



Clarkson PLC
Annual Report 2018

**Smarter
decisions.
Powered by
intelligence.**



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For more information please visit:
www.clarksons.com



Financial highlights

Revenue

£337.6m

2017: £324.0m

Underlying profit before taxation

£45.3m

2017: £50.2m

Reported profit before taxation

£42.9m

2017: £45.4m

Dividend per share

75p

2017: 73p

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.

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 62.

Who we are

The world's leading provider of integrated shipping services.

Our strategy is to create long-term sustainable value for all of our stakeholders by building on our strong performance, which allows us to maintain and develop our position as the global market leader in shipping services.

What we do

We have been enabling global trade for 167 years and are uniquely positioned to adapt and evolve to meet the challenges of today.

As an intelligence business, we enable our clients to make more efficient and informed decisions to achieve their business objectives.

What makes us different

Our global offering is underpinned by world-leading research and analysis, ensuring intelligence is at the core of everything we do. Our broking, financial and support teams have access to the latest market analytics to enable smarter decisions powered by intelligence.

The people in this report

Our people are our main asset and the images used throughout this report have been taken at Commodity Quay, our London headquarters.

Providing 'best in class' services to all aspects of the shipping and offshore markets.

Broking

Our 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.

See more on pages 38 to 47.

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.

See more on pages 48 to 51.

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.

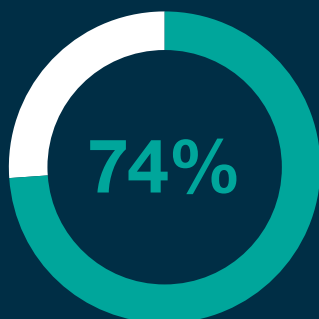
See more on pages 52 to 55.

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, 25,000 machinery models, 40,000 companies and 600 shipyards as well as extensive trade and commercial data and over 100,000 time series.

See more on pages 56 to 59.

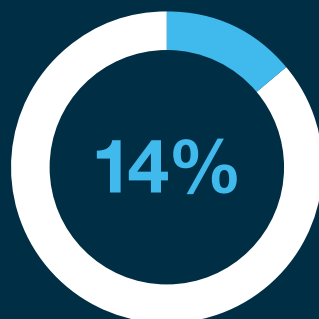
Share of revenue



Services

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

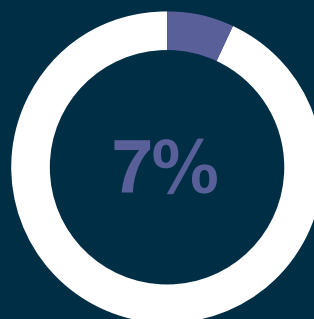
Share of revenue



Services

- Securities
- Project finance
- Structured asset finance

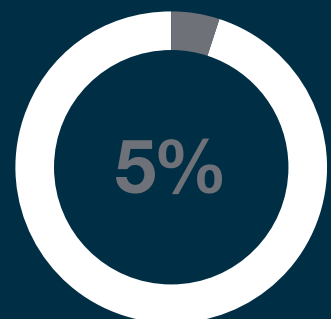
Share of revenue



Services

- Agency
- Gibb Tools
- Stevedoring
- Freight forwarding and logistics

Share of revenue



Services

- Digital
- Services
- Reports

Number of employees

1,110

Number of employees

114

Number of employees

240

Number of employees

120

At the heart of global trade

Countries

Offices

23 50



■ Countries with Clarkson's offices

Years of history

167

Employees

1,584

The strategic report on pages 12 to 71 was approved by the Board and signed on its behalf by:

Jeff Woyda
Chief Financial Officer & Chief Operating Officer
8 March 2019

Cargo	Laycan	08 Feb 00:00	08 Feb 12:00
Fertilisers	18 Feb 19 - 21 Feb 1		
Sugar Cane Molasses	18 Feb 19 - 21 Feb 1		
Sugar Cane Molasses	18 Feb 19 - 21 Feb 1		
Paraffin Wax Sx 70	18 Feb 19 - 21 Feb 1		
Alumina	18 Feb 19 - 21 Feb 1		
Fines	18 Feb 19 - 21 Feb 1		
Paraffin Wax Sx 50	18 Feb 19 - 21 Feb 1		
Iron Ore	18 Feb 19 - 21 Feb 1		
Sugar Beet Molasses	18 Feb 19 - 21 Feb 1		
Gasoline	18 Feb 19 - 21 Feb 1		
Iron Ore	18 Feb 19 - 21 Feb 1		
GasOil	18 Feb 19 - 21 Feb 1		
Sn500	18 Feb 19 - 21 Feb 1		
Base Oil 501N	18 Feb 19 - 21 Feb 1		
Mogas 98	18 Feb 19 - 21 Feb 1		
Iron Ore	18 Feb 19 - 21 Feb 1		
Alumina	18 Feb 19 - 21 Feb 1		
GasOil	18 Feb 19 - 21 Feb 1		
Sugar Beet Molasses	18 Feb 19 - 21 Feb 1		
Sugar Cane Molasses	18 Feb 19 - 21 Feb 1		
Paraffin Wax Sx 70	18 Feb 19 - 21 Feb 1		
Paraffin Wax Sx 70	18 Feb 19 - 21 Feb 1		
Alumina	18 Feb 19 - 21 Feb 1		
Mogas 98	18 Feb 19 - 21 Feb 1		
Sugar Cane Molasses	18 Feb 19 - 21 Feb 1		
Fines	18 Feb 19 - 21 Feb 1		

