 12 months required by the 'going concern' provision.

In carrying out their assessment, the Directors have considered the resilience of the Group (with reference to its current position, prospects and strategy), the Board's risk appetite, the Group's principal risks and the effectiveness of mitigating actions. This robust assessment considers the potential impact of the Group's principal risks on its strategy, business model, future operational and financial performance, solvency and liquidity over the period.

In determining the period over which to provide its viability statement, the Board took into consideration revenues, cash flows, funding requirements, profits, long-term time charters, the average construction period of newbuilding contracts, triennial valuations of pension schemes and duration of the majority of the forward order book. The Board concluded that a period of three years was appropriate.

Based on their assessment of prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2020. In doing so, it is recognised that such future assessments are subject to a level of uncertainty that increases with time and, therefore, future outcomes cannot be guaranteed or predicted with certainty.

Going concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in note 2.1.

Summary of principal risks

The principal risks which may impact the Group's ability to execute its business strategy have not fundamentally changed since 2016, however, the likelihood of the risk occurring and mitigation in place have evolved. Further, the impact of changes in the broking industry has replaced pension risk, as a result of the recent de-risking in two of the three pension schemes.

The principal risks in the following table, whilst not exhaustive, are those which we believe could have the greatest impact on our business and have been the subject of debate at Board and audit committee meetings. The Board regularly reviews these risks in the knowledge that currently unknown, non-existent or immaterial risks could turn out to be significant in the future.

Risk	Link to strategy (see pages 20 to 21)	Change in risk factor in the year	See also
Failure to achieve strategic objectives	Growth	↔	Our strategy, pages 20 to 21
Changes in the broking industry	Understanding	↗	Chief Executive Officer's review, pages 16 to 19
Employee misuse of confidential information	People	↔	
Cyber risk and data security	Trust	↔	Chief Executive Officer's review, pages 16 to 19 Audit committee report, pages 80 to 83
Economic factors	Growth	↔	Our market context, pages 14 to 15
Loss of key personnel	People	↔	
Adverse movements in foreign exchange	Growth	↔	Financial risk management, note 26
Financial loss arising from failure of a client to meet its obligations	Understanding	↔	Trade and other receivables, note 14

Risk description	Mitigation	Activities in 2017
Failure to achieve strategic objectives Due to the size and international coverage of the Group, there is a risk that our objectives are not communicated effectively. There is also the risk that our strategy does not deliver the required and expected outcomes for stakeholders.	– Frequent communication between Executive Directors, global Managing Directors and staff. – The Chief Executive Officer hosts an annual week-long meeting with all global Managing Directors where attendees consider controls, strategy and general management. – Quarterly divisional reviews of risks, operating and financial performance with Managing Directors. – Daily review of real-time financial information.	– We have continued to focus on delivery of our strategy through 'best in class' service in extremely challenged markets. – We have closely and continuously monitored developments in our industry. – We engaged with our clients to ensure we understand their needs and priorities and deliver beyond their expectations.
Changes in the broking industry There is a risk that we do not take advantage of, or are overtaken by, changes in our industry. This could lead to loss of revenue and reputational damage.	– Monitoring and developing technological applications which will impact the broking industry. – Reviewing our clients' broking requirements.	– We have made significant investment and resource into developing technological applications to enhance our service offering and future-proof our business.
Employee misuse of confidential information Accidental or deliberate disclosure of confidential information could have a significant reputational and financial impact.	– Strict procedures for leavers to ensure no data can be removed from the premises. – Employment contracts include confidentiality and non-compete clauses. – Investment in compliance, quality assurance and legal functions to ensure best practice is consistently applied throughout the Group.	– We reinforced our commitment to staff training and to operating an ethical work environment in order to promote high standards, consistency and a unified approach. – We introduced a new cyber training package for all employees. – We strengthened contractor confidentiality terms.

Risk description	Mitigation	Activities in 2017
Cyber risk and data security		
Financial loss, reputational damage or operational disruption resulting from a major breach in the confidentiality, integrity or availability of our IT systems and data. A breach could be caused by phishing, ransomware, malware and virus attacks, stealing and utilising confidential information or IP, malicious sabotage/deletion/corruption of data, breach of firewall, social media misuse, defacing company website/applications and unauthorised access to offices.	– IT processes include regular penetration testing, anti-virus and firewall software, frequent password changes and requirements for complexity, email authentication and strict procedures on granting and removing access. – Operational processes include segregation of duties, business continuity planning and regular training.	– As announced on 29 November 2017, the Group was subjected to a cyber security incident. – The Group continues to invest significantly in enhanced security measures, people and resources dedicated to the prevention of cyber crime.
Economic factors		
World trade, global GDP and other general economic fluctuations impact the demand for ships. Actions of owners and financiers have a direct impact on the supply side of our business. Supply/demand imbalances cause fluctuations in freight rates. If freight rates, volumes or asset prices fall, the commission that we receive on any deal would also fall.	– We are not dependent on any one country's economy as our operations and clients are located in all major maritime and trade centres globally. – Our business model is built on the ability to deal with downturns and remain profitable. Our variable remuneration schemes, being profit-related, mean that overheads react to swings in asset values and freight rates. – Our broad product offering, manned with experts in their fields, means we are in the best position to find new opportunities in volatile market conditions and able to take advantage of market turnarounds. – We review the performance of each office and product line on a monthly basis.	– Our results show the effectiveness of our strategy and business model against volatility in our markets, particularly those affected by falling commodity prices.

Risk description	Mitigation	Activities in 2017
Loss of key personnel Losing key personnel may impair our coverage of a particular line of business as our success depends on the experience, reputation and performance of our specialist teams.	– We offer competitive remuneration and an excellent working environment to help us to retain staff. – Appraisals enable us to track progress and discuss career development. – Employment contracts include restrictive covenants, appropriate notice periods and gardening leave provisions to prevent the loss of key information. – Teamwork is encouraged across the Group. – We invest in our teams through training and promote further learning through lectures and encouraging personal study. – Succession-planning and documentation of key procedures help minimise any impact of losing personnel.	– We continued to make significant hires. – We monitored staff turnover and absenteeism in order to strive to understand the reasons behind such activity. – A number of employees transferred locations within the Clarksons Group, accommodating both the employees' and the Group's needs.
Adverse movements in foreign exchange The Group can be exposed to adverse movements in foreign exchange as our revenue is mainly denominated in US dollars and the majority of expenses are denominated in local currencies.	– The Group hedges currency exposure through forward sales of US dollar revenues. We also sell US dollars on the spot market to meet local currency expenditure requirements. – We continually assess rates of exchange, non-sterling balances and asset exposures by currency.	– We continued to apply our hedging policy consistently and we have forward sold a proportion of US dollar anticipated revenues into 2019.
Financial loss arising from failure of a client to meet its obligations	– We regularly monitor global client debt levels using information from a range of sources. – Provisions are based on ageing of balances, disputes or doubts over recoverability.	– We continued to provide for doubtful debts on a prudent basis. – There were no unexpected losses arising from a client failure during the year.

Corporate social responsibility

JEFF WOYDA
CORPORATE SOCIAL RESPONSIBILITY COMMITTEE CHAIR

> “As a business, and as employees, we are committed to supporting worthwhile causes and projects worldwide as we strive to give back to communities in need.”

At Clarksons, our approach to corporate social responsibility (CSR) is a natural extension of our vision and values – **integrity, excellence, fairness and transparency**. We are committed to both providing a great place to work for our employees, with market-leading facilities, technologies and working practices, and giving back to the community, by supporting new entrants to the world of shipping and more generally by helping those where team Clarksons can make a real difference.

As our business evolves so does our commitment to CSR. During 2017 we have again contributed to some incredible charities and continued to monitor and support those that we have supported in the past. We have watched with pride as projects supported by the Group have flourished during the year, making a positive difference to the lives of many people. Our endeavours to support these causes, both financially and through the volunteering of our staff, has many benefits, but ultimately we aim to bring about positive social change and provide a lasting impact on the people and communities that we help.

We are always conscious to give back to the maritime sector. One of our more significant CSR projects for 2017 involved partnering with the Sailors Society to deliver a mobile medical unit to retired and active seafarers and their families living in the Chennai and Pondicherry areas in Tamil Nadu state, India. This is a project that we scoped and committed to in the latter part of the year and we are excited to see it evolve over the coming months.

Another cause new to the Group in 2017 is a project inspired by a community leader local to our head office, Mick Carney MBE. Mick uses sport, specifically boxing, to engage disadvantaged young people and then mentors them to become ‘the best they can be’ in all areas of life. This is an ethos that is reflected within our own business and our support of this charity allows us to offer not only badly needed funding for the day-to-day running of the centre but also social mentoring for young people involved in Carney’s Community. This is not the first time that we have supported a scheme which uses sport to enrich people’s lives and form a basis for helping them through their challenges, as in the past we donated to School of Hard Knocks, a rugby charity. Sport forms an

> Corporate social responsibility in pictures

Clarksons’ employees have volunteered, donated and contributed to a selection of charitable causes across the globe:

Houston was awarded the trophy for highest fundraiser for the Wounded Warrior Project and Hurricane Harvey Relief.

The 2nd annual Clarksons Charity Giving Day held across

8

of our global offices

£1m

raised for charities across the world since 2013

Clarksons’ Hong Kong team took to the trails on Hong Kong Island for the 3rd Annual Hong Kong Sailors Society Trek.

important part in many of our staff's lives, and teamwork is such a positive contributor to the ethos of Clarksons, that we strongly believe in these charities, and have been delighted to see the positive impact they are making to so many they help.

We have also provided support to Friends of Chernobyl's Children, a charity aiding disadvantaged children in and around the city of Mogilev, one of the areas affected worst by the Chernobyl nuclear disaster of 1986, and to the Hurricane Harvey Relief Fund, especially poignant given the location of our office in Houston which suffered from the ensuing floods. In Norway, we donated to Sykehus Klovene, specialists in providing positive respite for children who are currently undergoing challenging, life-saving treatment, and in the UK we have volunteered and contributed to homeless charities in London and continue to work with them as they look to help the unacceptably high number of people currently sleeping on the streets in the capital.

Together with the phenomenal fundraising which takes place every year by our remarkable employees, team Clarksons continues to make a real difference to charities across the world through countless acts of strength and endurance, be it marathons, triathlons, conquering base camps or even sailing around the world. Helen Trundle, an application support manager in the London office, recently competed in the Clipper Round the World Race which sees international crew members race 40,000 nautical miles around the globe. It is the longest ocean race in the world and one of the planet's toughest endurance challenges.

Through our charity and mentoring work, we do not lose sight that our reputation is key to our long-term success and we endeavour to use our experience to provide knowledge to others both in and outside of the business.

We have hosted lectures with the UK Chamber of Shipping, Institute of Shipbrokers, ITIC, Women's International Shipping and Trading Association (WISTA) and the London Shipping Law Centre and have welcomed many well-known leaders in the shipping cluster to share their experiences and knowledge with team Clarksons. All staff are encouraged to invest time into professional development, including many different forms of mandatory training, such as anti-bribery and corruption and cyber security awareness programs. We also offer work experience to students from the UK and overseas and keep close relationships with universities and business schools around the world specialising in maritime and international trade.

As market leaders, we know that it is our responsibility to lead the way and be at the forefront of new ideas. In order to do that, we need to stay up-to-date with the market and encourage and invest in our employees providing qualifications with CIMA, CIPD, ICS, MBA, PHD or many other forms of study which can help their personal development.

We are conscious that we are always learning, regardless of age and experience and, in order to provide the 'best in class' to our employees, clients and communities, we must continue to evolve what we offer and pioneer new technology to support our industry. As we rethink the industry we know we need to be ready for the future by investing in our community, investing in our people and ensuring we are ready to shape the future of shipping.

Jeff Woyda
Corporate social responsibility committee Chair

9 March 2018

Focusing on three main causes:
Maritime, children and health

Congratulations to Gosia Kwapinska who won our first Clarksons Bake off. The proceeds went to The Luminary Bakery.

116 charities across 5 years

Eat, sleep, sail, repeat. Helen Trundle competing in the Clipper Round the World Race, the longest ocean race in the world.

Carney's Community and Clarksons coming together to engage disadvantaged young people in sport.

Our people are our business

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

Clarksons is an equal opportunities employer which entrusts its reputation and market lead to the best global workforce in shipping. Our business is meritocratic. We seek to appoint the best candidate for each and every vacancy. Candidates are considered against fair and objective criteria which enable all employees, irrespective of gender, race or disability, to advance in their career.

Shipping is an industry that people enter into because they are enthusiastic about world trade. This industry remains an attractive employment option as it offers career opportunities, flexibility and incentives for those who commit themselves.

Of the 1,512 staff within the Group at 31 December 2017, 388 or 26% were female (27% in 2016). There were 273 managers within the Group, of which 45 or 16% were female. From total new hires made in 2017, 27% were female.

We are aware that there is much to be done to encourage more women into the shipping industry and to progress into senior roles. With this in mind, we endeavour to ensure that regardless of gender, Clarksons feels inclusive and focused on developing all employees within the business, across the world.

Please visit www.clarksons.com/gender-pay-gap-report/ to view our gender pay gap report.

Clarksons has undergone significant growth over the last decade, including the acquisition of Platou in 2015, which means that many employees have been employed for less than ten years. Nevertheless, we are proud that 23% of Clarksons employees have been with the organisation for more than ten years, and 3.5% have been employed with the business for 25 years or more. This 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.

Engaging with our people

Employees are key stakeholders in our business and we take our engagement of employees seriously. Our flat management structure means that employees have access to the senior management team and Managing Directors work alongside their trainees.

Our people

51 number of years employed by our longest serving employee.

We pride ourselves on our employee retention. Clarksons is more than just a job to many and our 'family culture' is something that sets us apart from our competitors.

We are confident that through regular training and educational opportunities and continuing to build a strong international workforce reflecting diversity and cultural richness, we will continue to pave the way forward in our industry.

53 employees with 25 years or more continuous service.

We regularly communicate with our employees on matters relating to both our Company and the wider maritime industry using a variety of methods such as our monthly Clarksons Voyage online magazine and iQ video updates by in-house experts. Global MDs week takes place each January when divisional Managing Directors from around the world meet at our headquarters in London for a week-long series of seminars, workshops and meetings.

Employees are able to participate in the Company's share schemes (including Long-Term Incentive Plans and the ShareSave scheme), which give eligible employees the opportunity to become shareholders in the Company and to share in its continued growth and success. As shareholders, employees have an opportunity to engage with the Board, in particular at the AGM each year.

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. Clarksons' employees represent over 60 nationalities globally reflecting our cultural diversity. Clarksons continues to operate a prominent trainee broker recruitment process which attracts in excess of 2,500 applications annually. Our global presence means that we can attract employees with the opportunity to work for the biggest shipbroking company in the world and are able to offer international mobility within the Group to ensure both personal and professional development.

Investing in our people

At Clarksons employees are empowered to do their best work. We hire the brightest talents, give them the tools to shine, including IT systems and high quality training, and ensure they are suitably rewarded. 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.

In terms of employee benefits, the Company offers a range of immediate and post-probation benefits including private health insurance, discounted gym memberships, childcare plus vouchers, cycle to work scheme, season ticket loans, eye tests, pension scheme, life assurance policy and an employee assistance helpline. In some locations, there are canteen facilities offering free lunches and subsidised breakfasts.

For employee shareholders, we offer an in-house share dealing service, enabling employees around the world to take advantage of special rates with our preferred brokers. In 2017, we were pleased to launch an International ShareSave scheme for our Norwegian employees. In the future, we hope to offer this in other locations around the globe.

Furthermore, Clarksons offers a number of opportunities to employees to develop in their careers and learn more about the shipping industry as a whole. Employees are encouraged to broaden their knowledge of the business and industry where possible. For example, in London, the training development team run lunchtime seminars with industry experts and specialists. Employees across the Company are encouraged to attend these seminars in order to increase their understanding of our business and to build relationships with colleagues who they may not encounter in their day-to-day roles.

Our training schemes remain unique in our industry, blending the collective skilled advice and guidance from our experienced employees along with the tutelage of external experts from all areas of the shipping, trading and commodity markets. These training schemes take the form of an intense five-day programme and are very popular amongst employees as well as the employees of our clients who recognise the strength and credibility of the training that we offer.

During 2017, we were pleased to begin building a relationship with a global woman's shipping and trading association. It is hoped that by working with organisations such as this, Clarksons can increase the visibility of shipbroking and related services to women as a career.

Our Trainee Broker Scheme is open to school, college and university graduates as Clarksons believes that the qualities of commitment, talent and passion we seek in a trainee require 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 to the Trainee Broker Scheme, 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.

Please visit www.clarksons.com/modern-slavery-act/ to view our latest statement on modern slavery and human trafficking under the Modern Slavery Act 2015.

Health and safety

We believe that it is vital to look after the health, safety and wellbeing of our staff. Clarksons endeavours to create a working culture that is inclusive for all and to maintain our high standards across all sites. Providing a safe and secure workplace is central to this ethos. Our policies and procedures are designed to minimise the risk of injury and ill health of all employees as well as any other parties involved in the conduct of our business operations.

Looking after our employees around the world

In February 2017, the Clarkson PLC Board approved a revised Group health and safety policy statement. This outlines the Company's commitment to health and safety globally and appoints the Chief Financial Officer and Chief Operating Officer, Jeff Woyda, to oversee health and safety as a sponsor on behalf of the Board. This policy statement will be kept under review to ensure that it remains fit-for-purpose as the Group grows and evolves.

Each global site is responsible for managing its own health and safety to a good local standard in compliance with relevant legislation and regulations. With the exception of port-side activities in Egypt, all Group locations outside UK conduct office-based activities only and therefore considered relatively low risk.

Health and safety in the UK

In the UK, we have the largest concentration of employees in a single location (Commodity Quay), plus some of our highest risk locations such as port agency and freight forwarding. Following a thorough review of our health and safety management systems in the UK, 2017 was the first full year of operation for our new health and safety committees (HSCs) and policies.

We are pleased to report that all HSCs have met their required number of meetings for the year under the terms of reference:

Committee	Required	Meetings held
Office HSC	4	4
CPSL HSC	6	6
UK HSC	2	2

Locations represented by the Office HSC include London (Commodity Quay and Empson Street), Ledbury and Aberdeen (Shiprow). All other UK locations are covered by CPSL HSC.

Office HSC

As reported in 2016, all the employees responsible for day-to-day health and safety management in office locations have received refresher training and any with new health and safety responsibilities in 2017 were trained for the first time. Each office location now has appropriate numbers of employees with IOSH Managing Safely certification.

Projects undertaken by the office HSC in 2017 include:

- Implementation of a new contractor approval process;
- Review of first aid requirements at each location and refreshing training where appropriate;
- Increased reporting and communication to PLC Board on health and safety matters;
- Monitoring relevant legislative compliance at each location;
- Legal responsibilities training for key Directors and the Company Secretary; and
- Working on development of a bespoke health and safety e-learning package for employees.

For 2018, the office HSC plans to build on progress made and increase awareness of safety in the workplace amongst office employees. This is expected to include training.

CPSL HSC

There have been a number of positive improvements for CPSL during 2017 including expanding their safety management system and achieving internationally recognised occupational safety accreditation of OHSAS 18001 for all CPSL sites.

CPSL demonstrated further commitment to the health, safety and wellbeing of their employees in 2017 by employing a dedicated health and safety manager in July. Following his appointment, the health and safety manager has led a review of existing risk assessments, safe working procedures and operating systems. In addition, he has overseen the implementation assessments, processes and procedures where appropriate as part of the Company's commitment to continual improvement.

CPSL HSC has focused on a number of projects during the year:

- Empowering employees to report near misses;
- COSHH training for employees;
- Training a certified Dangerous Goods Safety Advisor;
- Improved visibility at CPSL Board level; and
- Increased involvement at all levels in the business from operations to Directors.

Looking ahead to 2018, the CPSL HSC is pleased to report that there is further training planned including a roll-out of a new bespoke port safety awareness e-learning course. In addition, investment has been confirmed for operational improvements at key sites.

The focus for the upcoming year is to improve reporting, drive forward the prevention of accidents and utilise technological advances in safety where possible.

UK HSC

The UK HSC includes representatives from the office and CPSL HSCs as well as the Company Secretary on behalf of senior management. Each UK HSC meeting is an opportunity for both HSCs to share best practice and discuss ways to improve the combined UK approach. These meetings help set the agenda for safety management across the UK as a whole. A report prepared by the UK HSC is provided to the Chief Financial Officer and Chief Operating Officer following each meeting and provided to the Board at their next meeting. This has improved visibility at Board level of health and safety management in the UK.

The following chart illustrates the information flow between the PLC Board and the HSCs:

UK HSC structure

Environment

Clarksons recognises that its global operations have an environmental impact and we are committed to monitoring and reducing our emissions over time. This is the fifth year that Clarksons is reporting its greenhouse gas (GHG) emissions as required by the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013.

Clarksons reports all material emission sources for which we have operational control[1] across 21 countries. Our Tokyo office, which opened in 2016, has been included in this year's reporting for the first time[2].

This year we have adopted a longer-term approach to environmental reporting through active data management. We are pleased to see that data quality and coverage continues to improve across our sites. Increased engagement with our offices in 2017 has captured additional data across key business activities. To provide a more accurate representation and comparison of our environmental impact over time, we have restated our 2016 emissions.

Emissions performance

As an expanding business we have increased our estate footprint and, whilst we have consumed more energy this year, our carbon footprint has decreased by 6% from 3,476 tCO_2e in 2016 to 3,255 tCO_2e in 2017, due to a number of external influences.

Global emissions by scope

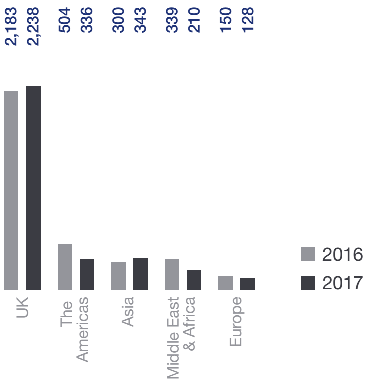
	Tonnes CO_2e	
	2017	2016
Scope 1 – Direct control *Natural gas, company cars, refrigerants*	**1,178.6**	1,213.5
Scope 2 – Indirect control *Purchased electricity, heat, steam and cooling*	**1,930.1**[3]	2,083.9
Scope 3 – Clarksons influences *Transmission and distribution only*	**146.6**	179.0
Sub-total	**3,255.3**	3,476.4
Emissions intensity (tCO_2e per FTE)	**2.00**	2.64

Our scope 1 emissions have decreased by 3% compared to 2016. This can largely be attributed to reduced consumption of on-site fuels at Ipswich Sentinel, plus we have had no fugitive emissions to report for 2017.

Reported electricity emissions decreased by 7% in 2017, with Clarksons' European offices responsible for 65% of our scope 2 impact. UK offices continue to account for the majority of this (93%), with a 15% decrease in the UK's electricity conversion factor contributing a 98 tCO_2e reduction in these emissions.

Our London head office at Commodity Quay is responsible for 80% of our UK consumption. We have taken steps to increase the accuracy of our reporting at this site and identify energy saving opportunities to improve performance.

Emissions breakdown by region (tCO_2e)



Comparison of emissions by region (tCO_2e) scope 1, 2 and scope 3 transmission and distribution.

Additional scope 3 emissions

This is the second year that we are disclosing our extended scope 3 emissions in line with reporting best practice, to cover additional business travel (flights, rail, non-company cars and taxis) and buildings related emissions (water, waste and paper).

In line with the restatement of our scope 1 and 2 emissions, we have also captured new business travel data. As such, we have restated our scope 3 emissions in 2016 to allow for a more robust comparison between 2017 and 2016.

Given the global nature of our business, flights represent our most material emission source and are responsible for 67% of our total scope 1, 2 and 3 carbon footprint.

Other building emissions (water, waste and paper) account for 2% of our 2017 carbon footprint, with other business travel (rail, taxis and non-company cars) contributing a further 1%.

	Tonnes CO_2e	
	2017	2016
Additional scope 3 *Business travel, water, waste, paper*	**7,458.9**	7,015.5
Total all scopes	**10,714.2**	10,491.9
Emissions intensity *(tCO_2e per FTE)*	**6.59**	7.97

Methodology

Clarksons' GHG emissions were calculated in accordance with the requirements of the World Resources Institute 'Greenhouse Gas Protocol (revised version)', 'Environmental Reporting Guidelines: including mandatory greenhouse gas emissions reporting guidance' (Defra, 2013) and ISO 14064 – part 1.

Additional notes on methodology:

1. As we take an operational approach to defining our boundary, building emissions from employees working from home are excluded from our reporting.
2. Clarksons' new Seoul office, which opened in December 2017, is excluded from this year's reporting but will be included in future years.
3. Clarksons' scope 2 emissions using location-based emissions factors. In line with WRI best practice, our scope 2 market-based emissions for 2017 are calculated at 2,278 tCO_2e and calculated using residual mix factors by country and location-based factors.

Introduction to corporate governance

JAMES HUGHES-HALLETT
CHAIR

> "Effective corporate governance is essential in ensuring both good decision-making and the sustainability of the business."

I am pleased to present to you the Board's corporate governance report. In this section you will find our review of corporate governance at Clarkson PLC together with reports from the nomination, remuneration and audit committees on pages 63, 64 and 80 respectively.

Board and committee changes

As previously reported, we welcomed Marie-Louise Clayton as an independent Non-Executive Director to the Board on 1 January 2017 and James Morley retired on 12 May 2017. On 21 December 2017, our Company Secretary, Penny Watson, resigned from the Company. We wish James and Penny every success for the future. Penny has been succeeded by Mike Cahill as Interim Company Secretary. Mike is a Chartered Accountant with over 26 years' experience at Clarksons.

Governance activity during the year

During 2017, the nomination committee began the process to replace Ed Warner as Non-Executive Director as he reaches his nine-year tenure on the Board. For more information about this search, see the nomination committee report on page 63.

In 2017 we have continued to build on the health and safety processes and procedures for the office locations. In our port services division, a further commitment to health and safety was shown by the appointment of a dedicated health and safety manager in July 2017.

For more information about health and safety activities during the year, please see pages 52 to 53.

Shareholder engagement

The Board believes that regular shareholder engagement forms a key aspect of good corporate governance. Following a significant number of votes against the remuneration report and remuneration policy at the 2017 AGM, the Chair of the remuneration committee engaged in consultation with major shareholders and proxy agencies. The remuneration committee has carefully considered all shareholder feedback received and the Directors endeavour to operate the 2017 remuneration policy within additional parameters. For more details, please see page 65.

Board evaluation

Following the external Board evaluation undertaken in 2016, the Company Secretary conducted an internal Board review in 2017 as per our evaluation schedule. For more information on the Board evaluation, please go to page 60.

Compliance with the UK Corporate Governance Code

As the financial year began after 17 June 2016, the 2016 UK Corporate Governance Code (the Code) was effective for the Company's current reporting period. We discuss how we comply with the Code on page 58.

I look forward to meeting you at our AGM on 10 May 2018 and addressing any questions you may have.

Yours faithfully

James Hughes-Hallett
Chair

9 March 2018

Board of Directors

JAMES HUGHES-HALLETT, CMG
CHAIR
(INDEPENDENT NON-EXECUTIVE)

N R

Appointed to the Board:
20 August 2014 (Non-Executive Director), became Chair on 1 January 2015

Current external appointments:
- Non-Executive Director of John Swire & Sons Limited.
- Chair of the Esmée Fairbairn Foundation.
- Governor of the Courtauld Institute of Art.

Previous appointments:
- Chair of John Swire & Sons Limited in London from 2005 to 2014.
- Chair of Cathay Pacific Airways Limited and Swire Pacific Limited in Hong Kong.
- Managing Director and Chair of the China Navigation Company and of Swire Pacific Offshore.
- Chair of the Hong Kong Shipowners Association.
- 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. He was made a CMG in the 2012 Queen's Birthday Honours.

ANDI CASE
CHIEF EXECUTIVE OFFICER

Appointed to the Board:
17 June 2008

Andi joined Clarksons in 2006 as Managing Director of the Group's shipbroking arm, H Clarkson & Company Limited. Prior to that he was with Braemar Seascope for 17 years, latterly as head of sale and purchase and newbuildings. He began his shipbroking career with C W Kellock & Co and later the Eggar Forrester Group.

JEFF WOYDA
CHIEF FINANCIAL OFFICER AND
CHIEF OPERATING OFFICER

Appointed to the Board:
1 November 2006

Current external appointments:
- Non-Executive Director of the International Transport Intermediaries Club Limited (ITIC).

Jeff qualified as a chartered accountant with KPMG and, before joining Clarksons, was a member of the executive committee of Gerrard Group PLC. He also spent 13 years at GNI Group where he was Chief Operating Officer.

PETER M. ANKER
PRESIDENT OF BROKING AND
INVESTMENT BANKING

Appointed to the Board:
2 February 2015

Peter started his career in RS Platou's Houston office in 1982 as an offshore broker, after completing his studies at the NHH Norwegian School of Economics. After returning to Norway in 1986, Peter became Chief Executive Officer and Managing Partner of the RS Platou Group in 1987, a position he held until joining the Board of Clarkson PLC in February 2015.

Committee membership

A Audit committee

N Nomination committee

R Remuneration committee

Chair

PETER BACKHOUSE
SENIOR INDEPENDENT DIRECTOR
(INDEPENDENT NON-EXECUTIVE)

A N R

Appointed to the Board:
16 September 2013 (Non-Executive Director), became Senior Independent Director on 5 November 2013

Current external appointments:
- Chair of the Supervisory Board of HES International B.V., a leading provider of port services in dry and liquid bulk handling.
- Member of the Advisory Board of US private equity firm Riverstone Energy Partners.

Previous appointments:
- Chair and Chief Executive Officer of BP Europe.
- Executive Vice-President of global refining and marketing, and head of both North Sea oil development and global mergers and acquisitions.
- Non-Executive Director of BG Group PLC between 2000 and 2014.

Peter has over 40 years' experience in the international energy business.

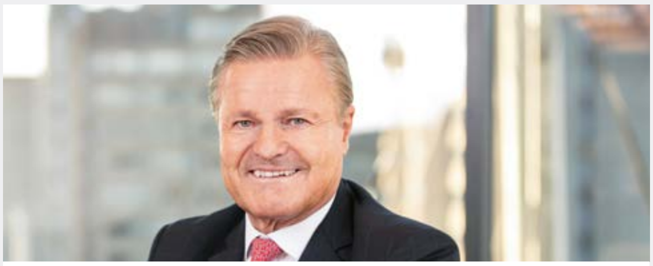
MARIE-LOUISE CLAYTON
DIRECTOR
(INDEPENDENT NON-EXECUTIVE)

A N R

Appointed to the Board:
1 January 2017

Previous appointments:
- Finance Director of Venture Production PLC.
- Chief Financial Officer and IT Director of the Primary Food Group division of Associated British Foods PLC.
- Chief Financial Officer of Lincoln Gas Turbines at GEC Alstom.
- Roles at Advent Venture Capital, Exxon Chemicals, Inland Revenue and Guest, Keen and Nettlefold.
- Chair of the audit committee of Zotefoams PLC, Diploma PLC and Forth Ports PLC.
- Non-Executive Director of Independent Oil & Gas Limited and Ocean Rig ASA.
- Non-Executive Director of GCHO Holdings Limited, the holding company for Geoffrey Osborne Limited.
- Trustee of Street League, a youth employment charity.

Marie-Louise is a fellow of the Association of Certified Accountants.



BIRGER NERGAARD
DIRECTOR
(INDEPENDENT NON-EXECUTIVE)

R

Appointed to the Board:
2 February 2015

Current external appointments:
- Deputy Chair of the Board of Clarksons Platou AS since 2008.
- Board member of Clarksons Platou Securities AS and Maritime & Merchant Bank AS.
- Director of Verdane Capital's funds V, VI, VII and VIII and Nergaard Investment Partners AS.
- Advisor to the P/E fund Advent International in Norway.

Previous appointments:
- Established Verdane Capital in 1985 and was Chief Executive Officer until 2006.

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

ED WARNER, OBE
DIRECTOR
(INDEPENDENT NON-EXECUTIVE)

A N R

Appointed to the Board:
27 June 2008

Current external appointments:
- Chair of LMAX Exchange Group, Standard Life Private Equity Trust PLC, Blackrock Commodities Income Investment Trust PLC, Grant Thornton UK LLP and the Palace for Life Foundation.

Previous appointments:
- Chair of Panmure Gordon and UK Athletics.
- Chief Executive of IFX Group PLC and Old Mutual Financial Services (UK) Limited.
- Head of Pan European Equities at BT Alex Brown and of global research at Dresdner Kleinwort Benson.

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 1 to 54.

The Board is committed to maintaining a high standard of corporate governance, which is critical to retaining investor and stakeholder 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 55 to 92, and information incorporated by reference, constitutes the Clarkson PLC corporate governance report setting out how the Company has applied the principles of the 2016 UK Corporate Governance Code (the Code), which was applicable to the Company for the financial year ended 31 December 2017. We are compliant with the Code. We are aware of the proposed new version of the Code which is expected to be in place for the reporting year ending 31 December 2019. During 2018 – 2019, the Board and committees will be considering how Clarksons already comply with the revised provisions so that we can make any necessary changes ahead of implementation.

The September 2014 and April 2016 editions of the Code can be viewed on the Financial Reporting Council website at https://frc.org.uk/Our-Work/Corporate-Governance-Reporting/Corporate-governance.aspx.

Leadership

The Board comprises James Hughes-Hallett (Chair), Andi Case, Peter M. Anker, Jeff Woyda, Peter Backhouse (Senior Independent Director), Birger Nergaard, Ed Warner and Marie-Louise Clayton. Marie-Louise Clayton joined the Board on 1 January 2017 and James Morley retired on 12 May 2017. On 21 December 2017, Penny Watson resigned as Company Secretary and Mike Cahill was appointed as Interim Company Secretary. The Board is working to identify a suitable replacement Company Secretary on a permanent basis.

Biographies of the Directors in office at the date of signing the financial statements are set out on pages 56 to 57.

Ed Warner reached nine-year tenure on the Board in June 2017. Ed was re-appointed for a 12-month period to aid the stability of the Board during a period of change. The Board and nomination committee recognised the need for stability and acknowledged the contribution, continuity and experience that Ed, as a long-serving Non-Executive Director, brought to the Board overall and the support he provided. It was determined that this was appropriate as Ed continues to demonstrate qualities of independence of character and judgement in carrying out his role.

During 2017 and early 2018, the nomination committee have led the search for a replacement Non-Executive Director.

The Board, supported by its committees, is responsible for ensuring leadership and setting strategic direction with the aim of delivering sustainable shareholder value. It is imperative that the combined experience and knowledge represented by the Board is appropriate to lead the Company in maintaining its market-leading position and achieving its strategic objectives. On appointment, the Chair and the Non-Executive Directors met the independence criteria set out under the Code and confirmed that they have sufficient time available to discharge their responsibilities effectively. Non-Executive Directors are appointed for an initial three-year term, subject to re-election by shareholders at each AGM, after which their appointment may be extended, subject to mutual agreement. All members of the Board will retire and seek re-election by shareholders at the 2018 AGM.

There is a clear division of responsibilities between the Chair and the Chief Executive Officer which is set out in writing and has been approved by the Board:

Chair	Chief Executive Officer
– Leading the Board	– Running the day-to-day business
– Ensuring Board effectiveness	– Implementing Board strategy
– Promoting high standards of corporate governance	

The Non-Executive Directors have a vital role in ensuring that the strategies proposed by the Executive Directors are appropriately discussed and constructively challenged. They help scrutinise the performance of management against the agreed goals and strategic objectives of the Board and monitor the integrity of the Company's financial information and systems of risk control and management. For more information, see page 60. In addition, Non-Executive Directors are responsible for considering and approving executive remuneration. For more information, see pages 64 to 79. The Chair 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 where required to address matters arising outside the normal course of business. The Non-Executive Directors serve on a number of committees established by the Board. Details of committee activities are shown on pages 63, 64 and 80.

The Board has powers and duties as set out in all relevant laws and the Company's articles of association (the articles). Amendments to the articles may be made in accordance with the provisions of the Companies Act 2006, requiring any amendment to be approved by special resolution of the shareholders.

The Board has adopted a formal schedule of matters it reserves for its own decision-making. This includes decisions relating to:

- strategy and management;
- financial reporting and controls;
- shareholder communications;
- executive remuneration;
- the Group's corporate and capital structure;
- material contracts;
- Board and other senior management appointments and membership of Board committees; and
- corporate governance procedures and other Group policies.

For more information on the Board's focus during 2017, please see page 62.

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 may conflict, with the interests of the Company. The Board may authorise any potential conflicts, where appropriate, in accordance with the articles. The Company has established comprehensive procedures for the disclosure of any such conflicts by Directors, and for the consideration and authorisation of these by the Board. The Board considers each conflict on its particular facts and in the context of the other duties owed by the Director to the Company. The Board regularly reviews and monitors potential conflicts of interest. These checks are done for all Directors of subsidiary companies as well as the PLC Board.

Where a potential or possible conflict of interest arises, a Director will declare their interest and not participate in the decision-making process in respect of the relevant business.

Jeff Woyda, Chief Financial Officer and Chief Operating Officer, is a Non-Executive Director of the International Transport Intermediaries Club (ITIC). During the year, Jeff Woyda received £16,600 remuneration for serving as a Non-Executive Director of ITIC.

Effectiveness

Succession planning

There are currently eight Directors on the Board of Clarkson PLC. The structure of the Board is regularly reviewed and we seek to appoint the best candidate for each vacancy ensuring the correct balance of skills, experience and independence.

The Board oversees the Group's senior management succession plan 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 to the Board.

Non-Executive Directors are appointed for a specific term. Details of their service contracts can be found on page 77.

A report on the work carried out by the nomination committee during the year is set out on page 63.

Director induction, training and support

A careful assessment is made of the time commitment required from the Chair and the Non-Executive Directors to discharge their roles properly and, on appointment, new Directors are provided with a tailored induction programme relating to the Company's business.

All Directors are encouraged to regularly update and refresh their skills and knowledge by attending seminars and training sessions. During the annual Board and committee evaluation processes the Directors have opportunities to highlight any areas in which they feel professional development would be beneficial, either individually or as a unit. The Board has access to the Company Secretary for advice on corporate governance matters.

The Company Secretary is responsible for ensuring that the Board has access to the information it requires and that such information is supplied in a timely manner and is of appropriate quality to enable Directors to discharge their duties effectively. In addition, Directors may take independent professional advice at the Company's expense in the course of discharging their duties.

The Senior Independent Director provides a sounding board for the Chair and serves as an intermediary for other Directors when required.

The Company purchased and maintained directors' and officers' liability insurance throughout 2017 and it has been renewed for 2018. Cover is reviewed annually, with the assistance of the Company's insurance brokers, to ensure that it remains appropriate and fit-for-purpose.

Performance evaluation

As reported last year, an external Board evaluation was facilitated by Boardroom Review Limited in 2016. As per our evaluation schedule, the 2017 evaluation was conducted internally by the Company Secretary. The next external review is anticipated to take place in 2020. The review involved completion of questionnaires provided by our external Auditors, PricewaterhouseCoopers.

The evaluation process is as follows:

Questionnaires

Company Secretary co-ordinates the completion of confidential questionnaires by each Director, and in the case of the audit committee evaluation by the external Auditor and the Group Financial Controller.

The audit committee members also complete a questionnaire on the effectiveness of the external Auditor.

Separately, the Senior Independent Director leads the Non-Executive Directors in a performance evaluation of the Chair, taking into account the views of the Executive Directors.

Evaluation

The Chair reviews the responses by the Directors for the main Board evaluation questionnaire.

Each committee Chair reviews the anonymous responses to their respective committee questionnaires.

Discussion

Results of the Board and committee evaluation questionnaires are discussed at the next meeting.

For the Board, this is usually at the first meeting of the year.

Any issues raised are addressed between the Directors and external parties as appropriate.

Planning for year ahead

Any actions arising from the evaluations are scheduled to be reviewed during the year. This could include, for example, areas for Board training and development.

Following the evaluation, the Board, its committees and individual Directors were determined to be functioning effectively.

In 2017, the Non-Executive Directors, led by the Senior Independent Director, concluded that the Chair continues to be effective in his role.

Appointment of Directors

In accordance with the articles, all Directors shall retire from office and, subject to continued satisfactory performance, are put forward for re-election at each AGM. This is compliant with the Code requirement that Directors are submitted for re-election at regular intervals. The Company has maintained this cycle of re-election since 2015.

Accountability

The Board is responsible for promoting the long-term success of the Company for the benefit of shareholders, 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 Directors' responsibilities statement on page 86.

The Board is responsible for:

- determining the nature and extent of the risks it is willing to take in achieving its strategic objectives;
- maintaining the Company's system of internal controls and risk management; and
- reviewing the effectiveness of these systems annually.

For information on the responsibilities of the audit committee, see its report on page 80.

Risk management and internal control

Managing risk to deliver opportunities is a key element of the Company's business activities, which is undertaken using a practical and flexible framework, providing 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.

Please refer to pages 42 to 47 for more information on risk management, including the principal risks.

The Company's internal control system includes 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.

In addition to compliance with the Code, as required for all listed entities, the regulated entities in the Group are all governed by the respective regulators in their jurisdictions.

Regulated entities in the Group are:

Company	Regulated by
Clarksons Platou Securities AS	Regulated by the Norwegian FSA
Clarksons Platou Project Sales AS	Regulated by the Norwegian FSA
Clarksons Platou Project Finance AS	Regulated by the Norwegian FSA
Clarksons Platou Property Management AS	Regulated by the Norwegian FSA
Clarksons Platou Securities Inc	Regulated by FINRA in the US
Clarksons Platou Commodities USA LLC	Regulated by the NFA in the US
Clarksons Platou Futures Limited	Regulated by the FCA in the UK, the NFA in the US and MAS in Singapore

All entities comply with the applicable regulations as required by their regulated entity status.

For information on internal audit of regulated entities, please see page 82.

In 2018, the Board has approved the issuance of a new compliance manual to replace the Code of Business Conduct and Ethics. All employees are expected to adhere to the compliance manual, in order to maintain Clarksons' status as a responsible and trustworthy business. All employees are responsible for ensuring compliance with Group policies and for identifying risks within their business areas and to ensure that these risks are controlled and monitored in the appropriate way. Training is provided where necessary.

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. 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 principal risks has operated throughout the year and up to the date of the approval of this annual report.

For more information about the audit committee's role in risk management, go to page 82.

Board engagement with investors and relations with shareholders

The AGM gives all shareholders the opportunity to communicate directly with the Board. Participation of all shareholders is encouraged.

The Company's AGM will be held on 10 May 2018 at the Company's office in Commodity Quay, St. Katharine Docks, London E1W 1BF. Further details of the business to be addressed at the meeting can be found in the notice of meeting which will be available online at https://www.clarksons.com/news/.

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 Senior Independent Director is available to meet with shareholders and institutional investors as required. We primarily communicate with shareholders via the Company's annual and interim reports and the Company's website on which the Company publishes its trading updates and other news released to the London Stock Exchange.

All reports and results for the year can be found at: https://www.clarksons.com/investors/results-presentations/.

In 2018, the Company plans to publish the interim report online only. This is a change from previous years where a paper copy has also been produced. The Board is pleased to be moving towards environmentally-friendly methods of communications.

For shareholder information see pages 84 to 85 or visit www.clarksons.com/investors and for more information on how the Board has engaged with shareholders during 2017, see page 65.

Board and committees

Board meetings

Board meetings took place at the London and Oslo offices during 2017, giving the Board members an opportunity to engage with employees based in the Oslo office, which is the second largest office in the Group after London. In addition to the meetings in the table below, a number of additional meetings and conference calls have been held during the year, including those regarding the cyber security incident.

Total number of meetings held in 2017		**6**
James Hughes-Hallett (Chair)	Independent Non-Executive Director	6
Peter M. Anker	Executive Director	6
Peter Backhouse	Independent Non-Executive Director/Senior Independent Director	6
Andi Case	Executive Director	6
Marie-Louise Clayton[1]	Independent Non-Executive Director	5
James Morley[2]	Independent Non-Executive Director	4
Birger Nergaard	Independent Non-Executive Director	6
Ed Warner	Independent Non-Executive Director	6
Jeff Woyda	Executive Director	6

1. Appointed to the Board on 1 January 2017. 2. Retired from the Board on 12 May 2017.

Board focus in 2017

Throughout the year, the Board concentrated on business development and strategic goals, whilst also more formally analysing business trends and ensuring the execution of the business plan meets goals and targets. Specific agenda items throughout the year also included the following:

Fixed agenda items	Q1	Q2	Q3	Q4
Business updates Chief Executive Officer's report Finance report Treasury report Shareholder matters and analysis Stockbroker reports Legal update Presentations from business units	Budget Insurance renewals Board update on global MD's week Review of Board appraisals Anti-bribery training Annual report Preliminary statement Final dividend Audit committee report Risk management	Shareholder engagement Investor reports Annual General Meeting, including agenda and trading update	Interim report Interim dividend Investor roadshow Risk management Audit committee report	Board evaluation planning Audit committee report Succession planning

For more information on the Board's responsibilities and activities in the year, please see the corporate governance statement on pages 58 to 61.

Committees

Clarkson PLC Board

James Hughes-Hallett (Chair)
Birger Nergaard
Ed Warner

Peter Backhouse
Marie-Louise Clayton

Andi Case
Jeff Woyda
Peter M. Anker

Audit committee	Nomination committee	Remuneration committee
Marie-Louise Clayton (Chair) Peter Backhouse Ed Warner	**James Hughes-Hallett** (Chair) Peter Backhouse Marie-Louise Clayton Ed Warner	**Ed Warner** (Chair) Peter Backhouse Marie-Louise Clayton James Hughes-Hallett Birger Nergaard

See pages 80 to 83 for the audit committee report.

See page 63 for the nomination committee report.

See pages 64 to 79 for the remuneration committee report.

The responsibilities of each committee are set out in their respective terms of reference, which are approved by the Board and available on the Company's website at www.clarksons.com/investors/financial-calendar/.

Nomination committee report

Main areas of responsibility

- Regular reviews of the structure, size and composition of the Board taking into consideration skills, knowledge and experience;
- Leading the process for Board and committee appointments; and
- Making recommendations on Board appointments based on the balance of independence, skills and experience.

JAMES HUGHES-HALLETT
NOMINATION COMMITTEE CHAIR

Meetings

Total number of meetings held in 2017		4
James Hughes-Hallett (Chair)	Independent Non-Executive Director	4
Peter Backhouse	Independent Non-Executive Director	4
Marie-Louise Clayton[1]	Independent Non-Executive Director	1
James Morley[2]	Independent Non-Executive Director	2
Ed Warner	Independent Non-Executive Director	4

1. Joined the committee on 22 June 2017.
2. Retired from the Board and left the committee on 12 May 2017.

Terms of reference

The committee's terms of reference are regularly reviewed to ensure compliance with the requirements of the Code.

The committee's terms of reference can be found at: www.clarksons.com/investors/financial-calendar/.

The committee is chaired by James Hughes-Hallett, except when the committee is dealing with the matter of succession to the Chair. On these occasions, it is chaired by Peter Backhouse as the Senior Independent Director.

The committee gives full consideration to planning for future succession to the Board, in particular for the key roles of Chair and Chief Executive Officer, and other senior executives. Clarksons recognises and embraces the benefits of a diverse Board.

The committee will consider suitable candidates for Board appointments on the basis of a wide range of criteria including personal merit, ability, knowledge, experience and independence. This is to ensure that we are appointing the best possible candidate for each vacancy and to ensure a well-balanced Board.

During 2017 the nomination committee gave due consideration to the continued independence of Ed Warner as he reached nine years' tenure on the Board in June 2017. The committee determined that Ed remained independent in character and judgement and, as a key member of the Board, his contract was renewed for a further 12 months to June 2018.

In part, this decision was made to ensure stability and continuity on the Board during a period of change following the retirement of James Morley.

During 2017 and in 2018, the committee has been leading the process for the appointment of a new Non-Executive Director. In considering candidates, the committee has used the services of external search consultants. It is anticipated that a new appointment will be made during 2018.

The nomination committee is also leading the search for a new Company Secretary following the resignation of Penny Watson on 21 December 2017. Mike Cahill fulfils the role on an interim basis.

James Hughes-Hallett
Nomination committee Chair

9 March 2018

Remuneration committee report

Main areas of responsibility

- Determining, in conjunction with the Board, the framework or broad policy for the remuneration of the Executive Directors, Chair, Company Secretary and other members of executive management that it is designated to consider; and
- Engaging with shareholders on matters relating to remuneration.

ED WARNER
REMUNERATION COMMITTEE CHAIR

Meetings

Total number of meetings held in 2017		**4**
Committee members		
Ed Warner (Chair)	Independent Non-Executive Director	4
Peter Backhouse	Independent Non-Executive Director	3
Marie-Louise Clayton[1]	Independent Non-Executive Director	2
James Hughes-Hallett	Independent Non-Executive Director	3
James Morley[2]	Independent Non-Executive Director	2
Birger Nergaard	Independent Non-Executive Director	4
Executive Directors attending by invitation		
Andi Case	Executive Director	3
Jeff Woyda	Executive Director	3

1. Joined the committee on 7 March 2017 and was in attendance at the February 2017 meeting prior to this. This has not been included above.
2. Retired from the Board and left the committee on 12 May 2017.

The remuneration committee (the committee) also held informal discussions as required.

Membership

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.

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 also 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.

Terms of reference

The committee's terms of reference are regularly reviewed to ensure compliance with the requirements of the Code.

The committee's terms of reference can be found at www.clarksons.com/investors/financial-calendar/.

Directors' remuneration report

Chair's statement

I am pleased to introduce, on behalf of the Board, the Directors' remuneration report for the year ended 31 December 2017.

2017 AGM vote

Although the resolutions to approve the Directors' remuneration report and the remuneration policy were passed with the requisite majority, around 26% of votes were cast against both resolutions, which clearly needed to be addressed.

Shareholder feedback

At the time of the 2017 AGM and later in autumn 2017, we engaged with the Company's major shareholders covering approximately 52% of our shareholder register and the major UK proxy voting agencies in order to fully understand their concerns. In both rounds of engagement, it became clear that the principal area of concern related to the Executive Directors' bonus scheme which is structured as a profit-sharing arrangement and has been the main component in their remuneration packages since it was introduced in 2008.

The scheme has been in operation since 2008 and has served the Company well since then by creating a direct link between profit, shareholder returns and Directors' reward. The bonus was structured in this way for a number of reasons, including:

- **Market practice** – there are few comparable public shipping companies and the committee believes the most appropriate comparison is with private companies in the shipping sector, where annual profit-sharing bonus arrangements are common;
- **Retention imperatives** – the current management team is highly regarded within the shipping services sector, where business is based around client relationships, and would be attractive to shipping competitors as well as in other wholesale brokerage and agency businesses; and
- **Pay for performance** – the proportionate breakdown of total remuneration is such that a very high proportion of the package is performance-related, so ensuring strong alignment with shareholders' interests.

In addition, some concerns were raised in relation to contractual entitlements for the current Executive Directors. In particular, the contractual entitlement to annual bonus for the Chief Executive Officer and Chief Financial Officer and Chief Operating Officer, the inclusion of annual bonus within a payment in lieu of notice (PILON) and the additional compensation for severance as a result of a change of control. In the case of the Chief Executive Officer, Andi Case, the contractual terms were negotiated at the time he was promoted to the Board in June 2008. Certain terms of his contract were vital to secure him into the position of Chief Executive Officer, and also to secure the stability of the Company. Furthermore, Andi is one of the most active fee-generating sale and purchase brokers in the industry, and consequently the terms of his contract had to reflect his actual role which was – and remains – significantly more than that of a typical Chief Executive Officer.

The committee debated whether it would be appropriate to amend the Executive Directors' existing contractual terms but felt strongly that it is imperative to honour contractual commitments for current Executive Directors and concluded that it would be counter to the interests of the Company and its shareholders to seek a renegotiation with the existing Executive Directors who have served, and continue to serve, the Company so well.

Undertakings over the life of the remuneration policy

The committee takes shareholder views and developments in corporate governance seriously and, following the feedback received last year and taking account of good practice developments, we undertake to operate the 2017 remuneration policy within the following additional parameters for any new Executive Director appointments:

- a capped annual bonus scheme will apply and, furthermore, any bonus would only be payable to the extent there is sufficient value to do so in the profit-based bonus pool;
- bonus measures will depend on the strategic priorities at the time but it is expected that profit performance and strategic objectives will apply. The inclusion of strategic measures will result in a more rounded assessment of performance;
- a greater proportion of any bonus payable will be deferred in shares; and
- any PILON and change of control provisions will conform to good practice.

In addition, the committee has made the following changes with immediate effect for current and future Directors:

- a 200% of salary share ownership guideline will apply (increased from 150% of salary for Executive Directors other than the Chief Executive Officer); and
- a two-year post-vesting holding period will apply to long-term incentive plan (LTIP) awards granted from 2018.

The committee recognises the current remuneration structure does not accord with best market practice for existing Directors but has actively taken steps to pave the way for a more typical structure as and when new Directors join the Board.

Performance and reward for 2017

Our 2017 performance bonuses were, as in previous years, based on a bonus pool linked to stretching Group profit before tax targets. In 2017, allocation of the bonus pool to the Chief Financial Officer and Chief Operating Officer was in part determined by performance against a range of non-financial objectives. 10% of the bonus will be deferred in shares which will vest after four years.

The Executive Directors have again made a sacrifice of a proportion of the bonuses they were eligible to receive, to enable the Company to reward other senior members of staff. The amount sacrificed has fluctuated over the past five years, and amounted to 10% of the entitlement in 2017 (2016: 5%).

The 2015 LTIP awards which were granted on 17 April 2015 were subject to challenging absolute earnings per share (EPS) and relative total shareholder return (TSR) performance targets. Actual EPS for 2017 was 116.8p compared to the threshold/stretch target of 140.0p to 190.0p and, as a result, none of this part of the award will vest. Clarksons' TSR over the three-year performance period was 47.9% which was between the median and upper quartile of the comparator group (constituents of the FTSE SmallCap Index, excluding investment trusts) and, as a result, 61% of this part of the award will vest. In total 30% of the 2015 LTIP awards will therefore vest.

The committee believes that the bonus and LTIP vesting outcomes are a fair reflection of performance over the one and three-year period to 31 December 2017.

Implementation of remuneration policy in 2018

The policy for 2018 will be implemented as follows:

- **Salary** – there will be no change to Executive Directors' salaries (and no increase was made in 2017). This compares to the average salary increase for employees across the UK workforce of 2.65%.
- **Annual bonus** – as mentioned above, for the current executive team the bonus plan will continue to operate and be closely linked to the Company's adjusted pre-tax profits for the year, in line with typical practice in the shipping industry. The bonus is structured whereby a lower threshold is set below which no bonuses are earned, with higher hurdles which trigger increased bonus rates. 10% of any bonus paid will be deferred in shares for a period of four years;
- **LTIP** – the Executive Directors will receive LTIP awards equivalent to 150% of base salary in 2018. The performance targets will be, as in 2017, 50% based on EPS growth and 50% based on relative TSR, both measured independently over a three-year period. The EPS performance target has been set at a threshold of 145.0p to a stretch target of 195.0p in 2020. The relative TSR targets will continue to be measured relative to the performance of the constituents of the FTSE 250 index (excluding investment trusts). A new requirement this year will be the introduction of a two-year post-vesting holding period which will apply for the 2018 and future awards.
- **Share ownership guidelines** – for 2017 we increased the guideline level from 100% of salary to 200% of salary for the Chief Executive Officer and to 150% of salary for other Executive Directors. For 2018, the guideline level will be further increased to 200% of salary for all Executive Directors. All Executive Directors have significant shareholdings in the Company and have substantially exceeded these guideline levels.

Incentive pay is subject to clawback provisions, part of any annual bonus payment is deferred in the Company's shares for a four-year period, a two-year post-vesting holding period will apply to LTIP awards going forward and significant share ownership guidelines apply – all features intended to enhance the alignment of interest between Executive Directors and shareholders and to contribute to an appropriate level of risk mitigation.

This report comprises an annual report on remuneration on pages 72 to 79, which describes how the shareholder-approved Directors' remuneration policy was implemented for the year ended 31 December 2017 and how we intend for the policy to apply for the year ending 31 December 2018. Our remuneration policy was approved by shareholders last year and will continue to apply. To ensure clarity and transparency, we have republished our Directors' remuneration policy report on pages 72 to 79.

The feedback we receive from you, our shareholders, is crucially important to our decision-making process, and at all times we strive to set pay structures in the best interests of the business and the ongoing strategy and values that we hold. Taking account of the commitments we have made above, we hope that you will be able to support the remuneration-related resolution at the 2018 AGM. Should you have any questions or comments, please contact me through the Company Secretary.

Ed Warner
Remuneration committee Chair

9 March 2018

Directors' remuneration policy

This part of the Directors' remuneration report sets out the key parts of the remuneration policy which was approved by shareholders at the AGM on 12 May 2017. The policy took formal effect from the date of approval and is intended to apply until the 2020 AGM. In the interests of clarity, this policy section includes some minor annotations to additionally show, where appropriate, how the policy will be implemented in 2018.

A full version of the original shareholder approved policy can be found in the 2016 annual report available on our website at www.clarksons.com.

How the committee operates to set the remuneration policy

The committee is responsible, on behalf of the Board, for:

- setting the Chief Executive Officer's, Chair's and 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 schemes the Company operates for senior executives.

The committee encourages dialogue with shareholders and takes into account their views when setting the policy.

Summary of overall remuneration policy

The objectives of the policy are 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 to 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 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. Where an Executive Director's role includes revenue-generating broking responsibilities, the bonus may recognise this, in addition to the duties and responsibilities incumbent with the role of an Executive Director.

Consideration of shareholder views

The Company is committed to maintaining good communications with shareholders. The committee takes on board shareholders' views and maintains open dialogue, giving shareholders the opportunity to raise any issues or concerns they may have. In addition, the committee would engage directly with major shareholders should any material changes be made to the Directors' remuneration policy or in the way in which it is being implemented.

The committee Chair engaged with leading shareholders and shareholder bodies around the time of the 2017 AGM and later in 2017 to further understand shareholders' views on Clarksons' remuneration policy. Following this dialogue, certain additional parameters have been set for new Executive Directors.

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	– Normally reviewed annually – 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 or in the case of a new executive, a move towards the desired rate over a period of time where salary was initially set below the intended positioning	n/a
Benefits	– To provide a market standard suite of basic benefits in kind to ensure the Executive Directors' well-being	– Taxable benefits may include: – car allowance – healthcare insurance – club membership – Participation in HMRC-approved (or equivalent) schemes – Other benefits may be payable where appropriate – Any reasonable business-related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit	– 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 – HMRC (or equivalent) scheme participation up to prevailing scheme 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. This policy, which is contractual for the current Chief Executive Officer and Chief Financial Officer and Chief Operating Officer encourages the maximisation of profit, and ensures that Executive Directors are aligned with all stakeholders in the business	– 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 committee where appropriate and does not include mark-to-market valuations or business that has not been invoiced – for Executive Directors with revenue-generating broking responsibilities, a further key determinant of the annual bonus is the significance of personally-generated broking revenues – a proportion of an individual's share of the bonus pool may be based on the achievement of personal objectives set by the committee at the start of the year

	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	– Currently, the awards are subject to performance conditions measured on a combination of three-year EPS growth and relative TSR – The committee may introduce new measures or reweight the current EPS and TSR performance measures so that they are directly aligned with the Company's strategic objectives for each performance period – 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 Directors
		  – the pay and conditions in the workforce
		– Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board committee and/or a Senior Independent Director role or being a member of a committee
		– Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit
			– 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

Share ownership guidelines	– To provide alignment between the longer-term interests of Directors and shareholders	– Executive Directors are expected to build up and maintain shareholdings in the Company – Executives are required to retain at least half of the net of tax vested number of shares awarded and received until the guideline has been achieved	– Chief Executive Officer: 200% of salary – Other Executive Directors: 200% of salary	n/a

1. A description of how the Company intends to implement the above policy for 2018 is set out in the annual report on remuneration on pages 72 to 73.
2. 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. 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. The key differences in policy for Executive Directors relate 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.
3. The 2018 annual bonus is focused on profit before taxation (PBT) performance. PBT is a key financial metric and is used 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 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.
4. The committee operates the annual bonus and LTIPs according to their respective rules, and in accordance with the Listing Rules and HMRC rules where relevant.

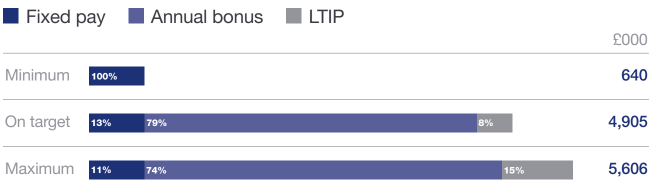
   Consistent with market practice, the committee retains flexibility and discretions in a number of key areas.
5. For the avoidance of doubt, in approving this Directors’ remuneration policy, authority was given to the Company to honour any commitments entered into in the previous remuneration policy or with current or former Directors (such as, the payment of a pension or the vesting or exercise of past share awards) that have been disclosed in previous remuneration reports. Details of any payments to former Directors will be set out in the annual report on remuneration as they arise.

Directors’ remuneration scenarios

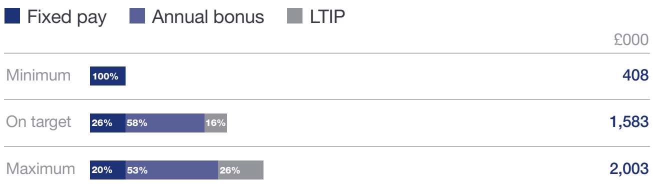
The Company’s remuneration policy results in a proportionate breakdown of total remuneration such that, in line with most other wholesale brokerage and agency companies, a very high proportion of the package is performance-related.

The charts below show an estimate of the potential remuneration payable to the Executive Directors in office on 1 January 2018 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.

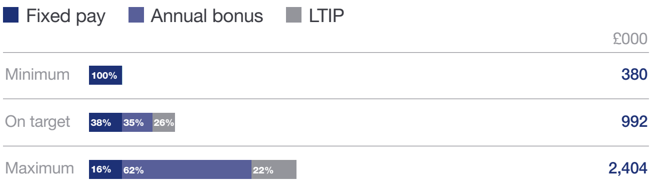
Chief Executive Officer



Chief Financial Officer and Chief Operating Officer



President of Broking and Investment Banking



1. Basic salary levels applying on 1 January 2018.
2. The value of taxable benefits is estimated at 2017 values.
3. The value of the pension receivable is up to 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 market expectations at the start of 2018 and 50% being achieved under the LTIP.

   Maximum performance assumes profit before taxation outperforms consensus and full vesting under the LTIP. It should, however, be noted that there is in fact no upper limit as explained on page 68 and the above charts are purely for illustrative purposes.
5. Share price movement has been excluded from the above analysis.

Directors’ recruitment and promotions

The committee has the objective to attract 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, a capped bonus scheme will apply and any bonus would only be payable to the extent there is sufficient value to do so in the profit-based pool. An LTIP award could be made shortly following an appointment (assuming the Company is not in a close period).

Flexibility is retained to offer remuneration on appointment in respect of remuneration arrangements forfeited on leaving a previous employer. The committee will look to replicate the arrangements being forfeited as closely as possible and, in doing so, will take account of relevant factors including the nature of the deferred remuneration, performance conditions and the time over which they would have vested or been paid.

The initial notice period for a service contract may be longer than the policy of one year, provided it reduces to one year within a short space of time. For an internal appointment, any ongoing remuneration obligations existing prior to appointment may continue.

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

Directors’ service contracts and payments for loss of office

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

Provision	Detailed terms
Notice period	One year by the Company or the Director.
Termination payment	**Chief Executive Officer:** 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.
	Chief Financial Officer and Chief Operating Officer: 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 for the relevant period of notice only.
	The 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 Officer and the Chief Financial Officer and Chief Operating Officer 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 only subject to performance. For unvested entitlements to share awards under the 2014 Clarkson LTIP, where a participant ceases to be employed by the 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 committee determines that they should vest upon cessation) subject to the satisfaction of the relevant performance conditions and time pro-rating (unless the committee decides to disapply time pro-rating). In the case of 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 Officer:** If, within 18 months of a change of control, the Company gives the Chief Executive Officer notice (except for reasons of gross misconduct or material breach of contract) or the Chief Executive Officer 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 Officer will, within 30 days of termination, receive an amount equivalent to one year's basic salary, 150% of the last annual bonus received and the gross annual value of contractual benefits (pro-rated). In these circumstances, the Chief Executive Officer's notice period is reduced to four weeks.
	Chief Financial Officer and Chief Operating Officer: Within one year of a change of control, the Chief Financial Officer and Chief Operating Officer or the Company may give notice (of not less than four weeks in the case of the former) whereupon he 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 2014 Clarkson LTIP would vest. In respect of performance–related awards, the extent of vesting would be subject to any performance conditions having been achieved and any time pro-rating applied at the discretion of the committee. In August 2008 it was contractually agreed with the current Chief Financial Officer and Chief Operating Officer, Jeff Woyda, that no time pro-rating will be applied to his LTIP awards. The 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.

Annual report on remuneration

Implementation of the remuneration policy for 2018

Base salary

	1 January 2018	1 January 2017	% change
Andi Case	**GBP 550,000**	GBP 550,000	0%
Jeff Woyda	**GBP 350,000**	GBP 350,000	0%
Peter M. Anker*	**NOK 4,015,000**	NOK 4,015,000	0%

* Fixed in NOK as £350,000 at NOK/GBP 11.4723 at 2 February 2015 being the date Peter M. Anker joined the Board.

Annual bonus for 2018

For 2018, the annual bonus opportunity will remain on the same basis as previous years and will continue to be based on a bonus pool derived from Group profit before taxation 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 taxation performance.

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

As in 2017, the share of the executive bonus pool allocated to the Chief Financial Officer and Chief Operating Officer will, in part, be determined by performance against a series of non-financial, strategic and operational objectives.

The profit floor and challenges for 2018 have not been disclosed on a prospective basis as these are considered to be commercially sensitive although disclosure will be provided retrospectively. The threshold and maximum targets are higher than those that applied for 2017.

Consistent with the policy applied to the majority of senior employees, 90% of the bonus payable will be paid in cash with 10% deferred into restricted shares vesting four years after grant. Executive Directors have agreed to this deferral, although they have no contractual obligation to defer bonuses. Clawback provisions will continue to apply in circumstances of misstatement or error.

Long-term incentive awards to be granted in 2018

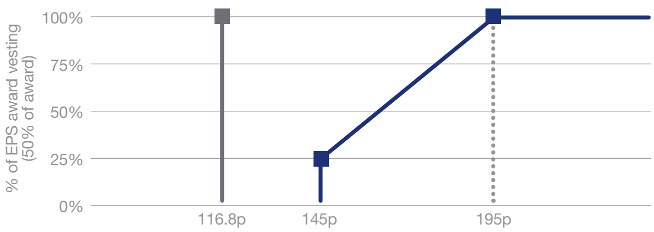
Consistent with past practice, it is envisaged that:

- Executive Directors will receive LTIP awards over shares worth up to 150% of salary in 2018;
- the vesting of 50% of the awards will be determined by the Company's EPS for 31 December 2020, as shown in chart (i) below. The EPS for 2017 is shown (grey line) for reference; and
- the vesting of the remaining 50% will be determined by the Company's TSR performance from 1 January 2018 to 31 December 2020 against the constituents of the FTSE 250 Index (excluding investment trusts), as shown in chart (ii) below. The level of TSR achieved against the FTSE 250 Index over the last three-year cycle is shown (grey 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 and a two-year post-vesting holding period.

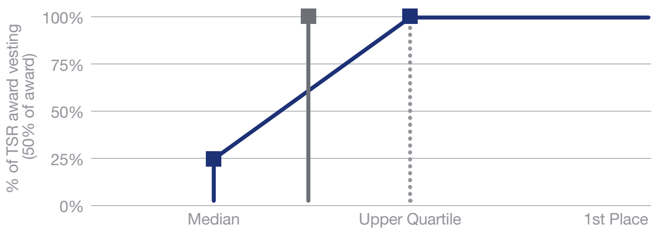
EPS target range for 2018 award (50% of award)



Vesting schedule for 2018 awards   2017 EPS

EPS target (pence) for FY ended 31 December 2020 for the 2018 award

TSR target range for 2018 award (50% of award)



TSR performance range   Actual result in last three year TSR cycle

TSR ranking at end of 3 year performance period

The committee has carefully considered the EPS range for the 2018 award and believes the 145p to 195p range is stretching against market consensus and the actual 2017 EPS delivered.

Fees for the Non-Executive Directors

Non-Executive Director fee levels for 2018 are as follows:

	2018 £000	2017 £000	% change
Chair	168	163	3%
Non-Executive Director	58	56	3%
Chair of committee*	19	18	3%
Senior Independent Director*	19	18	3%

* Supplementary fees payable in addition to the base Non-Executive Director fee.

Directors’ remuneration (audited)

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

31 December 2017

	Basic salary and fees £000	Benefits[1] £000	Pension[2] £000	Performance-related bonus[7] £000	Total remuneration before LTIP £000	Long-term incentives[8] £000	Total remuneration £000
Executive Directors							
Andi Case	550	14	74	3,036	3,674	325	3,999
Jeff Woyda	350	12	46	766	1,174	148	1,322
Peter M. Anker	375[3]	17	7	350	749	–	749
Non-Executive Directors							
James Hughes-Hallett	163	–	–	–	163	–	163
Peter Backhouse	74	–	–	–	74	–	74
Ed Warner	74	–	–	–	74	–	74
James Morley[6]	31	–	–	–	31	–	31
Birger Nergaard	56	–	–	–	56	–	56
Marie-Louise Clayton[5]	67	–	–	–	67	–	67
	1,740	43	127	4,152	6,062	473	6,535

31 December 2016

	Basic salary and fees £000	Benefits[1] £000	Pension[2] £000	Performance-related bonus £000	Total remuneration before LTIP £000	Long-term incentives[8] £000	Total remuneration £000
Executive Directors							
Andi Case	550	16	74	2,938	3,578	128[4]	3,706
Jeff Woyda	350	12	46	633	1,041	58[4]	1,099
Peter M. Anker	356[3]	22	7	633	1,018	–	1,018
Non-Executive Directors							
James Hughes-Hallett	160	–	–	–	160	–	160
Peter Backhouse	73	–	–	–	73	–	73
Ed Warner	73	–	–	–	73	–	73
James Morley[6]	73	–	–	–	73	–	73
Birger Nergaard	55	–	–	–	55	–	55
	1,690	50	127	4,204	6,071	186[4]	6,257

We consider key management personnel to be Clarkson PLC Directors.

1. Benefits include cash allowances in lieu of company cars, healthcare insurance and club memberships.
2. Pension includes pension contributions and cash supplements where relevant.
3. Fixed salary of NOK 4,015,000. Translated to GBP at exchange rate of 10.7180 (2016: 11.2840).
4. The 2016 LTIP values have been restated to reflect the share price on the actual date of vesting and associated rolled-up dividend.
5. Marie-Louise Clayton joined the Board on 1 January 2017.
6. James Morley retired on 12 May 2017.

7. Annual bonus for 2017 was based on the allocation of the following pool:

Underlying profit before taxation and bonus	% of pre-bonus
If profit < £27.25m	0%
If profit > £27.25m then £0m – £54.51m	11%
If profit > £54.51m then £54.51m – £63.55m	16%
If profit > £63.55m then on profits > £63.55m	18%
Actual underlying profit before taxation	£50.2m
Actual underlying profit before taxation for bonus calculation after deducting the minority interest of pre-tax profit,adding back the cost of bonus	£52.9m
Actual executive bonus pool*	£5.8m
% of executive bonus pool allocated to Executive Directors (this is after 10% voluntary sacrifice by Directors)	71%

* The executive pool is an incentive scheme for Executive Directors, separate from the bonus schemes paid to staff.

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.

8. Long-term incentives relate to awards granted on 17 April 2015 which vest in April 2018 based on performance over the three-year period to 31 December 2017. 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
EPS (out of 50%)	25% of award vesting at threshold up to 100% of award vesting at stretch on straight-line basis	155p	190p	116.8p	0%
TSR relative to the constituents of the FTSE SmallCap Index (excluding investment trusts) (out of 50%)	25% of award vesting at threshold up to 100% of award vesting at stretch on straight-line basis	Median	Upper quartile	Between median and upper quartile	61%
Total vesting (out of 100%)					30%

** Clarksons' TSR over the three-year performance period was 47.9% which was between the median (31.1%) and upper quartile (71.5%) of the comparator group.

The award details for the Executive Directors are as follows:

	Number of options granted	Number of options to vest	Number of options to lapse	Estimated value of vested shares*** £000
Andi Case	36,748	11,208	25,540	325
Jeff Woyda	16,703	5,094	11,609	148
Peter M. Anker	n/a	n/a	n/a	n/a

*** The estimated value of the vested shares is based on the average share price during the three-month period from 1 October to 31 December 2017 of £28.96. These options will vest on the third anniversary of grant, 16 April 2018, subject to continued employment.

Comparative LTIP values relate to the 2014 awards which vested in 2017 based on performance to 31 December 2016. In the 2016 annual report, these were based on the three-month average share price to 31 December 2016 of £20.81. The actual share price at vesting was £24.75. 2016 LTIP amounts in the single figure table have been restated to reflect this value.

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 69.

	Interests under plan 1 January 2017	Awards granted in the year	Awards exercised in the year	Awards lapsed in the year	Interests under plan at 31 December 2017	Face value at 31 December 2017[6] £	% vesting at threshold performance	Grant date	End of performance date	Vesting date	Date exercisable until
Andi Case	4,801[1]	–	4,801*	–	–	–	25%	5 Jun 14	Dec 16	4 Jun 17	4 Jun 24
	36,748[2]	–	–	25,540	11,208[5]	320,660	25%	17 Apr 15	Dec 17	16 Apr 18	16 Apr 25
	36,601[3]	–	–	–	36,601	1,047,154	25%	15 Apr 16	Dec 18	14 Apr 19	14 Apr 26
	–	29,815[4]	–	–	29,815	853,007	25%	18 Apr 17	Dec 19	17 Apr 20	17 Apr 27
Jeff Woyda	2,182[1]	–	2,182*	–	–	–	25%	5 Jun 14	Dec 16	4 Jun 17	4 Jun 24
	16,703[2]	–	–	11,609	5,094[5]	145,739	25%	17 Apr 15	Dec 17	16 Apr 18	16 Apr 25
	23,291[3]	–	–	–	23,291	666,355	25%	15 Apr 16	Dec 18	14 Apr 19	14 Apr 26
	–	18,973[4]	–	–	18,973	542,817	25%	18 Apr 17	Dec 19	17 Apr 20	17 Apr 27
Peter M. Anker	23,291[3]	–	–	–	23,291	666,355	25%	15 Apr 16	Dec 18	14 Apr 19	14 Apr 26
	–	18,973[4]	–	–	18,973	542,817	25%	18 Apr 17	Dec 19	17 Apr 20	17 Apr 27

* Vested during the year.

The share price on the date of the award was 1. £24.99, 2. £22.16, 3. £22.21, 4. £27.95

5. Although the performance period for these awards ended on 31 December 2017, the awards will vest on 16 April 2018.

6. Values calculated using the closing share price at 31 December 2017 of £28.61.

Further details of share-based payments during the year are contained in note 21 to the consolidated financial statements.

Executive Directors' interests in share options over ordinary shares under the Company's all-employee share plans are as follows:

		Options held at 1 January 2017	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31 December 2017	Exercise price £	Date from which exercisable	Expiry date
Andi Case	ShareSave	993	–	–	–	993	18.12	1 Jul 18	31 Dec 18
Jeff Woyda	ShareSave	993	–	–	–	993	18.12	1 Jul 18	31 Dec 18
Peter M. Anker	ShareSave	–	799	–	–	799	22.50	1 Nov 20	30 Apr 21

Directors' interests in shares

The Company requires Executive Directors to build a shareholding equivalent to 200% of salary. Until this is attained they are required to retain 50% of any share award that vests (on a net of tax basis).

The beneficial interests of the Directors in the share capital of the Company at 31 December 2017 were as follows:

31 December 2017

	Number of ordinary shares	% of salary required to be held in shares	Unvested LTIPs	Vested and unexercised LTIPs	Deferred bonus shares	ShareSave options
James Hughes-Hallett[1]	2,163	n/a	n/a	n/a	n/a	n/a
Andi Case[4]	500,000	200	77,624	–	51,281	993
Jeff Woyda[4]	75,000	200	47,358	–	10,995	993
Peter M. Anker[2,5]	250,000	200	42,264	–	7,859	799
Peter Backhouse	6,000	n/a	n/a	n/a	n/a	n/a
Ed Warner	15,000	n/a	n/a	n/a	n/a	n/a
Birger Nergaard[3]	205,869	n/a	n/a	n/a	n/a	n/a
Marie-Louise Clayton[1]	1,100	n/a	n/a	n/a	n/a	n/a

There was no change in the beneficial interests of the Directors in the share capital of the Company between 31 December 2017 and 8 March 2018, being the last practicable date before the signing of this report.

31 December 2016

	Number of ordinary shares	% of salary required to be held in shares	Unvested LTIPs	Vested and unexercised LTIPs	Deferred bonus shares	ShareSave options
James Hughes-Hallett[1]	2,163	n/a	n/a	n/a	n/a	n/a
Andi Case	731,782	200	78,150	–	53,766	993
Jeff Woyda	109,014	150	42,176	–	11,502	993
Peter M. Anker[2]	357,477	150	23,291	–	5,571	–
Peter Backhouse	6,000	n/a	n/a	n/a	n/a	n/a
Ed Warner	15,000	n/a	n/a	n/a	n/a	n/a
James Morley[4]	4,500	n/a	n/a	n/a	n/a	n/a
Birger Nergaard[3]	205,869	n/a	n/a	n/a	n/a	n/a
Marie-Louise Clayton[1]	1,100	n/a	n/a	n/a	n/a	n/a

1. Shares held in part or in full by connected persons.
2. Including ordinary shares held by Langebru AS on behalf of Peter M. Anker and his connected persons.
3. Including ordinary shares held by Acane AS on behalf of Birger Nergaard and his connected persons.
4. James Morley retired on 12 May 2017.
5. These figures include restricted shares and restricted stock units granted as part of annual bonus as follows:

			Number of shares			
	Type of award	**Bonus year Vesting date**	**2013 June 2018**	**2014 April 2019**	**2015 April 2020**	**2016 April 2021**
Andi Case	Restricted shares		9,924	15,233	15,506	10,618
Jeff Woyda	Restricted shares		2,117	3,249	3,341	2,288
Peter M. Anker	Restricted stock units		n/a	2,667	2,904	2,288

Further restricted share and restricted stock unit awards will be made in 2018 in respect of 10% of the Directors' 2017 bonus.

Pensions (audited)

Pension contributions were £nil (2016: £nil) for Andi Case and £nil (2016: £nil) for Jeff Woyda, with the balance for both Andi Case and Jeff Woyda (up to15% of salary) paid as a cash supplement in lieu of pension (net of employer's NI) and included in the table on page 74 as pension. Peter M. Anker's pension contribution was NOK 73,362 (2016: NOK 77,430).

Payment to former Directors (audited)

No payments were made to past Executive Directors during the year ended 31 December 2017.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31 December 2017.

Details of service contracts and letters of appointment

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	27 November 2014	12 months	12 months

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

Details of the Non-Executive Directors' appointment terms are as follows:

	Date of initial appointment	**Date of appointment**	**Unexpired term at 31 December 2017**	**Notice period**
James Hughes-Hallett	20 August 2014	20 August 2017	32 months	3 months
Peter Backhouse	12 September 2013	12 September 2016	21 months	3 months
Ed Warner	27 June 2008	27 June 2017	6 months	3 months
Birger Nergaard*	2 February 2015	2 February 2015	2 months	3 months
Marie-Louise Clayton	1 January 2017	1 January 2017	24 months	3 months

* Birger Nergaard has been re-appointed for a further three years from 2 February 2018.

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 each AGM. Each appointment can be terminated before the end of the three-year period with three months' notice due.

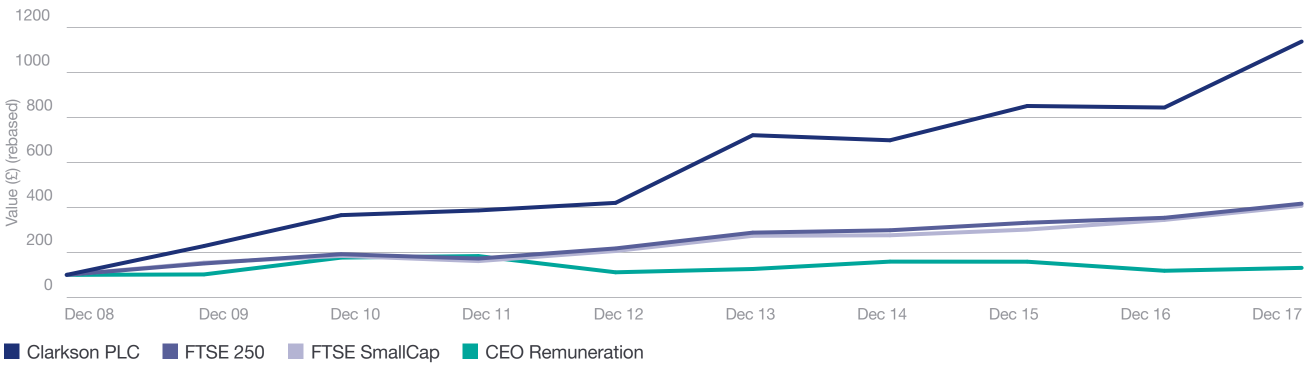
Fees payable for a new Non-Executive Director appointment will take into account the experience of the individual and the current fee structure.

Performance graph

This graph shows TSR (that is, share price growth assuming re-investment of any dividends) of the Company over the last nine financial years compared to the FTSE 250 Index and the FTSE SmallCap Index, which the committee considers appropriate for comparison purposes given the Company has been a member of both of these indices over the period, and compared to the total remuneration of the Chief Executive Officer.

Total shareholder return

Source: Datastream (Thomson Reuters)



This graph shows the value, by 31 December 2017, of £100 invested in Clarkson PLC on 31 December 2008, compared with the value of £100 invested in the FTSE 250 and FTSE SmallCap Indices on the same date.

The LTIP award vesting level as a percentage of the maximum opportunity for the Chief Executive Officer for each of the last nine years is as follows:

	2017	2016	2015	2014	2013	2012	2011	2010	2009
LTIP vesting %	**30%**	15%	70%	69%	50%	47%	98%	44%	50%

Percentage change in remuneration levels

The table below shows the movement in salary, benefits and annual bonus for the Chief Executive Officer between the 2016 and 2017 financial years, compared to the average for all employees:

	% change
Chief Executive Officer	
Salary and benefits	0%
Bonus	+3.3%
All employees	
Salary and benefits	+2.7%
Bonus	+6.6%

Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in 2017 compared to 2016:

	2017 £m	2016 £m	% change
Underlying profit for the year	38.2	33.6	+13.7%
Dividends	20.1	18.5	+8.6%
Employee remuneration costs, of which:	199.2	191.3	+4.1%
Executive Directors' total pay excluding LTIP (continuing)	5.6	5.6	0%
Executive Directors' annual bonus (continuing)	4.2	4.2	0%

External appointments

Jeff Woyda, Chief Financial Officer and Chief Operating Officer, is a Non-Executive Director of the International Transport Intermediaries Club (ITIC). During the year, Jeff Woyda received £16,600 remuneration for serving as a Non-Executive Director of ITIC.

External advisors

New Bridge Street (NBS), part of Aon PLC, are appointed by the committee to provide independent advice and services that materially assist the committee. Other than to the committee, NBS also provides some associated advice in relation to, for example, legal implementation and the fees of the Non-Executive Directors. Other than the provision of these services, NBS does not have any other connection with the Company. The committee is satisfied that the quality of advice received during the year was sufficient and that the advice provided by NBS remains objective and independent.

The fees paid by the Company to NBS during the financial year for advice to the committee and in relation to share plans were £77,288 (2016: £39,069).

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 2017 AGM, the Directors' remuneration report and remuneration policy received the following votes from shareholders.

	In favour	% cast	Against	% cast	Discretion	% cast	Total	% cast	Withheld
Remuneration report	16,966,872	72.87%	6,027,724	25.89%	290,590	1.24%	23,285,186	100%	2,281
Remuneration policy	16,841,377	72.33%	6,106,012	26.22%	336,797	1.45%	23,284,186	100%	3,281

Details of the actions taken by the Board in response to the votes against the remuneration resolutions registered at the 2017 AGM are included in the committee Chair's statement on pages 65 to 66.

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

Ed Warner
Remuneration committee Chair

9 March 2018

Audit committee report

Main areas of responsibility

- monitoring the integrity of the Group's financial statements and any formal announcements relating to financial performance;
- reviewing and challenging the adequacy and effectiveness of the Group's systems of internal control and risk management;
- monitoring and reviewing the effectiveness of and need for the Company's internal audit function;
- monitoring the objectivity, effectiveness and performance of the external Auditors;
- recommendations for appointment, re-appointment, removal and remuneration of external Auditors;
- examining the adequacy and security of the Company's arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting;
- reviewing the Company's systems and controls for the prevention of bribery;
- assessing reports from the Compliance and Money Laundering Reporting Officer; and
- reporting findings to the Board.

MARIE-LOUISE CLAYTON
AUDIT COMMITTEE CHAIR

Meetings

Total number of meetings held in 2017		**3**
Committee members		
Marie-Louise Clayton (Chair)[1]	Independent Non-Executive Director	3
Peter Backhouse	Independent Non-Executive Director	3
James Morley[2]	Independent Non-Executive Director	1
Ed Warner	Independent Non-Executive Director	3
Non-members and Executive Directors attending by invitation		
James Hughes-Hallett	Independent Non-Executive Director	3
Andi Case	Executive Director	1
Jeff Woyda	Executive Director	3

1. Joined the committee on 2 March 2017 and became Chair on 12 May 2017.
2. Chair of the committee until 12 May 2017 when he retired from the Board and left the committee.

Generally, both the external Auditors and management are invited to, and attend, committee meetings. In addition, the committee ensures that it meets regularly in private with the external Auditors without management present.

Membership

James Morley and Marie-Louise Clayton have been deemed by the Board to have recent and relevant financial experience. The Board is satisfied that the majority of members are independent Non-Executive Directors. The external Auditors are invited to attend committee meetings on a regular basis and attended all three meetings held in 2017.

Terms of reference

The committee's terms of reference are regularly reviewed to ensure compliance with the requirements of the Code.

The committee's terms of reference can be found at: www.clarksons.com/investors/financial-calendar/.

Chair's statement

I joined the committee in March 2017 and became Chair following James Morley's retirement in May 2017. During the course of my first year as committee Chair, I have focused on gaining a detailed understanding of the Company, its systems and its risks. To that end, I have spent considerable time with individual management members, both in the finance team and the broader business. I have also met with the external and internal Auditors. The committee works well with the Company and its Auditors and has an open and frank relationship with both.

Activities during the year

During the year, the audit committee (the committee) addressed the following areas:

1. Financial reporting and significant issues;
2. Internal control and risk management;
3. Internal audit;
4. Whistleblowing;
5. Compliance;
6. Viability statement;
7. External Auditors; and
8. Cyber security.

1. Financial reporting and significant issues

The committee reviewed and considered the robustness and integrity of the Group's financial reporting, by focusing on the following areas in relation to the 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 Auditors 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:

Issue	Area of focus	How the issue was addressed by the committee
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, recent historical payment patterns 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 with the control environment and that revenue has been recognised in the correct periods. The committee is satisfied that the implementation of IFRS 15 will have no significant impact on the revenue recognition for the Group. See note 2.2 for further details.
Carrying value of goodwill and intangible assets	Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which these assets have been allocated. The value-in-use calculation requires estimation of future cash flows expected to arise for each cash-generating unit, the selection of suitable discount rates and the estimation of future growth rates.	The committee discussed with management and reviewed the results of its testing and evaluated the appropriateness of the assumptions used within its impairment models. The committee also discussed with the external Auditors their review of management's testing. The committee then discussed with both management and the external Auditors the headroom in each of the cash-generating units and the impact of sensitivity analysis from changes in key assumptions. The committee is satisfied with management's assumptions, judgement and the conclusion not to record impairment in any of the cash-generating units and that appropriate disclosures have been included in the financial statements.

The work described above, together with a review of the content of the strategic report, provided the assurance to the committee and to the Board that the annual report for the year ended 31 December 2017, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position and performance, business model and strategy.

2. Internal control and risk management

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 principal risks and to provide assurance that these risks are fully understood and managed.

Key functions of the committee are to:

- review and challenge the Group's internal control and risk management systems and processes to ensure that they remain adequate and effective, including financial, operational and compliance controls and procedures;
- identify any significant deficiencies or material weaknesses in the internal control and risk management systems and processes; and
- review the external Auditors' report in relation to internal control observations.

As an ongoing process, the 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 the Company is exposed.

No significant control deficiencies were identified during the year.

Further details of risk management, including the Company's principal risks, are shown on pages 42 to 47.

3. Internal audit

The need for an internal audit function is reviewed regularly by the Board and the committee. An internal audit function is in place for our banking and finance operations headquartered in Norway, given their scale and regulatory nature. Ernst & Young perform this function on an outsourced basis and the results are reported to the committee. There were no significant issues identified during the last year.

The committee has reviewed the requirement for an internal audit function in respect of the Group's other activities and to date, the committee has concluded that there is no current requirement for such a function. This will be kept under review in 2018.

4. Whistleblowing

The committee, in conjunction with the Board, has established arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties or wrongdoing. This has been approved by the committee for the year.

5. Compliance

In 2017, the committee has reviewed the processes for the prevention, detection and reporting of fraud and the Group's Code of Business Conduct and Ethics. In order to further strengthen these processes, the committee have overseen the following activities during the year:

- review of the Company's compliance manual which consolidates all compliance policies and will supersede the Code of Business Conduct and Ethics when it is launched in 2018;
- review of the employee handbook;
- approval of an updated IT acceptable use policy;
- development of a new cyber training package for all employees; and
- establishment of a global compliance support team to help oversee new policies and processes globally.

6. Viability statement

The committee considered the form of the viability statement. In particular, there was a debate over the period of time that it was appropriate to consider and it was decided that it was appropriate to limit the statement to three years.

The committee reviewed the analysis supporting the viability statement and the processes underpinning the assessment of the Group's longer-term prospects. Further assessment of viability and the viability statement is set out on page 43.

7. External Auditors

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

The committee considered the following:

- quality and effectiveness of the audit for the prior year;
- external audit strategy for the current year;
- overall work plan;
- terms of engagement;
- external Auditors' overall performance and independence;
- effectiveness of the overall audit process;
- level of non-audit and audit fees; and
- length of appointment as external Auditors (current length: nine years).

The Financial Reporting Council (FRC)

During the year, the 2016 external audit of the Group by PwC was reviewed by the FRC's Audit Quality Review team (AQR). The AQR routinely monitors the quality of audit work of certain UK audit firms through inspections of sample audits and related procedures at individual audit firms. The committee and PwC have discussed the review findings and the committee does not consider any of the findings to have had a significant impact on PwC's audit approach.

In November 2017, the Group received a letter from the FRC confirming that the annual report for the year ended 31 December 2016 had been subject to review by its conduct committee, which is responsible for reviewing and investigating the annual accounts, Directors' and strategic reports of UK public companies. The only area covered by this enquiry was a request for the Company to provide further details in relation to revenue, trade receivables and related impairment. As a result of the FRC's enquiry, we committed to providing additional disclosures in the 2017 annual report. The FRC's enquiry closed with no further questions.

The FRC noted that its role was not to verify information, but to consider compliance with reporting requirements, and it did not take responsibility for reliance on its letter by any party.

Effectiveness
During 2017, the committee conducted an effectiveness review of the external Auditors. The review included a questionnaire, completed by committee members, the Chief Financial Officer and Chief Operating Officer, the PLC Board Chair and the Group Financial Controller, of various key criteria for judging effectiveness and feedback from management. Criteria included understanding of the business, effective use of audit, experience of team and quality of recommendations. The committee reviewed the results of the questionnaire. No significant issues or areas of concern were raised.

Non-audit services
To ensure that the Auditors maintain their independence and objectivity, the committee agreed, with effect from November 2016, that the Auditors and their associated audit network firms would no longer be used for non-audit services. There are two exceptions: where services are either required by statute or where, exceptionally, the local statute law permits the provision of such services, the Auditors are best placed to preserve the quality of the non-audit service and there are limited feasible alternatives. Legacy non-audit services approved by the committee are shown in note 3.

In October 2017, the committee and the Board reviewed the policy on non-audit services and renewed it for 2018. It remains the Company's position that the external Auditor will not be used for any non-audit services.

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

Appointment of external Auditor
The committee does not consider that PwC's independence or effectiveness is impaired and is satisfied with the results of the effectiveness review. Accordingly, the committee has recommended to the Board that PwC be re-appointed as Auditors and that shareholder approval be sought at the 2018 AGM.

Tender
2018 will be the tenth year of PwC's appointment as the Company's Auditor. The committee has discussed the requirements of the Code and the Competition and Markets Authority in respect of tendering the Group's external audit. The committee recommended to the Board that a tender be carried out in 2018 for external audit, with a view to appointing the external Auditor with effect from 1 January 2019. The Board has approved this recommendation.

As per the FRC's guidance, the goal of the tender process will be to appoint the external audit firm which will provide the highest quality, most effective and efficient audit.

The committee as a whole will be briefed on the legal requirements and mechanics of a tender process. All committee members will be involved throughout the process. The committee Chair is expected to take a lead role in overseeing and developing the approach for the tender. In setting the approach, the committee will consider the key factors which will drive the decision-making process. These factors are expected to include:

1. Industry expertise of the firm and the audit team;
2. Experience of the lead audit partner and the firm;
3. Use of technology in the process;
4. Global reach of the firm; and
5. Experience of transitioning this type of account.

The committee will oversee the tender and expect to report in full on the process followed, the outcome and, if appropriate, the transition, in the 2018 annual report which will be published in 2019.

8. Cyber security
During November 2017, as mentioned in the Chief Executive Officer's review on page 19, the Company became aware that it had been subject to a cyber security incident. The Chair of the audit committee, together with the Board more generally, was closely involved in the management of this incident. At no time was Clarksons' ability to do business affected, and the incident was contained in early December 2017. The implementation of additional enhancements to controls has since been accelerated to further reduce risks and best prevent a similar incident happening in the future.

The committee will review all improvements in cyber controls and changes in work practices in its 2018 programme of works. See the cyber risk section of our risk management report on pages 42 to 47 for further information.

Effectiveness of the audit committee
The effectiveness of the audit committee is reviewed on an annual basis. Each committee member, the Chief Financial Officer and Chief Operating Officer, the PLC Board Chair and the external audit lead partner complete a questionnaire, provided by PwC, which focuses on the committee's processes and the underlying knowledge and behaviour of the committee as it carries out those processes.

The results of the 2017 effectiveness review have been considered by the committee Chair and anonymous responses circulated to the other committee members, giving them an opportunity to make further observations. This took place in early 2018.

No significant areas of concern were raised in the review for 2017. Committee members are encouraged to raise concerns with the committee Chair if they arise during the year.

Marie-Louise Clayton
Audit committee Chair

9 March 2018

Directors' report

The Directors' report required under the Companies Act 2006, together with the financial statements for the year ended 31 December 2017, comprises sections of the annual report incorporated by reference as set out below which, taken together, contain the information to be included in the annual report, where applicable, under Listing Rule 9.8.4.

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 Company's articles of association, copies of which can be obtained free of charge from Companies House at http://www.gov.uk/get-information-about-a-company.

In 2017, the Chief Executive Officer was expected to maintain a shareholding equivalent to 200% of salary and other Executive Directors equivalent to 150% of salary. In 2018, all Executive Directors will be expected to maintain a shareholding equivalent to 200% of salary.

A transfer of shares is only permitted for shares which are fully paid up. A transfer form must be duly stamped (if required) and made out in favour of a single transferee or no more than four joint transferees. The transfer form must be delivered to the Company's Registrars, Computershare, accompanied by the share certificate to which it relates or such other evidence that proves the title of the transferor.

Please contact Computershare on +44 (0) 370 707 1055 or online at http://www.clarksons.com/investors/.

The holders of ordinary shares have the right to:

- receive dividends when declared;
- receive the Company's annual report and financial statements;
- attend and speak at general meetings of the Company; and
- appoint proxies and exercise voting rights at general meetings.

There are no restrictions or special conditions regarding voting rights and control of the Company. Major shareholders have the same voting rights per share as all other shareholders. Shareholders who wish to appoint a proxy to exercise their voting rights at the AGM are required to submit a proxy voting form to the Company no later than 48 hours prior to the time of the meeting online at http://www.investorcentre.co.uk/eproxy.

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

Restrictions on transfer of shares

There are no restrictions on transfers of ordinary shares in the Company other than:

- certain restrictions which may from time to time be imposed by law or regulations such as those relating to insider dealing;
- pursuant to the Company's share dealing rules where the Directors and designated employees require approval to deal in the Company's shares;
- certain restrictions on securities arising from company acquisitions; and
- under the Company's employee long-term incentive plans.

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 65 to 79. All unvested awards under the 2014 Clarkson PLC LTIP shall vest on the date of such event. In the case of performance awards, the number of shares to vest will be determined by the remuneration committee subject to the performance or any other conditions and/or pro rata reduction in the case of leavers.

Notifiable interests in share capital

The following interests have been disclosed to the Company by major shareholders under Rule 5 of the Disclosure and Transparency Rules (DTR) as at the end of the financial year and at 8 March 2018 (being the latest practicable date of this report):

	8 March 2018	31 December 2017
Franklin Templeton Investment Management Limited	13.95%	13.95%
RS Platou Holdings AS	7.10%	7.10%
Heronbridge Investment Management LLP	5.01%	5.01%
Legal & General Investment Management Limited	<5%	<5%

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

To view our announcements, please visit www.clarksons.com/news.

In addition, as at 8 March 2018, employees directly held 11.85% of the Company's share capital and 4.75% 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 Article 19 of the Market Abuse Regulation, are set out in the Directors' remuneration report on pages 65 to 79.

At the 2017 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 3,023,318 shares (representing 10% of the Company's share capital as at 30 March 2017). This authority is due to expire at the end of the 2018 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.

Research and development

The Group has invested in developing digital solutions to complement our existing business, as explained in the Chief Executive Officer's review on page 18 and the business review on pages 24 and 26. The amount expensed in the year is shown in note 3.

Political donations

No political donations were made during the year (2016: £nil).

By order of the Board

Mike Cahill
Interim Company Secretary

9 March 2018

Directors' responsibilities statement

The Directors are responsible for preparing the annual 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 consolidated 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 Parent Company and of the profit or loss of the Group and the Parent Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' remuneration report comply with the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Parent Company 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 Parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each Director in office at the date the Directors' report is approved, confirms that so far as they are aware, there is no relevant audit information of which the Group's and Parent Company's Auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Parent Company's Auditors are aware of that information.

Each of the Directors, whose names and functions are listed in this annual report, confirm that:

- to the best of their knowledge, the consolidated and Parent Company 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 Parent Company, respectively;
- to the best of their knowledge, the strategic report includes a fair review of the development and performance of the business and the position of the Group and Parent Company, 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 assess the Group and Parent Company's performance, business model and strategy.

On behalf of the Board

James Hughes-Hallett
Chair

9 March 2018

Independent Auditors’ report to the members of Clarkson PLC

Report on the audit of the financial statements

Opinion

In our opinion, Clarkson PLC’s consolidated 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 2017 and of the Group’s profit and the Group’s and the Parent Company’s cash flows for the year then ended;
– have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company’s financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
– have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the annual report, which comprise: the consolidated and Parent Company balance sheets as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income for the year then ended; the consolidated and Parent Company cash flow statements; 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 description of the significant accounting policies.

Our opinion is consistent with our reporting to the audit committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

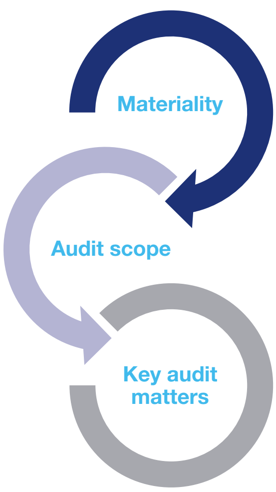
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC’s Ethical Standard were not provided to the Group or the Parent Company.

Other than those disclosed in the audit committee report, we have provided no other non-audit services to the Group or the Parent Company in the period from 1 January 2017 to 31 December 2017.

Our audit approach

Overview



Materiality

– Overall Group materiality: £2.5m (2016: £2.2m), based on 5% of profit before taxation, adjusted for acquisition related costs (2016: profit before taxation, adjusted for the exceptional item and acquisition related costs).
– Overall Parent Company materiality: £2.1m (2016: £1.9m), based on 1% of total assets, reduced to an amount less than the overall Group materiality.

Audit scope

– We performed audit work over the complete financial information for reporting units which accounted for approximately 90% of the Group’s profit before taxation, adjusted for acquisition related costs (2016: 84% of the Group’s profit before taxation, adjusted for the exceptional item and acquisition related costs) and 88% (2016: 89%) of Group revenue. These reporting units comprised certain operating businesses and centralised functions.
– We identified 61 reporting units, two of which were significant due to their size. The reporting units comprised certain operating business and centralised functions which required an audit of their complete financial information. In addition we have conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units.

Key audit matters

– Risk of impairment of trade receivables;
– Revenue recognition; and
– Carrying value of goodwill.

The scope of our audit

As part of designing our audit, we determined materiality and assessed 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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We designed audit procedures that focused on the risk of non-compliance related to compliance with regulatory licences and income taxation. Our tests included inspecting correspondence with regulators, tax authorities and meeting with the internal legal counsel.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the Auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the Auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Risk of impairment of trade receivables (Group) *Refer to page 81 (audit committee report), note 14 of the financial statements and note 2.3 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 £57.8m before provisions for impairment of £13.3m. As set out in the business review section of the strategic report, the shipping industry, whilst improving in certain segments, has continued to face challenging market conditions resulting from the effect of certain macro-economic factors, such as oil prices and freight rates. Accordingly, 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 and known financial condition of certain customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the counterparty. 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. For certain customers, there is no recognition of revenue where doubt exists as to the ability to collect payment at the time of invoicing. We focused on this area because it requires a high level of management judgement and the materiality of the amounts involved.	We tested balances where no provision was recognised to check that there were no indicators of impairment. We selected a sample of the larger trade receivable balances where a provision for impairment of trade receivables was recognised and understood the rationale for management's judgement that a provision was required. Our testing procedures included verifying if payments had been received since the year-end, reviewing historical payment patterns and inspecting any correspondence with customers on expected settlement dates. In order to evaluate the appropriateness of these judgements, we also verified whether balances were overdue, the customer's location and the consistency of application of provision policy for specific customers, including those where no revenue is recognised at the time of invoicing. 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 set out 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: i. how much of the previous years' provision 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 are disclosed in note 14. This 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 upfront 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 consistent with the evidence obtained.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (Group) *Refer to page 81 (audit committee report), notes 3 and 4 of the financial statements and note 2.3 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 in broking or formal approval of a debt or equity transaction in financial 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, offshore or financial revenue streams, are individually significant in value. Consistent with the prior year, we therefore focused on these revenue streams, particularly transactions surrounding the year-end, where there is a risk that large transactions may be recorded in the incorrect period. The other revenue streams, such as support and research, were relatively less significant. Revenue in respect of these streams is 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 judgement and risk of a material cut-off error in these streams.	For the sale and purchase, offshore and financial transactions near the year-end, we tested that revenue cut-off was appropriately determined. We selected a sample of transactions and 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. We also tested a sample of transactions in securities, which included an amount accrued as revenue at the year-end. We understood the basis for the revenue being recognised, including judgements applied in respect of the work completed by the year-end and the likelihood of the transaction completing. From the evidence obtained we found no material instances of revenue being recognised in the incorrect period.
Carrying value of goodwill (Group) *Refer to page 81 (audit committee report), notes 12 and 13 of the financial statements and note 2.3 for the Directors' disclosures of the related accounting policies, judgements and estimates for further information.* The goodwill balance of £289.6m is allocated across multiple cash-generating units (CGUs), and is subject to an annual impairment review. Management prepared a value-in-use model to estimate the present value of forecast future cash flows for each CGU. This was then compared with the carrying value of the net assets of each CGU (including goodwill to determine if there was an impairment. Determining if an impairment charge is required for goodwill involves significant judgements about forecast future performance and cash flows of the CGUs, including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate. No charge for impairment of goodwill has been recognised in the current financial year. The risk that we focused on during the audit was that the goodwill may be overstated and that an impairment charge may be required. In particular, we focused on the goodwill in the offshore broking and securities CGUs which have been most affected by the economic conditions, as described in the business review section of this annual report.	We evaluated the Directors' future cash flow projections for all CGUs with a particular focus on the offshore broking and securities CGUs and the process by which they were prepared, including comparing them with the latest Board approved budget and forecasts, and testing the accuracy of the underlying calculations in the model. We concluded that the cash flow projections were consistent with the Board approved budgets and forecasts. For the Directors' key assumptions we: – Compared the timing and quantum of short and long-term growth rates in the forecasts against economic and industry forecasts and with the actual historical results of the Group; – Assessed the discount rate by comparing the cost of capital for the Group with comparable organisations and consulting with our own experts; and – Considered the cyclical nature of each CGU and that this had been appropriately factored into the long-term forecasts. We found the Directors' assumptions to be supportable and the discount rate was within our expected range. We also performed sensitivity analyses on the key drivers of the cash flow projections including assumed profits, short and long-term growth rates and the discount rate. In performing these sensitivities we considered the level of historical budgeting inaccuracies and how the assumptions compared with the actual performance achieved in prior years. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered the likelihood of such a movement in those key assumptions arising. We determined that the disclosures made in note 13 regarding the related assumptions appropriately draw attention to the significant areas of judgement.

We determined that there were no key audit matters applicable to the Parent Company to communicate in our report.

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 structure of the Group and the Parent Company, the accounting processes and controls and the industry in which the Group operates.

The financial statements are a consolidation 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 financial statements as a whole.

We identified 61 reporting units, two of which were significant due to their size. These comprised certain operating business and centralised functions which required an audit of their complete financial information. 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 90% of the Group's profit before taxation adjusted for acquisition related costs and 88% 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 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 on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Overall materiality	£2.5m (2016: £2.2m).	£2.1m (2016: £1.9m).
How we determined it	5% of profit before taxation, adjusted for acquisition related costs.	1% of total assets reduced to an amount less than the overall Group materiality.
Rationale for benchmark applied	In arriving at this judgement we have had regard to profit before taxation, adjusted for acquisition related costs, because, in our view, this represents the most appropriate measure of underlying performance.	As the Parent Company does not have trading activities, in our view a balance sheet benchmark represents the most appropriate measure. However, as it is an in-scope component for our Group audit, we have reduced the materiality to an amount less than the Group amount.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £10,000 and £2.1m. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the audit committee that we would report to them misstatements identified during our audit above £125,000 (Group audit) (2016: £100,000) and £105,000 (Parent Company audit) (2016: £95,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Parent Company's ability to continue as a going concern over a period of at least 12 months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. As not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the annual report other than the financial statements and our Auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the strategic report and Directors' report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

In light of the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the strategic report and the Directors' report (CA06).

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 43 of the annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the annual report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 43 of the annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the Code); and considering whether the statements are consistent with the knowledge and understanding of the Group and Parent Company and their environment obtained in the course of the audit (Listing Rules).

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 86, that they consider the annual report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company obtained in the course of performing our audit.
- The section of the annual report on pages 80 to 83 describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.
- The Directors' statement relating to the Parent Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the Auditors.

Directors' remuneration

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the CA06.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Directors’ responsibilities statement set out on page 86, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group’s and the Parent Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors’ report.

Use of this report

This report, including the opinions, has been prepared for and only for the Parent Company’s members as a body in accordance with Chapter 3 of Part 16 of the CA06 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.

Other required reporting

CA06 exception reporting

Under the CA06 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
- certain disclosures of Directors’ remuneration specified by law are not made; 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.

Appointment

Following the recommendation of the audit committee, we were appointed by the Directors on 9 July 2009 to audit the financial statements for the year ended 31 December 2009 and subsequent financial periods. The period of total uninterrupted engagement is nine years, covering the years ended 31 December 2009 to 31 December 2017.

John Waters
Senior Statutory Auditor

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

9 March 2018

Consolidated income statement

for the year ended 31 December

	Notes	2017 Before acquisition related costs £m	2017 Acquisition related costs (note 6) £m	2017 After acquisition related costs £m	2016 Before exceptional items and acquisition related costs £m	2016 Exceptional items (note 5) £m	2016 Acquisition related costs (note 6) £m	2016 After exceptional items and acquisition related costs £m
Revenue	3, 4	324.0	–	324.0	306.1	–	–	306.1
Cost of sales		(9.7)	–	(9.7)	(8.9)	–	–	(8.9)
Trading profit		314.3	–	314.3	297.2	–	–	297.2
Other income		–	–	–	–	9.7	–	9.7
Administrative expenses		(264.8)	(4.5)	(269.3)	(253.0)	–	(7.7)	(260.7)
Operating profit	3, 4	49.5	(4.5)	45.0	44.2	9.7	(7.7)	46.2
Finance revenue	3	1.0	–	1.0	0.8	1.4	–	2.2
Finance costs	3	(0.3)	(0.3)	(0.6)	(0.1)	–	(0.9)	(1.0)
Other finance costs – pensions	3, 22	–	–	–	(0.1)	–	–	(0.1)
Profit before taxation		50.2	(4.8)	45.4	44.8	11.1	(8.6)	47.3
Taxation	7	(12.0)	1.0	(11.0)	(11.2)	–	1.8	(9.4)
Profit for the year		38.2	(3.8)	34.4	33.6	11.1	(6.8)	37.9
Attributable to:								
Equity holders of the Parent Company		35.2	(3.8)	31.4	31.4	11.1	(6.8)	35.7
Non-controlling interests		3.0	–	3.0	2.2	–	–	2.2
Profit for the year		38.2	(3.8)	34.4	33.6	11.1	(6.8)	37.9
Earnings per share								
Basic	8	116.8p		104.4p	105.2p			119.7p
Diluted	8	116.4p		104.0p	104.2p			118.6p

Consolidated statement of comprehensive income

for the year ended 31 December

	Notes	2017 £m	2016 £m
Profit for the year		34.4	37.9
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain on employee benefit schemes – net of tax	22	7.6	4.0
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on retranslation of foreign operations		(14.0)	50.5
Foreign currency hedge – net of tax	24	6.0	(3.9)
Other comprehensive (loss)/income		(0.4)	50.6
Total comprehensive income for the year		34.0	88.5
Attributable to:			
Equity holders of the Parent Company		31.1	85.8
Non-controlling interests		2.9	2.7
Total comprehensive income for the year		34.0	88.5

Consolidated balance sheet

as at 31 December

	Notes	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment	10	**29.7**	30.0
Investment property	11	**1.1**	1.2
Intangible assets	12	**289.6**	300.5
Trade and other receivables	14	**2.5**	1.8
Investments	15	**4.9**	4.1
Employee benefits	22	**16.7**	7.5
Deferred tax asset	7	**11.1**	12.8
		355.6	357.9
Current assets			
Inventories	16	**0.7**	0.7
Trade and other receivables	14	**60.2**	56.7
Income tax receivable		**1.3**	2.3
Investments	15	**5.8**	29.8
Cash and cash equivalents	17	**161.7**	154.0
		229.7	243.5
Current liabilities			
Interest-bearing loans and borrowings	18	**–**	(23.6)
Trade and other payables	19	**(132.0)**	(142.3)
Income tax payable		**(8.2)**	(6.5)
Provisions	20	**(0.1)**	–
		(140.3)	(172.4)
Net current assets		**89.4**	71.1
Non-current liabilities			
Trade and other payables	19	**(10.6)**	(11.3)
Provisions	20	**(0.1)**	(0.1)
Employee benefits	22	**(4.4)**	(5.2)
Deferred tax liability	7	**(6.5)**	(5.7)
		(21.6)	(22.3)
Net assets		**423.4**	406.7
Capital and reserves			
Share capital	23	**7.6**	7.6
Other reserves	24	**234.7**	240.1
Retained earnings		**177.4**	155.8
Equity attributable to shareholders of the Parent Company		**419.7**	403.5
Non-controlling interests		**3.7**	3.2
Total equity		**423.4**	406.7

The financial statements on pages 93 to 127 were approved by the Board on 9 March 2018, and signed on its behalf by:

James Hughes-Hallett
Chair
Registered number: 1190238

Jeff Woyda
Chief Financial Officer and Chief Operating Officer

Consolidated statement of changes in equity

for the year ended 31 December

	Notes	Attributable to equity holders of the Parent Company					
		Share capital £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2017		7.6	240.1	155.8	403.5	3.2	406.7
Profit for the year		–	–	31.4	31.4	3.0	34.4
Other comprehensive (loss)/income:							
Actuarial gain on employee benefit schemes – net of tax	22	–	–	7.6	7.6	–	7.6
Foreign exchange differences on retranslation of foreign operations	24	–	(13.9)	–	(13.9)	(0.1)	(14.0)
Foreign currency hedge – net of tax	24	–	6.0	–	6.0	–	6.0
Total comprehensive (loss)/income for the year		–	(7.9)	39.0	31.1	2.9	34.0
Transactions with owners:							
Employee share schemes	24	–	2.5	1.4	3.9	–	3.9
Tax on other employee benefits	7	–	–	1.0	1.0	–	1.0
Tax on other items in equity	7	–	–	0.3	0.3	–	0.3
Dividend paid	9	–	–	(20.1)	(20.1)	(2.4)	(22.5)
		–	2.5	(17.4)	(14.9)	(2.4)	(17.3)
Balance at 31 December 2017		7.6	234.7	177.4	419.7	3.7	423.4

	Notes	Attributable to equity holders of the Parent Company					
		Share capital £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2016		7.6	194.2	136.2	338.0	2.9	340.9
Profit for the year		–	–	35.7	35.7	2.2	37.9
Other comprehensive income:							
Actuarial gain on employee benefit schemes – net of tax	22	–	–	4.0	4.0	–	4.0
Foreign exchange differences on retranslation of foreign operations	24	–	50.0	–	50.0	0.5	50.5
Foreign currency hedge – net of tax	24	–	(3.9)	–	(3.9)	–	(3.9)
Total comprehensive income for the year		–	46.1	39.7	85.8	2.7	88.5
Transactions with owners:							
Share issues	23,24	–	0.1	–	0.1	–	0.1
Employee share schemes	24	–	(0.3)	(1.8)	(2.1)	–	(2.1)
Tax on other employee benefits	7	–	–	0.3	0.3	–	0.3
Tax on other items in equity	7	–	–	(0.1)	(0.1)	–	(0.1)
Dividend paid	9	–	–	(18.5)	(18.5)	(2.4)	(20.9)
		–	(0.2)	(20.1)	(20.3)	(2.4)	(22.7)
Balance at 31 December 2016		7.6	240.1	155.8	403.5	3.2	406.7

Consolidated cash flow statement

for the year ended 31 December

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Profit before taxation		45.4	47.3
Adjustments for:			
Foreign exchange differences	3	7.3	(3.6)
Depreciation of property, plant and equipment	3, 10	5.0	5.0
Share-based payment expense	21	1.4	1.3
Gain on sale of property, plant and equipment		(0.1)	(0.1)
Gain on sale of investments		–	(9.6)
Amortisation of intangibles	3, 12	3.6	6.6
Difference between pension contributions paid and amount recognised in the income statement		(0.9)	(1.9)
Finance revenue	3	(1.0)	(2.2)
Finance costs	3	0.6	1.0
Other finance costs – pensions	3	–	0.1
Decrease in inventories	16	–	0.2
(Increase)/decrease in trade and other receivables		(7.2)	13.9
Increase/(decrease) in bonus accrual		4.6	(3.0)
Decrease in trade and other payables		(3.9)	(1.9)
Increase/(decrease) in provisions	20	0.1	(0.1)
Cash generated from operations		54.9	53.0
Income tax paid		(6.9)	(7.4)
Net cash flow from operating activities		48.0	45.6
Cash flows from investing activities			
Interest received	3	0.6	0.6
Purchase of property, plant and equipment	10	(5.3)	(3.1)
Purchase of intangible assets	12	(1.5)	–
Proceeds from sale of investments	15	0.1	11.3
Proceeds from sale of property, plant and equipment		0.2	0.4
Purchase of investments		(0.9)	(3.8)
Transfer from/(to) current investments (funds on deposit)		24.1	(24.0)
Acquisition of subsidiaries, including settlement of deferred consideration		(24.7)	(23.7)
Dividends received from investments	3	0.3	1.5
Net cash flow from investing activities		(7.1)	(40.8)
Cash flows from financing activities			
Interest paid		(0.3)	(0.1)
Dividend paid	9	(20.1)	(18.5)
Dividend paid to non-controlling interests		(2.4)	(2.4)
ESOP shares acquired		(0.5)	(6.0)
Net cash flow from financing activities		(23.3)	(27.0)
Net increase/(decrease) in cash and cash equivalents		17.6	(22.2)
Cash and cash equivalents at 1 January		154.0	168.4
Net foreign exchange differences		(9.9)	7.8
Cash and cash equivalents at 31 December	17	161.7	154.0

Notes to the consolidated financial statements

1 Corporate information

The Group and Parent Company financial statements of Clarkson PLC for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 9 March 2018. Clarkson PLC is a Public Limited Company, listed on the London Stock Exchange, incorporated and registered in England and Wales and domiciled in the UK.

The term '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 Commodity Quay, St. Katharine Docks, London E1W 1BF.

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 2017.

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

The consolidated income statement is shown in columnar format to assist with understanding the Group's results by presenting profit for the period before exceptional items and acquisition related costs; this is referred to as underlying profit. Items which are non-recurring in nature and considered to be material in size are shown as 'exceptional items'. The column 'exceptional items' in 2016 represented the gain and special dividend arising on the sale of The Baltic Exchange shares. The column 'acquisition related 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 interest on the loan note obligations. These notes form an integral part of the financial statements on pages 93 to 127.

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, IFRS IC 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 Group has considerable financial resources available and a strong balance sheet, as explained in the financial review on pages 40 to 41. As a result of this, the Directors believe that the Group is well placed to manage its business risks successfully. The Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated 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.

See note T to the Parent Company financial statements for full details on subsidiaries.

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

There were no new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017, that have had a material impact on the Group or Parent Company.

New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2017 and not early adopted.

- Annual improvements (2014 – 2016), effective from 1 January 2018
- Annual improvements (2015 – 2017), effective from 1 January 2019
- IFRS 17, 'Insurance contracts', effective from 1 January 2021
- Amendment to IFRS 2, 'Classification and measurement of share-based payments', effective from 1 January 2018
- Amendment to IFRS 9, 'Prepayment features with negative compensation', effective from 1 January 2019
- Amendment to IAS 19, 'Plan amendment, curtailment or settlement', effective from 1 January 2019
- Amendment to IAS 28, 'Long-term interests in associates and joint ventures', effective from 1 January 2019
- Amendments to IAS 40, 'Transfers of investment property', effective from 1 January 2018
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from 1 January 2018
- IFRIC 23, 'Uncertainty over income tax treatments', effective from 1 January 2019

The above are not expected to have a material impact on the Group's financial statements.

- IFRS 9 'Financial Instruments', effective from 1 January 2018
  The standard addresses the classification, measurement and derecognition of financial instruments, introduces new rules for hedge accounting and a new impairment model for financial assets. It replaces IAS 39 'Financial Instruments' guidance and comprehensive updates have been made to IFRS 7 'Financial Instrument: Disclosure' and IAS 32 'Financial Instruments: Presentation'. The Group will apply IFRS 9 and the updated IFRS 7 disclosure requirements from their effective date.

2 Statement of accounting policies continued

2.2 Changes in accounting policy and disclosures continued

Based on our impact assessment of the implementation of IFRS 9, the Group does not believe the forthcoming changes will have a material impact on the Group's financial statements. In reaching this initial conclusion, the Group assessed the impact of the new standard on its hedging arrangements, investments valuation and provisioning for trade receivables. From 1 January 2018 onwards, the Group is in the process of amending its accounting policies to reflect IFRS 9 terminology and are in the process of preparing the appropriate disclosures for the year ending 31 December 2018.

– IFRS 15 'Revenue from Contracts with Customers', effective from 1 January 2018
  The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Group will apply IFRS 15 from its effective date.

  The impact assessment performed by the Group included a review of each of its revenue streams and customer contracts to identify distinct performance obligations and the appropriate method for recognising revenue upon satisfaction of the performance obligations, either at a point in time or over time. For Broking, time charters will be satisfied over time with all other revenue streams in that segment satisfied at a point in time. For the other business segments, the majority of performance obligations will be satisfied at a point in time, other than for certain corporate management activities, agency fees and subscription-based research income. Based on our assessment of the adoption of IFRS 15, the Group does not believe there will be a material impact on the Group's financial statements. During 2018, the Group will revise the revenue recognition policy to reflect IFRS 15 terminology and prepare the additional disclosures for the Group's financial statements. The Group will continue to disaggregate revenue over Broking, Financial, Support and Research.

– IFRS 16 'Leases', effective from 1 January 2019
  The standard represents a significant change in the accounting and reporting of leases for lessees as it provides a single lessee accounting model that replaces the current model where leases are either recognised as a finance or operating lease.

  Under the single lessee model, a right of use asset and corresponding lease liability will be recognised which represent future lease payables, with movements through the Income Statement representing depreciation, additions or releases on the liability and unwinding of the discount for all leases unless the underlying asset has a low value or the remaining lease term is less than twelve months at the date of transition.

  As the Group has non-cancellable operating lease commitments of £93.6m, see note 25, it is expected that the application of this standard will have a material impact on the Group's financial statements.

  A full assessment of the impact of the new standard is currently being undertaken.

2.3 Key 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 provision, primarily the age of the invoice, the existence of any disputes, recent historical payment patterns and the debtor's financial position. In a limited number of instances, where doubt exists as to the ability to collect payment, a provision is made at the time of invoicing.

Revenue recognition

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 in broking or formal approval of a debt or equity transaction in finance, 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. See note 2.21 for further details. Provisions made at the time of invoicing are directly offset against revenue.

Impairment testing of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which these assets have been allocated. The value-in-use calculation requires estimation of future cash flows expected to arise for the cash-generating unit, the selection of suitable discount rates and the estimation of future growth rates.

Classification and recognition of adjusting items

The Group excludes adjusting items (exceptional items and acquisition related costs) from its 'underlying' earnings measure. The Directors believe that alternative performance measures can provide the users of the financial statements with a better understanding of the Group's underlying financial performance, 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.

2.4 Forward-looking statements

Certain statements in this annual report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

2.5 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	10-60 years
Leasehold improvements	Over the period of the lease
Office furniture and equipment	2–10 years
Motor vehicles	4-5 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.

2.6 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

In addition to historical cost accounting, the Directors have also presented, through additional narrative, the fair value of the investment properties in note 11.

2.7 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 identified according to operating segment.

2.8 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.

Development costs are recognised as intangible assets when the criteria of IAS 38 is met. Directly attributable costs that are capitalised include the development employee costs and an appropriate portion of relevant overheads. Other development expenditure that does not meet the IAS 38 criteria is recognised as an expense when incurred.

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 income statement within administrative expenses.

Intangible assets are amortised as follows:

Trade name and non-contractual commercial relationships

Amortisation is calculated using estimates of revenues generated by each asset over their estimated useful lives of up to five years.

Forward order book on acquisition

Amortisation is calculated based on expected future cash flows estimated to be up to five years.

Development costs

Amortisation is calculated based on estimated useful life, which will not exceed five years, when ready for use.

2.9 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.

2 Statement of accounting policies continued

2.9 Impairment of non-financial assets continued

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.

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.

2.10 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. Available-for-sale financial assets are measured at cost, since they are investments in unlisted companies where the fair value cannot be determined.

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.

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. 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.

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 arrangements 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

2.18 Employee benefits continued

The asset/liability recognised in the balance sheet in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the end of the reporting period and the fair value of plan assets. Where the Group does not have an unconditional right to a scheme's surplus, this asset is not recognised in the balance sheet. 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).

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 21).

The social security contributions payable in connection with 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

Shipbroking and offshore revenue consists of commission receivable and is recognised by reference to the stage of completion, which is measured by reference to the underlying commercial contract, except where doubt exists as to the ability to collect payment, as explained in note 14. Futures broking commissions are recognised when the services have been performed.

Financial

Revenue consists of commissions and fees receivable from financial services activities. Fees for investment banking activities, syndication and other financial solutions are recognised on a success basis when certain criteria in applicable agreements have been met. Commission from trading activities is recognised at trade date. Fees for advisory and accounting services are recognised as earned.

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 operation are treated as assets and liabilities of the foreign operation 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 is recognised in the income statement, except on items relating to equity, in which case the related current income tax is recognised directly in equity.

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 Revenue and expenses

	2017 £m	2016 £m
Revenue		
Rendering of services	314.6	293.9
Rental income	0.4	0.7
Sale of goods	9.0	11.5
	324.0	306.1

	2017 £m	2016 £m
Finance revenue		
Bank interest income	0.7	0.6
Income from available-for-sale financial assets	0.3	1.6
	1.0	2.2

	2017 £m	2016 £m
Finance costs		
Loan note interest	0.3	0.9
Other finance costs	0.3	0.1
	0.6	1.0

	2017 £m	2016 £m
Other finance costs – pensions		
Net benefit charge	–	0.1
	–	0.1

Operating profit

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

	2017 £m	2016 £m
Depreciation	5.0	5.0
Amortisation of intangible assets	3.6	6.6
Operating lease expense – land and buildings	12.4	11.3
Operating sublease income – land and buildings	(0.4)	(0.5)
Net foreign exchange losses/(gains)	7.3	(3.6)
Research and development	5.5	2.0

	2017 £000	2016 £000
Auditors' remuneration		
Fees payable to the Company's Auditors for the audit of the Company's and Group financial statements	235	233
Fees payable to the Company's Auditors and their associates for other services:		
The auditing of financial statements of subsidiaries of the Company	309	301
Audit-related assurance services	84	64
Taxation compliance services	–	40
Other services	45	18
	673	656

Audit-related assurance services consists of £40,000 (2016: £40,000) in relation to the half-year review, £30,000 (2016: £nil) in relation to the implementation of new IFRSs and £14,000 (2016: £24,000) of other audit-related services. Other services in 2017 relate to the assistance with the liquidation of an entity in Ghana.

	2017 £m	2016 £m
Employee compensation and benefits expense		
Wages and salaries	177.8	170.7
Social security costs	15.9	15.7
Expense of share-based payments	1.4	1.3
Pension costs – defined contribution plans	4.1	3.6
	199.2	191.3

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 74.

The average monthly number of persons employed by the Group during the year, including Executive Directors, is analysed below:

	2017	2016
Broking	1,040	1,021
Financial	114	121
Support	175	154
Research	106	96
	1,435	1,392

4 Segmental information

The Group considers the executive members of the Company's Board to be the chief operating decision-maker. The Board receives segmental operating and financial information on a regular basis. The segments are determined by the class of business the Company provides and are broking, financial, support and research. This is consistent with the way the Group manages itself and with the format of the Group's internal financial reporting.

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. Also included is a futures broking operation which arranges principal-to-principal cash-settled contracts for differences based upon standardised freight contracts.

The financial division represents full-service investment banking, specialising in the maritime, oil services and natural resources sectors. Clarksons also provides structured asset finance services and structured projects in the shipping, offshore and real estate sectors.

Support includes port and agency services representing ship agency services provided throughout the UK.

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	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Broking	**238.9**	233.6	**43.9**	40.2
Financial	**52.0**	41.0	**10.1**	6.8
Support	**18.5**	17.8	**2.1**	2.1
Research	**14.6**	13.7	**4.8**	4.9
Segment revenue/underlying profit	**324.0**	306.1	**60.9**	54.0
Head office costs			**(11.4)**	(9.8)
Operating profit before exceptional items and acquisition related costs			**49.5**	44.2
Exceptional items			**–**	9.7
Acquisition related costs			**(4.5)**	(7.7)
Operating profit after exceptional items and acquisition related costs			**45.0**	46.2
Finance revenue			**1.0**	2.2
Finance costs			**(0.6)**	(1.0)
Other finance costs – pensions			**–**	(0.1)
Profit before taxation			**45.4**	47.3
Taxation			**(11.0)**	(9.4)
Profit for the year			**34.4**	37.9

Business segments

	Assets		Liabilities	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Broking	**361.0**	355.6	**89.5**	98.8
Financial	**162.6**	166.3	**19.4**	20.9
Support	**6.2**	8.7	**5.9**	5.3
Research	**19.2**	17.4	**5.3**	4.5
Segment assets/liabilities	**549.0**	548.0	**120.1**	129.5
Unallocated assets/liabilities	**36.3**	53.4	**41.8**	65.2
	585.3	601.4	**161.9**	194.7

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

Business segments

	Non-current asset additions				Depreciation		Amortisation	
	Property, plant and equipment 2017 £m	**Intangible assets 2017 £m**	Property, plant and equipment 2016 £m	Intangible assets 2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Broking	**3.7**	**1.5**	1.6	–	**4.2**	4.3	**3.5**	6.4
Financial	**0.3**	**–**	0.9	–	**0.3**	0.2	**0.1**	0.2
Support	**1.3**	**–**	0.6	–	**0.5**	0.5	**–**	–
	5.3	**1.5**	3.1	–	**5.0**	5.0	**3.6**	6.6

Geographical segments – by origin of invoice

	Revenue	
	2017 £m	2016 £m
Europe, Middle East and Africa*	**248.8**	240.1
Americas	**26.6**	26.0
Asia Pacific	**48.6**	40.0
	324.0	306.1

Geographical segments – by location of assets

	Non-current assets**	
	2017 £m	2016 £m
Europe, Middle East and Africa*	**304.1**	312.9
Americas	**2.9**	3.3
Asia Pacific	**20.8**	21.4
	327.8	337.6

* Includes revenue for the UK of £137.7m (2016: £148.4m) and non-current assets for the UK of £88.1m (2016: £87.6m).

** Non-current assets exclude deferred tax assets and employee benefits.

5 Exceptional items

2017

There are no exceptional items in 2017.

2016

Exceptional items included a gain of £9.7m on the sale of shares in The Baltic Exchange to SGX. A special final dividend from The Baltic Exchange of £1.4m, which was closely linked to the sale, was also treated as an exceptional item in 2016.

6 Acquisition related costs

Included in acquisition related costs are cash and share-based payment charges of £0.3m (2016: £0.4m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £0.6m (2016: £0.7m) relating to the acquisition of the remaining non-controlling interest in Clarksons Platou Tankers AS. The charge consists of cash and share-based payment charges which are linked to future service of the employees and are therefore spread over a four year period.

Also included is £3.6m (2016: £6.6m) relating to amortisation of intangibles acquired as part of the Platou and other prior acquisitions. Interest on the loan notes issued as part of the Platou acquisition totalled £0.3m (2016: £0.9m).

7 Taxation

Tax charged in the consolidated income statement is as follows:

	2017 £m	2016 £m
Current tax		
Tax on profits for the year	**10.2**	9.5
Adjustments in respect of prior years	**1.2**	(1.0)
	11.4	8.5
Deferred tax		
Origination and reversal of temporary differences	**(2.4)**	0.7
Impact of change in tax rates	**2.0**	0.2
	(0.4)	0.9
Total tax charge in the income statement	**11.0**	9.4

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

		2017 £m	2016 £m
Current tax			
Employee benefits	– on pension benefits	**(0.1)**	(0.4)
	– other employee benefits	**(0.5)**	(1.5)
Other items in equity		**(0.3)**	0.1
		(0.9)	(1.8)
Deferred tax			
Employee benefits	– on pension benefits	**1.6**	1.0
	– other employee benefits	**(0.5)**	1.2
Foreign currency contracts		**1.4**	(0.9)
		2.5	1.3
Total tax charge/(credit) in the statement of changes in equity		**1.6**	(0.5)

Reconciliation of tax charge

The tax charge in the income statement for the year is higher (2016: lower) than the average standard rate of corporation tax in the UK of 19.25% (2016: 20.00%). The differences are reconciled below:

	2017 £m	2016 £m
Profit before taxation	45.4	47.3
Profit at UK average standard rate of corporation tax of 19.25% (2016: 20.00%)	8.7	9.5
Effects of:		
Expenses not deductible for tax purposes	1.5	1.6
Non-taxable income	–	(2.3)
Lower tax rates on overseas earnings	(0.5)	(0.4)
Tax losses not recognised	0.7	1.3
Adjustments relating to prior year	(0.8)	(0.7)
Adjustments relating to changes in tax rates	2.0	0.2
Other adjustments	(0.6)	0.2
Total tax charge in the income statement	11.0	9.4

Deferred tax

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

		2017 £m	2016 £m
Employee benefits	– on pension benefits	–	0.1
	– other employee benefits	0.4	1.4
Tax losses recognised/not recognised		0.4	(0.6)
In relation to earnings of overseas subsidiaries		(0.2)	0.2
Intangible assets recognised on acquisition		(0.8)	(1.5)
Other temporary differences		(0.2)	1.3
Deferred tax (credit)/charge in the income statement		(0.4)	0.9

Deferred tax included in the balance sheet is as follows:

		2017 £m	2016 £m
Deferred tax asset			
Employee benefits	– on pension benefit liability	0.8	0.8
	– other employee benefits	8.7	8.9
Tax losses		0.4	1.0
Foreign currency contracts		–	1.2
Other temporary differences		1.2	0.9
		11.1	12.8
Deferred tax liability			
Employee benefits	– on pension benefit asset	(2.8)	(1.2)
In relation to earnings of overseas subsidiaries		(1.1)	(1.3)
Foreign currency contracts		(0.2)	–
Intangible assets recognised on acquisition		(0.6)	(1.4)
Other temporary differences		(1.8)	(1.8)
		(6.5)	(5.7)

Included in the above are deferred tax assets of £3.6m (2016: £4.4m) and deferred tax liabilities of £0.4m (2016: £0.8m) 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.

7 Taxation continued

Deferred tax continued

All deferred tax movements arise from the origination and reversal of temporary differences. The Group did not recognise a deferred tax asset of £4.7m (2016: £4.4m) in respect of unused tax losses, which have no expiry date.

8 Earnings per share

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

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Parent Company 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:

	2017 £m	2016 £m
Profit for the year attributable to ordinary equity holders of the Parent Company	**31.4**	35.7

	2017	2016
Weighted average number of ordinary shares (excluding share purchase trusts' shares) - basic	**30,072,387**	29,862,508
Dilutive effect of share options	**69,266**	269,262
Dilutive effect of acquisition related shares	**29,092**	795
Weighted average number of ordinary shares (excluding share purchase trusts' shares) - diluted	**30,170,745**	30,132,565

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 150,944 (2016: 136,634).

9 Dividends

	2017 £m	2016 £m
Declared and paid during the year:		
Final dividend for 2016 of 43p per share (2015: 40p per share)	**13.1**	11.9
Interim dividend for 2017 of 23p per share (2016: 22p per share)	**7.0**	6.6
Dividend paid	**20.1**	18.5
Proposed for approval at the AGM (not recognised as a liability at 31 December): Final dividend for 2017 proposed of 50p per share (2016: 43p per share)	**15.1**	13.1

10 Property, plant and equipment

31 December 2017

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost					
At 1 January 2017	7.7	18.1	18.0	1.1	44.9
Additions	–	1.0	3.9	0.4	5.3
Disposals	–	(0.3)	(0.5)	(0.3)	(1.1)
Foreign exchange differences	(0.2)	(0.2)	(0.6)	–	(1.0)
At 31 December 2017	7.5	18.6	20.8	1.2	48.1
Accumulated depreciation					
At 1 January 2017	1.0	3.4	9.9	0.6	14.9
Charged during the year	0.2	1.5	3.0	0.2	4.9
Disposals	–	(0.3)	(0.5)	(0.2)	(1.0)
Foreign exchange differences	–	(0.1)	(0.3)	–	(0.4)
At 31 December 2017	1.2	4.5	12.1	0.6	18.4
Net book value at 31 December 2017	6.3	14.1	8.7	0.6	29.7

31 December 2016

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost					
At 1 January 2016	7.6	17.1	15.1	1.1	40.9
Additions	–	0.7	2.1	0.3	3.1
Disposals	–	(0.2)	(0.5)	(0.3)	(1.0)
Reclassified to investment property	(0.5)	–	–	–	(0.5)
Foreign exchange differences	0.6	0.5	1.3	–	2.4
At 31 December 2016	7.7	18.1	18.0	1.1	44.9
Accumulated depreciation					
At 1 January 2016	1.1	1.9	6.6	0.5	10.1
Charged during the year	0.2	1.4	3.0	0.3	4.9
Disposals	–	(0.1)	(0.4)	(0.2)	(0.7)
Reclassified to investment property	(0.4)	–	–	–	(0.4)
Foreign exchange differences	0.1	0.2	0.7	–	1.0
At 31 December 2016	1.0	3.4	9.9	0.6	14.9
Net book value at 31 December 2016	6.7	14.7	8.1	0.5	30.0

In 2016, a property in Dubai was reclassified as an investment property.

11 Investment property

	2017 £m	2016 £m
Cost		
At 1 January	2.0	1.5
Reclassified from property, plant and equipment	–	0.5
At 31 December	2.0	2.0
Accumulated depreciation		
At 1 January	0.8	0.3
Charged during the year	0.1	0.1
Reclassified from property, plant and equipment	–	0.4
At 31 December	0.9	0.8
Net book value at 31 December	1.1	1.2

The fair value of the investment properties at 31 December 2017 was £2.3m (2016: £1.9m). This was based on valuations from independent valuers who have the appropriate professional qualifications and recent experience of valuing properties in the location and of the type being valued.

12 Intangible assets

31 December 2017

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2017	306.6	31.5	338.1
Additions	–	1.5	1.5
Foreign exchange differences	(8.7)	(0.7)	(9.4)
At 31 December 2017	297.9	32.3	330.2
Accumulated amortisation and impairment			
At 1 January 2017	12.4	25.2	37.6
Charged during the year	–	3.6	3.6
Foreign exchange differences	–	(0.6)	(0.6)
At 31 December 2017	12.4	28.2	40.6
Net book value at 31 December 2017	285.5	4.1	289.6

The additions in the year relate to development costs. Also included within other intangible assets is £2.6m relating to customer relationships, forward order book and trade name which were identified as part of a previous acquisition. The intangible assets have a remaining amortisation period of two years.

Goodwill and other intangible assets are held in the currency of the businesses acquired and are subject to foreign exchange retranslations to the closing rate at each year-end.

31 December 2016

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2016	264.0	28.3	292.3
Foreign exchange differences	42.6	3.2	45.8
At 31 December 2016	306.6	31.5	338.1
Accumulated amortisation and impairment			
At 1 January 2016	12.3	16.8	29.1
Charged during the year	–	6.6	6.6
Foreign exchange differences	0.1	1.8	1.9
At 31 December 2016	12.4	25.2	37.6
Net book value at 31 December 2016	294.2	6.3	300.5

None of the above intangible assets are internally generated. Included within other intangible assets is £6.3m relating to customer relationships, forward order book and trade name which were identified as part of a previous acquisition. The intangible assets have a remaining amortisation period of three years.

Goodwill and other intangible assets are held in the currency of the businesses acquired and are subject to foreign exchange retranslations to the closing rate at each year-end.

13 Impairment testing of goodwill

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

The carrying amount of goodwill acquired through business combinations is as follows:

	2017 £m	2016 £m
Dry cargo chartering	12.0	12.0
Container chartering	1.8	1.8
Tankers chartering	11.3	11.8
Specialised products chartering	12.2	12.2
Gas chartering	2.7	2.7
Sale and purchase broking	48.9	50.7
Offshore broking	79.8	81.8
Securities	110.6	115.0
Port and agency services	2.9	2.9
Research services	3.3	3.3
	285.5	294.2

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 key assumptions used for value-in-use calculations are as follows:

- the pre-tax discount rate for the chartering and broking CGUs is 8.7% (2016: 8.9%), port and agency services is 8.7% (2016: 8.9%), research services is 8.7% (2016: 8.9%) and for securities is 8.5% (2016: 9.2%). As all broking and chartering CGUs have operations that are global in nature and similar risk profiles, the same discount rate has been used;
- these discount rates are based on the Group's weighted average cost of capital (WACC) and adjusted for CGU-specific risk factors. The Group's WACC is a function of the Group's cost of equity, derived using a Capital Asset Pricing Model. The cost of equity includes a number of variables to reflect the inherent risk of the business being evaluated; and
- 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 and take into account the cyclicality of the business in which the CGU operates. Cash flows beyond the five year period are extrapolated in perpetuity using a conservative growth rate of 1.7% (2016: 1.7%) across all CGUs.

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.

In light of global macro-economic and geo-political uncertainty, the Board keeps the carrying value of goodwill under constant review. In the event that any of the markets in which we operate has a sustained downturn, an impairment of the relevant CGU's goodwill may be required.

14 Trade and other receivables

	2017 £m	2016 £m
Non-current		
Other receivables	1.6	1.8
Foreign currency contracts	0.9	–
	2.5	1.8
Current		
Trade receivables	44.5	42.7
Other receivables	5.7	6.2
Foreign currency contracts	0.4	–
Prepayments and accrued income	9.6	7.8
	60.2	56.7

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

As at 31 December 2017, Group trade receivables at nominal value of £13.3m (2016: £15.5m) 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.

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

	2017 £m	2016 £m
At 1 January	15.5	12.3
Provision release	(6.5)	(5.5)
Written off	(1.4)	(2.9)
New provision	7.0	9.2
Foreign exchange differences	(1.3)	2.4
At 31 December	13.3	15.5

Included within the movements in the provision were amounts which were provided at the time of invoicing for which no revenue has been recognised, because collectability was not considered probable. See note 2.3.

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:

	2017 £m	2016 £m
Neither past due nor impaired	38.4	38.1
Past due not impaired > 90 days	6.1	4.6
	44.5	42.7

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

	2017 £m	2016 £m
US dollar	33.3	28.2
Sterling	5.6	6.3
Norwegian krone	4.1	7.5
Other currencies	1.5	0.7
	44.5	42.7

15 Investments

	2017 £m	2016 £m
Non-current		
Available-for-sale financial assets	4.9	4.1
Current		
Funds on deposit	5.5	29.4
Available-for-sale financial assets	0.3	0.3
Held for trading investments	–	0.1
	5.8	29.8

The Group held £5.5m (2016: £19.4m) in a deposit with a 95 day notice period. At 31 December 2016, the Group also held £10.0m in a deposit with a maturity of six months. These deposits are held with an A-rated financial institution.

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.

16 Inventories

	2017 £m	2016 £m
Finished goods	0.7	0.7

The cost of inventories recognised as an expense and included in cost of sales amounted to £5.7m (2016: £5.0m).

17 Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	159.6	147.7
Short-term deposits	2.1	6.3
	161.7	154.0

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 on 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 £161.7m (2016: £154.0m).

Included in cash at bank and in hand is £2.3m (2016: £1.3m) of restricted funds relating to employee taxes and other commitments.

18 Interest-bearing loans and borrowings

	2017 £m	2016 £m
Current		
Loan notes	–	23.6

Interest-bearing loans and borrowings comprised the vendor loan notes issued as part of the consideration for the Platou acquisition. Interest was charged at 12 month sterling LIBOR plus 1.25%. Half the loan notes were repaid on 30 June 2016, the balance was repaid on 30 June 2017.

19 Trade and other payables

	2017 £m	2016 £m
Current		
Trade payables	13.7	24.3
Other payables	7.4	6.9
Other tax and social security	3.8	2.7
Deferred consideration	–	0.9
Foreign currency contracts	–	4.2
Accruals	102.4	99.1
Deferred income	4.7	4.2
	132.0	142.3
Non-current		
Other payables	10.6	9.3
Foreign currency contracts	–	2.0
	10.6	11.3

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.

20 Provisions

	2017 £m	2016 £m
Current		
At 1 January	–	0.2
Arising during the year	0.1	–
Utilised during the year	–	(0.2)
At 31 December	0.1	–
Non-current		
At 1 January	0.1	–
Arising during the year	–	0.1
At 31 December	0.1	0.1

Provisions have been recognised for the dilapidation of various leasehold premises which will be utilised on cessation of the lease between three and five years.

In 2016 an onerous lease provision was utilised.

21 Share-based payment plans

	2017 £m	2016 £m
Expense arising from equity-settled share-based payment transactions	1.4	1.3

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2017 or 2016.

Share options

Long term incentive awards

Details of the long term incentive awards are included in the Directors' remuneration report on page 69. Awards made to the Directors are given in the Directors' remuneration report on page 76. 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 of, and movements in, share options during the year:

	Outstanding at 1 January 2017	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31 December 2017	Exercisable at 31 December 2017	Weighted average contractual life Years
Long term incentive awards[1]	143,617	67,761	(37,149)	(6,983)	167,246	–	8.12
2014 ShareSave[2]	25,405	–	(1,175)	(24,230)	–	–	–
2015 ShareSave[3]	104,164	–	(7,588)	(711)	95,865	–	1.00
2016 ShareSave[4]	63,109	–	(5,571)	–	57,538	–	2.33
2017 ShareSave[5]	–	99,859	(400)	–	99,459	–	3.25
Other options[6]	15,000	–	–	(15,000)	–	–	–
	351,295	167,620	(51,883)	(46,924)	420,108	–	

The weighted average share price at the date of exercise was £26.12 in relation to the long term incentive awards, £28.05 for the 2014 ShareSave options, £27.82 for the 2015 ShareSave options and £29.44 for the other options.

There is one exercise price for each type of share option award, as follows: [1] £nil, [2] £21.11, [3] £18.12, [4] £17.19, [5] £22.50, [6] £9.91.

	Outstanding at 1 January 2016	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31 December 2016	Exercisable at 31 December 2016	Weighted average contractual life Years
Long term incentive awards[1]	398,907	83,183	(39,099)	(299,374)	143,617	–	8.25
2013 ShareSave[2]	16,135	–	(1,380)	(14,755)	–	–	–
2014 ShareSave[3]	36,715	–	(11,310)	–	25,405	–	1.00
2015 ShareSave[4]	132,597	–	(28,433)	–	104,164	–	2.00
2016 ShareSave[5]	–	64,888	(1,779)	–	63,109	–	3.33
Other options[6]	40,000	–	–	(25,000)	15,000	15,000	0.81
	624,354	148,071	(82,001)	(339,129)	351,295	15,000	

The weighted average share price at the date of exercise was £19.89 in relation to the long term incentive awards, £20.56 for the 2013 ShareSave options and £19.92 for the other options.

There is one exercise price for each type of share option award, as follows: [1] £nil, [2] £13.03, [3] £21.11, [4] £18.12, [5] £17.19, [6] £9.91.

Significant inputs

The inputs into the models used to value options granted in the period fell within the following ranges:

	2017	2016
Share price at date of grant (£)	27.95 – 29.26	19.75 – 22.21
Exercise price (£)	0.00 – 22.50	0.00 – 17.19
Expected term (years)	3.0 – 3.3	3.0 – 3.3
Risk-free interest rate (%)	0.1 – 0.6	0.3 – 0.4
Expected dividend yield (%)	0.0 – 2.3	0.0 – 3.1
Expected volatility (%)	34.2 – 36.3	33.4 – 34.6

Expected volatility is calculated using historical data, where available, over the period of time commensurate with the remaining performance period for long term incentive awards and the expected award term for the ShareSave scheme, as at the date of grant.

Other employee incentives

During the year, 342,909 shares (2016: 284,509 shares) at a weighted average price of £27.91 (2016: £22.53) were awarded to employees in settlement of 2016 (2015) cash bonuses. There was no expense in 2017 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 previous acquisitions, certain elements of consideration are payable in the form of shares in Clarkson PLC. Where these are contingent on the employees remaining in service, the cost of these shares are charged to the consolidated income statement over the service period. The 2017 charge in relation to such awards is £0.4m (2016: £0.4m).

22 Employee benefits

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

The Group operates three defined benefit pension schemes, being the Clarkson PLC scheme, the Plowrights scheme and the Stewarts scheme, which are funded by the payment of contributions to separate trusts administered by Trustees who are required to act in the best interests of the schemes' beneficiaries. 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. The Stewarts scheme was closed to further accrual on 1 January 2004.

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 all the schemes have been prepared.

The valuation of the Clarkson PLC scheme showed a pension surplus of £3.6m as at 31 March 2016. Clarkson PLC and the Trustees agreed to cease funding with effect from 1 October 2016.

The valuation of the Plowrights scheme showed a pension deficit of £1.2m as at 31 March 2016. Clarkson PLC and the Trustees agreed to continue the funding plan, at the rate of £0.9m per annum, until 30 September 2017.

The valuation of the Stewarts scheme showed a pension deficit of £2.1m as at 1 September 2015. Clarksons Platou (Offshore) Limited have agreed with the Trustees to pay contributions to remove the deficit over a period of seven years from 1 September 2015 at the rate of £0.4m per annum until 31 October 2016 and £0.3m 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. All 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. 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.

22 Employee benefits continued

Other pension arrangements

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

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

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

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

Recognised in the balance sheet

	2017 £m	2016 £m
Fair value of schemes' assets	202.7	200.5
Present value of funded defined benefit obligations	(185.1)	(194.1)
	17.6	6.4
Effect of asset ceiling/minimum funding commitment in relation to the Plowrights scheme	(5.3)	(4.1)
Net benefit asset recognised in the balance sheet	12.3	2.3

The net benefit asset disclosed above is the combined total of the three schemes. The Clarkson PLC scheme has a surplus of £16.7m (2016: £7.5m), the Plowrights scheme has a deficit of £nil (2016: £0.6m) and the Stewarts scheme has a deficit of £4.4m (2016: £4.6m). As there is no right of set-off between the schemes, the benefit asset of £16.7m (2016: £7.5m) is disclosed separately on the balance sheet from the benefit liability of £4.4m (2016: £5.2m).

The surplus in the Clarkson PLC scheme is recognised, as there are future economic benefits available in the form of a reduction in future contributions to the defined contribution section of the scheme. There are no such future economic benefits in respect of the Plowright Scheme and therefore the surplus of £5.3m (2016: £3.5m) cannot be recognised. In addition, a minimum funding commitment of £nil (2016: £0.6 m) was recognised as arising from agreed future contributions to the Plowright Scheme. This is in accordance with the respective Trust Deed and Rules.

A deferred tax asset on the benefit liability amounting to £0.8m (2016: £0.8m) and a deferred tax liability on the benefit asset of £2.8m (2016: £1.2m) is shown in note 7.

Recognised in the income statement

	2017 £m	2016 £m
Recognised in other finance costs – pensions:		
Expected return on schemes' assets	5.1	6.4
Interest cost on benefit obligation and minimum funding commitment	(5.1)	(6.5)
Recognised in administrative expenses:		
Scheme administrative expenses	(0.1)	(0.2)
Net benefit charge recognised in the income statement	(0.1)	(0.3)

Recognised in the statement of comprehensive income

	2017 £m	2016 £m
Actual return on schemes' assets	14.9	36.2
Less: expected return on schemes' assets	(5.1)	(6.4)
Actuarial gain on schemes' assets	9.8	29.8
Actuarial gain/(loss) on defined benefit obligations	0.4	(22.6)
Actuarial gain recognised in the statement of comprehensive income	10.2	7.2
Tax charge on actuarial gain	(1.7)	(1.6)
Effect of asset ceiling/minimum funding commitment in relation to the Plowrights scheme	(1.1)	(2.6)
Tax credit on asset ceiling/minimum funding commitment	0.2	1.0
Net actuarial gain on employee benefit obligations	7.6	4.0
Cumulative amount of actuarial gains/(losses) recognised in the statement of comprehensive income	1.4	(8.8)

Schemes' assets

	2017 %	2017 £m	2016 %	2016 £m
Equities*	12.5	25.5	47.5	95.1
Government bonds*	34.3	69.5	31.8	63.7
Corporate bonds*	26.0	52.6	13.3	26.8
Property	0.2	0.4	3.5	7.0
Investment funds	24.1	48.8	–	–
Cash and other assets	2.9	5.9	3.9	7.9
	100.0	202.7	100.0	200.5

* Based on quoted market prices.

Net defined benefit asset

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

31 December 2017

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling/ minimum funding commitment £m	Total £m
At 1 January 2017	(194.1)	200.5	6.4	(4.1)	2.3
Expected return on assets	–	5.1	5.1	–	5.1
Interest costs	(5.0)	–	(5.0)	(0.1)	(5.1)
Contributions	–	1.0	1.0	–	1.0
Administrative expenses	–	(0.1)	(0.1)	–	(0.1)
Benefits paid	13.6	(13.6)	–	–	–
Actuarial gain/(loss)	0.4	9.8	10.2	(1.1)	9.1
At 31 December 2017	**(185.1)**	**202.7**	**17.6**	**(5.3)**	**12.3**

31 December 2016

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling/minimum funding requirement £m	Total £m
At 1 January 2016	(172.8)	170.1	(2.7)	(1.4)	(4.1)
Expected return on assets	–	6.4	6.4	–	6.4
Interest costs	(6.4)	–	(6.4)	(0.1)	(6.5)
Contributions	–	2.1	2.1	–	2.1
Administrative expenses	–	(0.2)	(0.2)	–	(0.2)
Benefits paid	7.7	(7.7)	–	–	–
Actuarial (loss)/gain	(22.6)	29.8	7.2	(2.6)	4.6
At 31 December 2016	(194.1)	200.5	6.4	(4.1)	2.3

The Group expects, based on the valuations and funding requirements including expenses, to contribute £0.5m to its defined benefit pension schemes in 2018 (2017: £1.4m).

22 Employee benefits continued

The principal valuation assumptions are as follows:

	2017 %	2016 %
Rate of increase in pensions in payment	3.0 – 7.0	3.2 – 7.0
Price inflation (RPI)	3.2	3.3
Price inflation (CPI)	2.2	2.3
Discount rate for scheme liabilities	2.5	2.7

The mortality assumptions used to assess the defined benefit obligation at 31 December 2017 and 2016 is based on the 'SAPS Light' ('SAPS' for the Stewart scheme) standard mortality tables published by the actuarial profession in 2014. These tables have been adjusted to allow for anticipated future improvements in life expectancy using the standard projection model published in 2016 (31 December 2016: model published in 2015). Examples of the assumed future life expectancy are given in the table below:

		Additional years	
		2017	2016
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	22.0 to 23.1	22.0 to 23.1
	– female	24.0 to 24.2	24.0 to 24.3
Pensioners retiring in 20 years' time	– male	23.5 to 24.5	23.5 to 24.5
	– female	25.5 to 25.7	25.6 to 25.8

Experience adjustments

	2017 £m	2016 £m
Experience gain on schemes' assets	9.8	29.8
Gain on schemes' liabilities due to changes in demographic assumptions	0.3	14.1
Gain/(loss) on schemes' liabilities due to changes in financial assumptions	0.1	(40.6)
Experience gains on schemes' liabilities	–	3.9
Loss on asset ceiling/minimum funding commitment	(1.1)	(2.6)
Total actuarial gain	**9.1**	4.6

Sensitivities

The table below shows the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions. The impact of changes to each assumption is shown 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. A change of 0.25% is deemed appropriate given the movement in assumptions in the year. The sensitivities have been calculated using the same methodology as the main calculations. The weighted average duration of the defined obligation is 17 years.

	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	+0.25%	-4.0%
	-0.25%	+4.3%
Price inflation (RPI)	+0.25%	+3.4%
	-0.25%	-3.2%

An increase of one year in the assumed life expectancy for both males and females would increase the benefit obligation by 3.9% (2016: 3.9%).

23 Share capital

Ordinary shares of 25p each, issued and fully paid:	Number of shares	2017 £m	Number of shares	2016 £m
At 1 January	30,233,179	7.6	30,231,767	7.6
Additions	–	–	1,412	–
At 31 December	**30,233,179**	**7.6**	30,233,179	7.6

In 2016, the Company issued 1,412 shares in relation to the 2012 ShareSave scheme. The difference between the exercise price of £10.82 and the nominal value of £0.25 was taken to the share premium account, see note 24.

Shares held by employee trusts

The trustees have waived their right to dividends on the unallocated shares held in the employee share trust.

24 Other reserves

31 December 2017

	Share premium £m	ESOP reserve £m	Employee benefits reserve £m	Capital redemption reserve £m	Hedging reserve £m	Merger reserve £m	Currency translation reserve £m	Total £m
At 1 January 2017	29.1	(3.0)	2.5	2.0	(5.0)	177.5	37.0	240.1
Total comprehensive income/(loss)	–	–	–	–	6.0	–	(13.9)	(7.9)
Employee share schemes:								
Share-based payments expense	–	–	1.4	–	–	–	–	1.4
Transfer to profit and loss on vesting	–	1.2	(0.7)	–	–	–	–	0.5
Net ESOP shares utilised	–	0.6	–	–	–	–	–	0.6
Total employee share schemes	–	1.8	0.7	–	–	–	–	2.5
At 31 December 2017	29.1	(1.2)	3.2	2.0	1.0	177.5	23.1	234.7

31 December 2016

	Share premium £m	ESOP reserve £m	Employee benefits reserve £m	Capital redemption reserve £m	Hedging reserve £m	Merger reserve £m	Currency translation reserve £m	Total £m
At 1 January 2016	29.0	(4.3)	4.1	2.0	(1.1)	177.5	(13.0)	194.2
Total comprehensive (loss)/income	–	–	–	–	(3.9)	–	50.0	46.1
Share issues	0.1	–	–	–	–	–	–	0.1
Employee share schemes:								
Share-based payments expense	–	–	1.2	–	–	–	–	1.2
Transfer to profit and loss on vesting	–	6.1	(2.8)	–	–	–	–	3.3
Net ESOP shares acquired	–	(4.8)	–	–	–	–	–	(4.8)
Total employee share schemes	–	1.3	(1.6)	–	–	–	–	(0.3)
At 31 December 2016	29.1	(3.0)	2.5	2.0	(5.0)	177.5	37.0	240.1

Nature and purpose of other reserves

ESOP reserve
The ESOP reserve in the Group represents 62,796 shares (2016: 159,676 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 2017 was £1.8m (2016: £3.5m). At 31 December 2017 none of these shares were under option (2016: none). During the year the share purchase trusts acquired 262,000 shares at a weighted average price of £27.62 (2016: 535,238 shares at £20.23).

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

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

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

Merger reserve
This comprises the premium on the share placing in November 2014 and the shares issued in February 2015 as part of the Platou acquisition. No share premium is recorded in the financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

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

25 Financial commitments and contingencies

Operating lease commitments

The Group has entered into commercial leases in relation to land and buildings and other assets on the basis that it is not in the Group's best interests to purchase these assets. The leases expire within one and 11 years and have varying terms, escalation clauses and renewal rights. 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:

	2017 £m	2016 £m
Within one year	**11.6**	9.1
After one year but not more than five years	**37.1**	39.4
After five years	**44.9**	53.4
	93.6	101.9

The Group has sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 December 2017 is £0.6m (2016: £1.2m).

Contingencies

The Group has given no financial commitments to suppliers (2016: none).

The Group has given no guarantees (2016: none).

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

The Group also maintained throughout the financial year directors' and officers' liability insurance in respect of its Directors.

26 Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables and accruals. The Group's principal financial assets are trade receivables, investments and cash and cash equivalents and short-term deposits, which arise directly from its operations.

The Group has not entered into derivative transactions other than the forward currency contracts explained later in this section. It is, and has been throughout 2017 and 2016, the Group's policy that no trading in derivatives shall be undertaken for speculative purposes.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign exchange 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 creditworthiness of counterparties, we reasonably expect to collect all amounts unimpaired. There are no significant concentrations of credit risk within the Group.

With respect to credit risk arising from cash and cash equivalents and deposits held as current investments, the financial institutions used are closely monitored by the Group treasury function to ensure they are held with creditworthy institutions and to ensure there is no over-exposure to any one institution.

For all financial assets held, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

Cash flow forecasting is performed at an entity level and also consolidated at a Group level. This is to ensure there is sufficient cash to meet operational requirements and any regulatory requirements where applicable.

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

31 December 2017

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Trade and other payables	21.1	–	–	10.6	31.7
Provisions	–	–	0.1	0.1	0.2
	21.1	–	0.1	10.7	31.9

31 December 2016

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Interest-bearing loans and borrowings	–	–	23.9	–	23.9
Trade and other payables	31.2	–	–	9.3	40.5
Deferred consideration	–	–	0.9	–	0.9
Provisions	–	–	–	0.1	0.1
	31.2	–	24.8	9.4	65.4

Foreign exchange risk

The Group has transactional currency exposures arising from revenues and expenses in currencies other than its functional currency, which can significantly impact results and cash flows. The Group's revenue is mainly denominated in US dollars and the majority of expenses are denominated in local currencies. The Group also has balance sheet exposures, either at the local entity level where monetary assets and liabilities are held in currencies other than the functional currency, and at a Group level on the retranslation of non-sterling balances into the Group's functional currency.

Our aim is to manage this risk by reducing the impact of any fluctuations. The Group hedges currency exposure through forward sales of US dollar revenues. We also sell US dollars on the spot market to meet local currency expenditure requirements. We also continually assess rates of exchange, non-sterling balances and asset exposures by currency.

The Group is most sensitive to changes in the US dollar and Norwegian krone exchange rates. The following table demonstrates the sensitivity to a reasonably possible change in these rates, with all other variables held constant, of the Group's profit before taxation and equity.

			US$		NOK
	Strengthening/ (weakening) in rate	Effect on profit before taxation £m	Effect on equity £m	Effect on profit before taxation £m	Effect on equity £m
2017	5%	2.0	0.2	–	–
	(5%)	(1.8)	(0.2)	–	–
2016	5%	2.6	0.5	1.1	1.1
	(5%)	(2.3)	(0.5)	(1.0)	(1.0)

26 Financial risk management objectives and policies continued

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:

	Assets		Liabilities	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Foreign currency contracts	**1.3**	–	**–**	6.2

At 31 December 2017 the Group had US$60m outstanding forward contracts due for settlement in 2018 and 2019 (2016: US$60m for settlement in 2017, 2018 and 2019).

Capital management

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2017 and 31 December 2016. These financial statements are prepared on the going concern basis and the Group continues to pay dividends.

A number of the Group's trading entities are subject to regulation by the Norwegian FSA, the FCA in the UK, the MAS in Singapore and the NFA, SEC and FINRA in the US. Regulatory capital at entity level depends on the jurisdiction in which it is incorporated. In each case, the approach is to hold an appropriate surplus over the local minimum requirement. Each regulated entity 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.

	Level 2	
	2017 £m	2016 £m
Assets		
Foreign currency contracts	**1.3**	–
Liabilities		
Foreign currency contracts	**–**	6.2

The fair value of the foreign currency contracts are calculated by management based on external valuations received. These valuations are calculated based on forward exchange rates at the balance sheet date.

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

Financial assets

	2017				2016			
	Hedging instruments £m	Available-for-sale £m	Loans and receivables £m	Total £m	Held for trading £m	Available-for-sale £m	Loans and receivables £m	Total £m
Other receivables	–	–	7.3	7.3	–	–	8.0	8.0
Investments	–	5.2	5.5	10.7	0.1	4.4	29.4	33.9
Trade receivables	–	–	44.5	44.5	–	–	42.7	42.7
Foreign currency contracts	1.3	–	–	1.3	–	–	–	–
Cash and cash equivalents	–	–	161.7	161.7	–	–	154.0	154.0
	1.3	5.2	219.0	225.5	0.1	4.4	234.1	238.6

Financial liabilities

	2017		2016		
	Amortised cost £m	Total £m	Hedging instruments £m	Amortised cost £m	Total £m
Loan notes	–	–	–	23.6	23.6
Trade payables	13.7	13.7	–	24.3	24.3
Other payables	18.0	18.0	–	16.2	16.2
Foreign currency contracts	–	–	6.2	–	6.2
Deferred consideration	–	–	–	0.9	0.9
Accruals	102.4	102.4	–	99.1	99.1
Provisions	0.2	0.2	–	0.1	0.1
	134.3	134.3	6.2	164.2	170.4

Loan notes were initially recognised at fair value and not designated as 'fair value through profit or loss'. These were subsequently measured at amortised cost using the effective interest method. The carrying value of current and non-current financial assets and liabilities is deemed to equate to the fair value at 31 December 2017.

28 Related party transactions

As in 2016, the Group did not enter into any related party transactions during the year, except as noted below.

Compensation of key management personnel (including Directors)

There were no key management personnel in the Group apart from the Clarkson PLC Directors. Details of their compensation are set out below.

	2017 £m	2016 £m
Short-term employee benefits	5.9	5.9
Post-employment benefits	0.1	0.1
Share-based payments	0.7	0.6
	6.7	6.6

Full remuneration details are provided in the Directors' remuneration report on pages 65 to 79.

Parent Company balance sheet

as at 31 December

	Notes	2017 £m	2016 £m
Non-current assets			
Property, plant and equipment	B	16.5	17.8
Investment property	C	0.3	0.3
Investments in subsidiaries	D	291.1	296.2
Employee benefits	M	16.7	7.5
Deferred tax asset	E	2.1	1.5
		326.7	323.3
Current assets			
Trade and other receivables	F	42.1	40.7
Income tax receivable		3.8	4.2
Investments	G	5.5	29.4
Cash and cash equivalents	H	0.1	0.7
		51.5	75.0
Current liabilities			
Interest-bearing loans and borrowings	I	–	(23.6)
Trade and other payables	J	(21.7)	(37.1)
		(21.7)	(60.7)
Net current assets		29.8	14.3
Non-current liabilities			
Trade and other payables	J	(8.3)	(6.5)
Employee benefits	M	–	(0.6)
Deferred tax liability	K	(3.2)	(1.5)
		(11.5)	(8.6)
Net assets		345.0	329.0
Capital and reserves			
Share capital	N	7.6	7.6
Other reserves	O	210.9	210.6
Retained earnings		126.5	110.8
Total equity		345.0	329.0

The Company's profit for the year was £26.4m (2016: £11.8m).

The financial statements on pages 128 to 144 were approved by the Board on 9 March 2018, and signed on its behalf by:

James Hughes-Hallett
Chair
Registered number: 1190238

Jeff Woyda
Chief Financial Officer and Chief Operating Officer

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
		Attributable to equity holders of the Parent Company			
Balance at 1 January 2017		**7.6**	**210.6**	**110.8**	**329.0**
Profit for the year		–	–	26.4	26.4
Other comprehensive income:					
Actuarial gain on employee benefit schemes – net of tax	M	–	–	7.5	7.5
Total comprehensive income for the year		**–**	**–**	**33.9**	**33.9**
Transactions with owners:					
Employee share schemes		–	0.3	1.3	1.6
Tax on other employee benefits		–	–	0.6	0.6
Dividend paid		–	–	(20.1)	(20.1)
		–	0.3	(18.2)	(17.9)
Balance at 31 December 2017		**7.6**	**210.9**	**126.5**	**345.0**

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
		Attributable to equity holders of the Parent Company			
Balance at 1 January 2016		7.6	212.5	113.6	333.7
Profit for the year		–	–	11.8	11.8
Other comprehensive income:					
Actuarial gain on employee benefit schemes – net of tax	M	–	–	5.8	5.8
Total comprehensive income for the year		–	–	17.6	17.6
Transactions with owners:					
Share issues	N,O	–	0.1	–	0.1
Employee share schemes		–	(2.0)	(1.7)	(3.7)
Tax on other employee benefits		–	–	(0.2)	(0.2)
Dividend paid		–	–	(18.5)	(18.5)
		–	(1.9)	(20.4)	(22.3)
Balance at 31 December 2016		7.6	210.6	110.8	329.0

Parent Company cash flow statement

for the year ended 31 December

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Profit before taxation		25.5	8.8
Adjustments for:			
Foreign exchange differences		0.1	(0.2)
Depreciation of property, plant and equipment	B	2.3	2.2
Share-based payment expense		0.7	0.6
Difference between pension contributions paid and amount recognised in the income statement		(0.6)	(1.5)
Loss on disposal of investments		1.0	–
Impairment of investment in subsidiaries		4.1	–
Finance revenue		(35.1)	(25.6)
Finance costs		0.3	0.9
Other finance revenue – pensions		(0.2)	–
(Increase)/decrease in trade and other receivables		(10.1)	17.9
(Decrease)/increase in bonus accrual		(3.5)	7.5
(Decrease)/increase in trade and other payables		(0.2)	21.0
Cash (utilised)/generated from operations		(15.7)	31.6
Income tax received		1.0	3.8
Net cash flow from operating activities		(14.7)	35.4
Cash flows from investing activities			
Interest received		0.2	0.1
Purchase of property, plant and equipment	B	(1.0)	(0.8)
Transfer from/(to) current investments (funds on deposit)		24.0	(24.0)
Disposal of subsidiaries		–	6.3
Acquisition of subsidiaries, including settlement of deferred consideration		(23.9)	(23.4)
Dividends received from investments		34.9	25.4
Net cash flow from investing activities		34.2	(16.4)
Cash flows from financing activities			
Dividend paid		(20.1)	(18.5)
Net cash flow from financing activities		(20.1)	(18.5)
Net (decrease)/increase in cash and cash equivalents		(0.6)	0.5
Cash and cash equivalents at 1 January		0.7	0.1
Net foreign exchange differences		–	0.1
Cash and cash equivalents at 31 December	H	0.1	0.7

Notes to the Parent Company financial statements

A Statement of accounting policies

The accounting policies applied in the preparation of the Parent Company financial statements are the same as those set out in note 2 to the consolidated financial statements, and have been applied consistently to all periods, with the addition of the following:

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, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs.

The Parent Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company income statement or statement of comprehensive income. The profit for the Parent Company for the year was £26.4m (2016: £11.8m).

Investments in subsidiaries

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.

B Property, plant and equipment

31 December 2017

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2017	1.9	14.4	5.5	21.8
Additions	–	–	1.0	1.0
At 31 December 2017	1.9	14.4	6.5	22.8
Accumulated depreciation				
At 1 January 2017	0.4	1.5	2.1	4.0
Charged during the year	–	1.0	1.3	2.3
At 31 December 2017	0.4	2.5	3.4	6.3
Net book value at 31 December 2017	1.5	11.9	3.1	16.5

31 December 2016

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2016	1.9	14.1	5.0	21.0
Additions	–	0.3	0.5	0.8
At 31 December 2016	1.9	14.4	5.5	21.8
Accumulated depreciation				
At 1 January 2016	0.4	0.5	0.9	1.8
Charged during the year	–	1.0	1.2	2.2
At 31 December 2016	0.4	1.5	2.1	4.0
Net book value at 31 December 2016	1.5	12.9	3.4	17.8

C Investment property

	2017 £m	2016 £m
Cost		
At 1 January and 31 December	0.6	0.6
Accumulated depreciation		
At 1 January and 31 December	0.3	0.3
Net book value at 31 December	0.3	0.3

The fair value of the investment property at 31 December 2017 was £0.9m (2016: £0.8m). This was based on valuations from an independent valuer who has the appropriate professional qualification and recent experience of valuing properties in the location and of the type being valued.

D Investments in subsidiaries

	2017 £m	2016 £m
Cost		
At 1 January	296.2	302.5
Disposals	(1.0)	–
Impairment	(4.1)	–
Transfer to subsidiary	–	(6.3)
At 31 December	291.1	296.2

2017
During the year, two of the Company's subsidiaries, Clarkson Paris and Clarksons Platou Securities Limited, were dissolved. In addition, an impairment was made in relation to the investment in Clarksons Platou (Italia) Srl to reduce its carrying amount to the value of its net assets.

2016
In 2016, an investment of £6.3m was transferred to a subsidiary, Clarkson Shipbroking Group Limited (CSGL). This investment was in relation to a previous acquisition where, subsequent to the acquisition, the employees transferred to a subsidiary of CSGL.

E Deferred tax asset

		2017 £m	2016 £m
Employee benefits	– other employee benefits	2.1	1.5

Included in the above are deferred tax assets of £0.4m (2016: £0.1m) 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.

F Trade and other receivables

	2017 £m	2016 £m
Prepayments and accrued income	1.4	0.4
Owed by Group companies	40.7	40.3
	42.1	40.7

The Company has no trade receivables (2016: none).

As at 31 December 2017, the Company did not provide for related party receivables (2016: £nil). Further details of related party receivables are included in note S.

G Investments

	2017 £m	2016 £m
Funds on deposit	5.5	29.4

The Company held £5.5m (2016: £19.4m) in a deposit with a 95 day notice period. At 31 December 2016, the Company also held £10.0m in a deposit with a maturity of six months. These deposits are held with an A-rated financial institution.

H Cash and cash equivalents

	2017 £m	2016 £m
Cash at bank and in hand	0.1	0.7

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is £0.1m (2016: £0.7m).

I Interest-bearing loans and borrowings

	2017 £m	2016 £m
Loan notes	–	23.6

Interest-bearing loans and borrowings comprised the vendor loan notes issued as part of the consideration for the Platou acquisition. Interest was charged at 12 month sterling LIBOR plus 1.25%. Half the loan notes were repaid on 30 June 2016, the balance was repaid on 30 June 2017.

J Trade and other payables

	2017 £m	2016 £m
Current		
Owed to Group companies	7.7	19.6
Accruals	14.0	17.4
Deferred income	–	0.1
	21.7	37.1
Non-current		
Other payables	8.3	6.5

Other payables are non-interest bearing and are normally settled on demand.

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

K Deferred tax liability

	2017 £m	2016 £m
Employee benefits – on pension benefit asset	2.8	1.2
Other temporary differences	0.4	0.3
	3.2	1.5

None of the above deferred tax liabilities are due within one year.

All deferred tax movements arise from the origination and reversal of temporary differences.

L Share-based payment plans

	2017 £m	2016 £m
Expense arising from equity-settled share-based payment transactions	0.7	0.6

For more information on the Parent Company share-based payment plans, see note 21 of the consolidated financial statements.

M Employee benefits

The Company operates two defined benefit pension schemes, being the Clarkson PLC scheme and the Plowrights scheme, which are funded by the payment of contributions to separate trusts administered by Trustees who are required to act in the best interests of the schemes' beneficiaries. All financial information provided in this note relates to the sum of the two separate schemes. 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 all the schemes have been prepared.

The valuation of the Clarkson PLC scheme showed a pension surplus of £3.6m as at 31 March 2016. Clarkson PLC and the Trustees agreed to cease funding with effect from 1 October 2016.

The valuation of the Plowrights scheme showed a pension deficit of £1.2m as at 31 March 2016. Clarkson PLC and the Trustees agreed to continue the funding plan, at the rate of £0.9m per annum, until 30 September 2017.

The Company 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. 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

The Company operates a defined contribution pension scheme. Where required, the Company also makes contributions into this scheme.

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

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

Recognised in the balance sheet

	2017 £m	2016 £m
Fair value of schemes' assets	191.1	189.5
Present value of funded defined benefit obligations	(169.1)	(178.5)
	22.0	11.0
Effect of asset ceiling/minimum funding commitment in relation to the Plowrights scheme	(5.3)	(4.1)
Net benefit asset recognised in the balance sheet	**16.7**	6.9

The net benefit asset disclosed above is the combined total of the two schemes. The Clarkson PLC scheme has a surplus of £16.7m (2016: £7.5m) and the Plowrights scheme has a deficit of £nil (2016: £0.6m). As there is no right of set-off between the schemes, the benefit asset of £16.7m (2016: £7.5m) is disclosed separately on the balance sheet from the benefit liability of £nil (2016: £0.6m).

The surplus in the Clarkson PLC scheme is recognised, as there are future economic benefits available in the form of a reduction in future contributions to the defined contribution section of the scheme. There are no such future economic benefits in respect of the Plowright Scheme and therefore the surplus of £5.3m (2016: £3.5m) cannot be recognised. In addition, a minimum funding commitment of £nil (2016: £0.6 m) was recognised as arising from agreed future contributions to the Plowright Scheme. This is in accordance with the respective Trust Deed and Rules.

A deferred tax liability on the benefit asset of £2.8m (2016: £1.2m) is shown in note K.

Recognised in the income statement

	2017 £m	2016 £m
Recognised in other finance costs – pensions:		
Expected return on schemes' assets	4.9	6.0
Interest cost on benefit obligation and minimum funding commitment	(4.7)	(6.0)
Recognised in administrative expenses:		
Scheme administrative expenses	(0.1)	(0.2)
Net benefit credit/(charge) recognised in the income statement	**0.1**	(0.2)

Recognised in the statement of comprehensive income

	2017 £m	2016 £m
Actual return on schemes' assets	14.3	35.2
Less: expected return on schemes' assets	(4.9)	(6.0)
Actuarial gain on schemes' assets	9.4	29.2
Actuarial gain/(loss) on defined benefit obligations	0.7	(19.7)
Actuarial gain recognised in the statement of comprehensive income	10.1	9.5
Tax charge on actuarial gain	(1.7)	(2.1)
Asset ceiling/minimum funding commitment in relation to the Plowrights scheme	(1.1)	(2.6)
Tax credit on asset ceiling/minimum funding commitment	0.2	1.0
Net actuarial gain on employee benefit obligations	**7.5**	5.8
Cumulative amount of actuarial gains/(losses) recognised in the statement of comprehensive income	**1.9**	(8.2)

M Employee benefits continued

Schemes' assets

	2017		2016	
	%	£m	%	£m
Equities*	10.5	20.1	48.0	91.0
Government bonds*	35.9	68.5	33.2	62.8
Corporate bonds*	26.3	50.3	12.8	24.3
Property	–	–	3.5	6.6
Investment funds	24.4	46.6	–	–
Cash and other assets	2.9	5.6	2.5	4.8
	100.0	191.1	100.0	189.5

* Based on quoted market prices.

Net defined benefit asset

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

31 December 2017

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of minimum funding commitment £m	Total £m
At 1 January 2017	(178.5)	189.5	11.0	(4.1)	6.9
Expected return on assets	–	4.9	4.9	–	4.9
Interest costs	(4.6)	–	(4.6)	(0.1)	(4.7)
Contributions	–	0.7	0.7	–	0.7
Administrative expenses	–	(0.1)	(0.1)	–	(0.1)
Benefits paid	13.3	(13.3)	–	–	–
Actuarial gain/(loss)	0.7	9.4	10.1	(1.1)	9.0
At 31 December 2017	(169.1)	191.1	22.0	(5.3)	16.7

31 December 2016

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of minimum funding requirement £m	Total £m
At 1 January 2016	(160.2)	160.1	(0.1)	(1.4)	(1.5)
Expected return on assets	–	6.0	6.0	–	6.0
Interest costs	(5.9)	–	(5.9)	(0.1)	(6.0)
Contributions	–	1.7	1.7	–	1.7
Administrative expenses	–	(0.2)	(0.2)	–	(0.2)
Benefits paid	7.3	(7.3)	–	–	–
Actuarial (loss)/gain	(19.7)	29.2	9.5	(2.6)	6.9
At 31 December 2016	(178.5)	189.5	11.0	(4.1)	6.9

The Company expects, based on the valuations and funding requirements including expenses, to contribute £0.1m to its defined benefit pension schemes in 2018 (2017: £0.9m).

The principal valuation assumptions are as follows:

	2017 %	2016 %
Rate of increase in pensions in payment	3.0 – 7.0	3.2 – 7.0
Price inflation (RPI)	3.2	3.3
Price inflation (CPI)	2.2	2.3
Discount rate for scheme liabilities	2.5	2.7

The mortality assumptions used to assess the defined benefit obligation at 31 December 2017 and 2016 is based on the 'SAPS Light' ('SAPS' for the Stewart scheme) standard mortality tables published by the actuarial profession in 2014. These tables have been adjusted to allow for anticipated future improvements in life expectancy using the standard projection model published in 2016 (31 December 2016: model published in 2015). Examples of the assumed future life expectancy are given in the table below:

		Additional years	
		2017	2016
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	23.1	23.1
	– female	24.2	24.3
Pensioners retiring in 20 years' time	– male	24.5	24.5
	– female	25.7	25.8

Experience adjustments

	2017 £m	2016 £m
Experience gain on schemes' assets	9.4	29.2
Gain on schemes' liabilities due to changes in demographic assumptions	0.2	13.9
Gain/(loss) on schemes' liabilities due to changes in financial assumptions	0.5	(37.5)
Experience gains on schemes' liabilities	–	3.9
Loss on asset ceiling/minimum funding commitment	(1.1)	(2.6)
Total actuarial gain	9.0	6.9

Sensitivities

The table below shows the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions. The impact of changes to each assumption is shown 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. A change of 0.25% is deemed appropriate given the movement in assumptions in the year. The sensitivities have been calculated using the same methodology as the main calculations. The weighted average duration of the defined obligation is 17 years.

	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	+0.25%	-3.9%
	-0.25%	+4.2%
Price inflation (RPI)	+0.25%	+3.7%
	-0.25%	-3.5%

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligation by 3.8% (2016: 3.8%).

N Share capital

Ordinary shares of 25p each, issued and fully paid:	2017 Number	2017 £m	2016 Number	2016 £m
At 1 January	**30,233,179**	**7.6**	30,231,767	7.6
Additions	**–**	**–**	1,412	–
At 31 December	**30,233,179**	**7.6**	30,233,179	7.6

In 2016 the Company issued 1,412 shares in relation to the 2012 ShareSave scheme. The difference between the exercise price of £10.82 and the nominal value of £0.25 was taken to the share premium account, see note O.

O Other reserves

31 December 2017

	Share premium £m	**Employee benefits reserve £m**	**Capital redemption reserve £m**	**Merger reserve £m**	**Total £m**
At 1 January 2017	**29.1**	**2.0**	**2.0**	**177.5**	**210.6**
Employee share schemes:					
Share-based payments expense	**–**	**1.0**	**–**	**–**	**1.0**
Transfer to profit and loss on vesting	**–**	**(0.7)**	**–**	**–**	**(0.7)**
Total employee share schemes	**–**	**0.3**	**–**	**–**	**0.3**
At 31 December 2017	**29.1**	**2.3**	**2.0**	**177.5**	**210.9**

31 December 2016

	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Merger reserve £m	Total £m
At 1 January 2016	29.0	4.0	2.0	177.5	212.5
Share issues	0.1	–	–	–	0.1
Employee share schemes:					
Share-based payments expense	–	0.8	–	–	0.8
Transfer to profit and loss on vesting	–	(2.8)	–	–	(2.8)
Total employee share schemes	–	(2.0)	–	–	(2.0)
At 31 December 2016	29.1	2.0	2.0	177.5	210.6

Nature and purpose of other reserves

Employee benefits reserve

The employee benefits reserve is used to record the value of equity-settled share-based payments provided to employees.

Capital redemption reserve

The capital redemption reserve arose on previous share buy-backs by the Company.

Merger reserve

This comprises the premium on the share placing in November 2014 and the shares issued in February 2015 as part of the Platou acquisition. No share premium is recorded in the financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

P Financial commitments and contingencies

Operating lease commitments

The Company has entered into a commercial lease in relation to land and buildings on the basis that it is not in the Company's best interests to purchase these assets. The lease has a life of 15 years with renewal terms included in the contract. There are no restrictions placed upon the Company by entering into this lease.

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

	2017 £m	2016 £m
Within one year	4.7	2.1
After one year but not more than five years	18.9	18.8
After five years	31.9	36.5
	55.5	57.4

The Company has sublet space in its property. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 December 2017 is £0.4m (2016: £1.1m).

Contingencies

The Company has given no financial commitments to suppliers (2016: none).

The Company has given no guarantees (2016: none).

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

The Company maintained throughout the year directors' and officers' liability insurance in respect of itself and its Directors.

Q Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans from Group companies and accruals. The Company has various financial assets such as current asset investments and loans to Group companies, which arise directly from its operations.

The Company has not entered into any derivative transactions.

The main risks arising from the Company's financial instruments are credit risk and liquidity risk.

Credit risk

With respect to credit risk arising from cash and cash equivalents and current investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

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

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

31 December 2017

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Trade and other payables	–	–	–	8.3	8.3

31 December 2016

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Interest-bearing loans and borrowings	–	–	23.9	–	23.9
Trade and other payables	–	–	–	6.5	6.5
	–	–	23.9	6.5	30.4

Capital management

For information on the Parent Company capital management objectives, policies and processes, see note 26 of the consolidated financial statements.

R Financial instruments

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

Financial assets

	2017 Loans and receivables £m	2017 Total £m	2016 Loans and receivables £m	2016 Total £m
Owed by Group companies	**40.7**	**40.7**	40.3	40.3
Investments	**5.5**	**5.5**	29.4	29.4
Cash and cash equivalents	**0.1**	**0.1**	0.7	0.7
	46.3	**46.3**	70.4	70.4

Financial liabilities

	2017 Amortised cost £m	2017 Total £m	2016 Amortised cost £m	2016 Total £m
Loan notes	**–**	**–**	23.6	23.6
Other payables	**8.3**	**8.3**	6.5	6.5
Owed to Group companies	**7.7**	**7.7**	19.6	19.6
Accruals	**14.0**	**14.0**	17.4	17.4
	30.0	**30.0**	67.1	67.1

S Related party transactions

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

Transactions with subsidiaries during the year were as follows:

	2017 £m	2016 £m
Management fees charged	**3.1**	3.1
Rent receivable	**4.3**	4.1
Dividends received	**34.9**	25.4
Transfer of investment in subsidiaries	**–**	(6.3)

Balances with subsidiaries at 31 December were as follows:

	2017 £m	2016 £m
Amounts owed by related parties	**40.7**	40.3
Amounts owed to related parties	**(7.7)**	(19.6)

There were no terms or conditions attached to these balances.

Compensation of key management personnel (including Directors)

There were no key management personnel in the Company apart from the Clarkson PLC Directors. Details of their compensation are set out in note 28 to the consolidated financial statements.

T Subsidiaries

The Parent Company had the following subsidiaries at 31 December 2017:

Company	Registered address	Principal activity	Direct or indirect	% of equity shares
Clarkson Capital Markets LLC	211 East 7th Street, Suite 620, Austin, TX 78701, USA	Provision of advice for shipping-related projects	Indirect	100
Clarksons Cloud Limited	*	Developing and supporting electronic products and services for the shipping industry	Indirect	100
Clarkson Morocco Sarl	92 Boulevard d'Anfa, Cote Boulevard, 5e étage, Casablanca 20100, Morocco	Shipbroking	Indirect	100
Clarkson Port Services Limited	*	Provision of ship agency and port services	Indirect	100
Clarkson Research Services Limited	*	Provision of research services and products relating to shipping and offshore	Indirect	100
Clarkson Shipbroking (Shanghai) Co Limited	Room 111, 3# Building, No. 170 Huo Shan Road, Shanghai, China 200082	Shipbroking	Indirect	100
Clarkson Shipping Agency	Tower B, 2nd Floor, 2 El Hegaz Street, Roxi, Heliopolis, Cairo, Egypt	Shipping and maritime agency services	Indirect	***48
Clarkson Shipping Services India Private Limited	507-508 The Address, 1 Golf Course Road, Sector 56, Gurgaon 122011, India	Shipbroking	Indirect	100
Clarkson Valuations Limited	*	Provision of valuation services to the shipping industry	Indirect	100
Clarksons Platou (Africa) Limited	*	Shipbroking	Indirect	100
Clarksons Platou (Australia) Pty Limited	Level 10, 16 St. George's Terrace, Perth, WA 6000, Australia	Shipbroking	Indirect	100
Clarksons Platou (Brasil) Ltda	Avenida Rio Branco, 89 Sala 1601, Centro Rio de Janeiro, 20040-004, Brazil	Shipbroking	Indirect	100
Clarksons Platou (Hellas) Limited ****	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands MH96960	Shipbroking	Indirect	100
Clarksons Platou (Italia) Srl	Piazza R. Rossetti 3A, 16129 Genoa, Italy	Shipbroking	Direct	100
Clarksons Platou (Korea) Company Limited	44F Three IFC, 10 Gukjegeumyung-ro, Yeongdeungpo-gu, Seoul, 07326, Republic of Korea	Shipbroking	Indirect	100
Clarksons Platou (Nederland) BV	De Coopvaert, 6th Floor, Blaak 522, 3011 TA, Rotterdam, The Netherlands	Shipbroking	Indirect	100
Clarksons Platou (Offshore) Limited	*	Shipbroking	Indirect	100
Clarksons Platou (South Africa) (Pty) Limited	2 Amadina Road, Douglasdale Ext 68, Sandton 2146, South Africa	Shipbroking	Indirect	100
Clarksons Platou (Sweden) AB	Uppsala Castle, 75237 Uppsala, Sweden	Shipbroking	Indirect	100
Clarksons Platou AS	**	Shipbroking	Direct	100
Clarksons Platou Asia Limited *****	Room 3209-14 Sun Hung Kai Centre, 30 Harbour Road, Wanchai, HK	Shipbroking	Indirect	100

* Commodity Quay, St. Katharine Docks, London E1W 1BF, UK

** Munkedamsveien 62C, 0270 Oslo, Norway

*** 100% controlled

**** Also has a branch in Greece

***** Also has a branch in China

T Subsidiaries continued

Company	Registered address	Principal activity	Direct or indirect	% of equity shares
Clarksons Platou Asia Pte. Limited	50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623	Shipbroking	Indirect	100
Clarksons Platou Commodities USA LLC	211 East 7th Street, Suite 620, Austin, TX 78701, USA	Introducing broker for LPG swaps	Indirect	100
Clarksons Platou DMCC	14th floor Gold Tower, Cluster 1, Jumeirah Lakes Towers, PO Box 102929, Dubai, UAE	Shipbroking	Indirect	100
Clarksons Platou Drift AS	**	Provision of property-related services	Indirect	25
Clarksons Platou Futures Limited ***	*	Brokerage of shipping-related derivative financial instruments	Direct	100
Clarksons Platou GmbH	Johannisbollwerk 20, 5th Floor, Hamburg 20459, Germany	Shipbroking	Indirect	100
Clarksons Platou Japan K.K.	2nd Floor Azabu KF Building, 1-9-7 Azabu Juban, Minato-Ku, Tokyo 106-0045, Japan	Shipbroking	Indirect	100
Clarksons Platou Legal Services Limited	*	Provision of legal services to the shipping industry	Indirect	100
Clarksons Platou Offshore (Asia) Pte. Limited	12 Marina View, #29-01 Asia Square Tower 2, Singapore 018961	Shipbroking	Indirect	100
Clarksons Platou Project Finance AS	**	Shipping and offshore project syndication	Indirect	50.02
Clarksons Platou Project Sales AS	**	Equity placements for shipping, offshore and real estate projects and secondary trading of project ownership	Indirect	41
Clarksons Platou Property Management AS	**	Provision of property-related services	Indirect	25
Clarksons Platou Real Estate AS	**	Real estate project syndication	Indirect	31
Clarksons Platou Securities AS	**	Equity and fixed income sales and trading, research & corporate finance services, including equity and debt capital markets and M&A transactions	Indirect	100
Clarksons Platou Securities Inc	280 Park Avenue, 21st Floor, New York, NY 10017, USA	Equity and fixed income sales and trading, research & corporate finance services, including equity and debt capital markets and M&A transactions	Indirect	100
Clarksons Platou Shipbroking (Switzerland) SA	Rue de la Fontaine, 1204 Geneva, Switzerland	Shipbroking	Indirect	100
Clarksons Platou Shipping Services USA LLC	211 East 7th Street, Suite 620, Austin, TX 78701, USA	Shipbroking	Indirect	100
Clarksons Platou Structured Asset Finance Limited	*	Provision of advice on finance structuring for shipping-related projects	Direct	100
Clarksons Platou Tankers AS	**	Shipbroking	Indirect	100
Company Event Management Limited	*	Event management services	Indirect	100
Gibb Tools Limited	271 King Street, Aberdeen AB24 5AN, UK	Supply of tools for industrial, commercial and retail use	Indirect	100
H. Clarkson & Company Limited	*	Shipbroking	Indirect	100
LNG Shipping Solutions Limited	*	Shipbroking	Indirect	100

* Commodity Quay, St. Katharine Docks, London E1W 1BF, UK

** Munkedamsveien 62C, 0270 Oslo, Norway

*** Also has a branch in Singapore

Company	Registered address	Principal activity	Direct or indirect	% of equity shares
Manfin Consult AS	**	Shipping and offshore project syndication	Indirect	50.1
Maritech Limited	*	Developing and supporting electronic products and services for the shipping industry	Indirect	100
Norwegian Marine Services AS	**	Shipping and offshore project syndication	Indirect	50.02
Shiplease Management AS	**	Shipping and offshore project syndication	Indirect	50.02
Tokyo Shipping and Trading Limited	Room 3209-14 Sun Hung Kai Centre, 30 Harbour Road, Wanchai, HK	Shipbroking	Indirect	100
Clarkson Australia Holdings Pty Limited	Level 10, 16 St. George's Terrace, Perth, WA 6000, Australia	Holding company	Indirect	100
Clarkson Capital Limited	*	Holding company	Direct	100
Clarkson Holdings Limited	*	Holding company	Indirect	100
Clarkson Overseas Shipbroking Limited	*	Holding company	Indirect	100
Clarkson Research Holdings Limited	*	Holding company	Direct	100
Clarkson Shipbroking Group Limited	*	Holding company	Direct	100
Clarkson Shipping Investments Limited	*	Holding company	Direct	100
Clarksons Platou (USA) Inc	251 Little Falls Drive, Wilmington, DE 19808, USA	Holding company	Indirect	100
Genchem Holdings Limited	*	Holding company	Direct	100
Afromar Properties (Pty) Limited	2 Amadina Road, Douglasdale Ext 68, Sandton 2146, South Africa	Non-trading	Indirect	100
Bonus Plus Investments Limited	Room 3209-14 Sun Hung Kai Centre, 30 Harbour Road, Wanchai, HK	Non-trading	Indirect	100
Boxton Holding AS	**	Non-trading	Indirect	100
Clarkson Logistics (HK) Limited	Room 3209-14 Sun Hung Kai Centre, 30 Harbour Road, Wanchai, HK	Non-trading	Indirect	100
Clarksons Platou Futures Pte. Limited	12 Marina View, #29-01 Asia Square Tower 2, Singapore 018961	Non-trading	Indirect	100
Clarkson Port Services Ireland Limited	6 Northbrook Road, Ranelagh, Dublin 6, Ireland	Non-trading	Indirect	100
Clarkson Property Holdings Limited	*	Non-trading	Direct	100
Diligent Challenger Limited	Room 3209-14 Sun Hung Kai Centre, 30 Harbour Road, Wanchai, HK	Non-trading	Indirect	100
RS Platou (Hellas) Limited	58 Arch. Makarios III Avenue, Iris Tower, Office 602, Nicosia, Cyprus	Non-trading	Indirect	100
RS Platou (USA) Inc	701 Brazos Street, Suite 1050, Austin, TX 78701, USA	Non-trading	Indirect	100
RS Platou Africa Limited	First Island House, 19-21 Peter Street, St. Helier, Jersey, Channel Islands	Non-trading	Indirect	100
RS Platou Geneve (Dry) SA	20 Route de Pré-Bois, CP 1852, 1215 Geneva 15, Switzerland	Non-trading	Indirect	100
RS Platou Houston Inc	1999 Bryan Street, Suite 900, Dallas, TX 75201, USA	Non-trading	Indirect	100

* Commodity Quay, St. Katharine Docks, London E1W 1BF, UK

** Munkedamsveien 62C, 0270 Oslo, Norway

T Subsidiaries continued

Company	Registered address	Principal activity	Direct or indirect	% of equity shares
RS Platou LLP	44th Floor The Leadenhall Building, 122 Leadenhall Street, London EC3V 4AB, UK	Non-trading	Indirect	51
Stewart Offshore Ghana Limited	Wesley House, Liberia Road, PO Box 6274, Accra, Ghana	Non-trading	Indirect	75
Stewart Offshore Services (Jersey) Limited	First Island House, 19-21 Peter Street, St. Helier, Jersey, Channel Islands	Non-trading	Indirect	100
Calypso Shipping Investments Limited	*	Dormant	Indirect	100
Clarkson Dry Cargo Limited	*	Dormant	Indirect	100
Clarkson Ewings Limited	Hurst House, 15-19 Corporation Square, Belfast BT1 3AJ, UK	Dormant	Indirect	100
Clarkson Investment Services (DIFC) Limited	Level 6, Liberty House, Dubai International Financial Centre, PO Box 283869, Dubai, UAE	Dormant	Indirect	100
Clarkson IQ Limited	*	Dormant	Indirect	100
Clarkson Logistics Limited	*	Dormant	Indirect	100
Clarkson Market Analysis Limited	*	Dormant	Indirect	100
Clarkson Sale and Purchase Limited	*	Dormant	Indirect	100
Clarkson Shipbrokers Limited	*	Dormant	Indirect	100
Clarkson Shipping Services Acquisition USA LLC	1333 West Loop South, Suite 1525, Houston, TX 77027, USA	Dormant	Indirect	100
Clarkson Tankers Limited	*	Dormant	Indirect	100
Coastal Shipping Limited	*	Dormant	Indirect	100
EnShip Limited	303 King St, Aberdeen AB24 5AP, UK	Dormant	Indirect	100
Halcyon Shipping Limited	*	Dormant	Indirect	100
J. O. Plowright & Co. (Holdings) Limited	*	Dormant	Direct	100
Levelseas Limited	*	Dormant	Indirect	100
LNG UK PLC	*	Dormant	Direct	100
Marinet (Ship Agencies) Limited	*	Dormant	Indirect	100
Michael F. Ewings (Shipping) Limited	Hurst House, 15-19 Corporation Square, Belfast BT1 3AJ, UK	Dormant	Indirect	100
Oilfield Publications Limited	*	Dormant	Indirect	100
RS Platou AS	**	Dormant	Indirect	100
RS Platou Economic Research AS	**	Dormant	Indirect	100
RS Platou Offshore AS	**	Dormant	Indirect	100
RS Platou Shipbrokers AS	**	Dormant	Indirect	100
Samuel Stewart & Co (London) Limited	*	Dormant	Indirect	100
Shipvalue.net Limited	*	Dormant	Indirect	100
Small and Co. (Shipping) Limited	*	Dormant	Indirect	100
Stewart Offshore Services Limited	*	Dormant	Indirect	100
The Stewart Group Limited	*	Dormant	Indirect	100
Waterfront Services Limited	Hurst House, 15-19 Corporation Square, Belfast BT1 3AJ, UK	Dormant	Indirect	100

* Commodity Quay, St. Katharine Docks, London E1W 1BF, UK

** Munkedamsveien 62C, 0270 Oslo, Norway

Glossary

Aframax	A tanker size range defined by Clarksons as between 85-125,000 dwt.
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.
BHP	Brake horse power.
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 (cape)	Bulk ship size range defined by Clarksons as 100,000 dwt or larger.
Capesize 5tc	An index derived from an average of five 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.
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 cargo, 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.
CST	Centistokes. A measure of viscosity used to classify marine fuels.
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.
E&P	Exploration and Production.

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.
Forward order book (FOB)	Estimated commissions collectable over the duration of the contract as principal payments fall due. The forward order book is not discounted.
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.
FSRU	Floating Storage and Regasification Unit. This vessel type acts as a floating discharge terminal, typically shore-side within a port, to allow a discharge solution for LNG carriers in ports which may only have seasonal gas import needs, or need a lower-cost solution than a land-based regasification terminal.
FSU	Floating Storage Unit. A tanker that typically stores oil associated with an offshore field.
Handysize	Bulk carrier size range defined by Clarksons as 10-40,000 dwt or tanker size range defined by Clarksons as 10-55,000 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.
LGC	Large Gas Carrier. Vessel defined by Clarksons as 45-65,000 cbm.
LNG	Liquefied Natural Gas.
LPG	Liquefied Petroleum Gas.
LR1	Long Range 1. Coated products tanker defined by Clarksons as 55,000-85,000 dwt.
LR2	Long Range 2. Coated products tanker defined by Clarksons as 85,000-125,000 dwt.
MGC	Mid-sized Gas Carrier. Vessel defined by Clarksons as 25-45,000 cbm.
MR	Medium Range. A product tanker of around 45-55,000 dwt.
MT	Metric tonne (see tonne).
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 55-85,000 dwt. Containership size range defined as vessels 3,000+ TEU capable of transiting the old locks at 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.
SCFI	Shanghai Containerised Freight Index. An index produced by the Shanghai Shipping Exchange reflecting movements in spot container freight rates from Shanghai to a selection of destinations around the world.
Semi-ref	Semi-refrigerated gas carrier. A ship which employs a combination of refrigeration and pressurisation to maintain the transported gas in liquid form.
Shipbroker	A person/company who on behalf of a shipowner/shipper negotiates a deal for the transportation of cargo at an agreed price. Shipbrokers also act on behalf of shipping companies in negotiating the purchasing and selling of ships, both secondhand tonnage and newbuilding contracts.
Shuttle tanker	Tanker carrying oil from offshore fields to terminals.
Spot business	Broker commission negotiated and invoiced within the same business year.
Spot market	Short-term contracts for voyage, trip or short-term time charters, normally no longer than three months in duration.
Suezmax	A tanker size range defined by Clarksons as 125-200,000 dwt.
Supramax	A sub-sector of the wider handymax bulk carrier fleet defined by Clarksons as 50-60,000 dwt.
SURF	Subsea, Umbilicals, Risers and Flowlines. A term for the type of contract often agreed between an offshore construction services company and a field operator for construction work on a field which will need subsea production infrastructure.
TEU	20-foot Equivalent Units. The unit of measurement of a standard 20 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, defined by Clarksons as 60-65,000 dwt, including some vessels up to 70,000 dwt.
VLCC	Very Large Crude Carrier. Tanker over 200,000 dwt.
VLGC	Very Large Gas Carrier. Vessel defined by Clarksons as 65,000 cbm or larger.
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.

Five year financial summary

Income statement

	2017* £m	2016* £m	2015* £m	2014* £m	2013* £m
Revenue	**324.0**	306.1	301.8	237.9	198.0
Cost of sales	**(9.7)**	(8.9)	(10.3)	(13.3)	(6.2)
Trading profit	**314.3**	297.2	291.5	224.6	191.8
Administrative expenses	**(264.8)**	(253.0)	(242.0)	(191.3)	(166.9)
Operating profit	**49.5**	44.2	49.5	33.3	24.9
Profit before taxation	**50.2**	44.8	50.5	33.8	25.1
Taxation	**(12.0)**	(11.2)	(12.6)	(8.7)	(6.9)
Profit for the year	**38.2**	33.6	37.9	25.1	18.2

* Before exceptional items and acquisition related costs.

Cash flow

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Net cash inflow from operating activities	**48.0**	45.6	24.7	37.8	22.8

Balance sheet

	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Non-current assets	**355.6**	357.9	310.7	65.7	63.9
Inventories	**0.7**	0.7	0.9	1.4	0.9
Trade and other receivables (including income tax receivable)	**61.5**	59.0	63.0	44.2	47.8
Current asset investments	**5.8**	29.8	5.7	25.3	25.2
Cash and cash equivalents	**161.7**	154.0	168.4	152.9	96.9
Current liabilities	**(140.3)**	(172.4)	(168.5)	(108.1)	(89.4)
Non-current liabilities	**(21.6)**	(22.3)	(39.3)	(14.1)	(7.6)
Net assets	**423.4**	406.7	340.9	167.3	137.7

Statistics

	2017	2016	2015	2014	2013
Earnings per share – basic*	**116.8p**	105.2p	121.9p	134.2p	98.0p
Dividend per share	**73p**	65p	62p	60p	56p

* Before exceptional items and acquisition related costs.

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