Sea/gateway
The integrated fixture dashboard and performance analysis tool.

What does **smarter decisions, powered by intelligence** mean for our clients?

It means we can provide them with world-class advice and information on the most challenging questions facing the industry.

How will the industry continue to react to changes in IMO regulation?



Sea/net
The shipping industry's most powerful market insight tool.



Our extensive world fleet data analysis on over 140,000 vessels, combined with our deep market expertise, provides invaluable insight and intelligence to our clients as they plan for regulatory change.

**Smarter decisions.
Powered by intelligence.**



How will geo-political developments affect the shipping industry?

Sea/net

The shipping industry's most powerful market insight tool.

As a global market leader in data and analysis, across global trade and its impact on shipping, we are ideally placed to provide clients with insight as to changing trade patterns from geo-political developments.

**Smarter decisions.
Powered by intelligence.**



How will the evolution of technology enable us to continually improve our client offering?



Sea/response

The offshore industry's crisis response system.



We are pioneering technological change in the shipping industry to provide clients with increasingly sophisticated solutions to reduce risk and improve efficiency.
**Smarter decisions.
Powered by intelligence.**

Chair's review

I am delighted to be joining Clarksons as the Chair. With its heritage, strong financial position and outstanding executive management team focused on clients and innovation, this is an exciting time to be joining the business.



Bill Thomas
Chair

Overview

Despite a first quarter that saw difficult shipping and offshore markets impact financial performance, the breadth, depth and quality of Clarksons' underlying business has proved robust against market challenges. We finished the year in line with market expectations and have made significant progress in strengthening further our market-leading position, expanding our presence geographically, introducing new products and continuing to deliver first class solutions for our clients.

Clarksons' focus on outstanding service, unique market insights and deep sector expertise has enabled us to perform even in a challenging global marketplace.

Whilst technology enables us to revolutionise the way we work with our clients and our advanced technology platform remains a clear differentiator for our business, at our core we are a people business. Our success depends upon the strength of our team to originate and execute on behalf of our clients and we continue to work hard to hire and retain the best people in the industry.

As we move into 2019, the macro-economic environment continues to present uncertainty, but opportunities remain, particularly as the market leader. We have previously talked about a market turnaround and we remain confident in the economics of the shipping industry. The rate environment has improved in a number of our markets and even in challenged markets, opportunities exist and we are well positioned to capitalise on these as and when they occur.

Results

Underlying profit before taxation was £45.3m (2017: £50.2m).
Reported profit before taxation was £42.9m (2017: £45.4m).
Underlying earnings per share was 105.2p (2017: 116.8p).
Reported earnings per share was 98.8p (2017: 104.4p).

As explained in the financial review on page 62, free cash resources as at 31 December 2018 were £57.0m (2017: £54.1m).

Dividend

Clarksons is increasing its dividend for the 16th consecutive year in line with its progressive dividend policy. The Board is recommending a final dividend of 51p (2017: 50p). Combined with the interim dividend of 24p (2017: 23p), the resulting full year dividend is up 3% to 75p (2017: 73p).

The dividend will be payable on 31 May 2019 to shareholders on the register at 17 May 2019, subject to shareholder approval.

As a cash-generative business with net free cash resources and a strong balance sheet, Clarksons continues to be in a strong position to take advantage of opportunities as the markets recalibrate. We remain committed to our progressive dividend policy, whilst seeking to further expand our client offering and consolidate our market-leading position.

People

Our people are what makes Clarksons a success and we are grateful for their continued hard work, knowledge and expertise in cementing our position as the global market leader. Recruiting, developing and retaining the best people is fundamental to our business as we remain committed to providing our clients with a unique, tailored service to suit their changing needs.

I would like to thank all of our colleagues for their hard work and commitment during 2018.

Board

We announced in March 2018 that Ed Warner would be taking on the role of Acting Chair whilst James Hughes-Hallett recovered from illness. Subsequently, in our interim results it was confirmed that the Board had decided to commence a search for a new independent Non-Executive Director, with a view to that person taking on the chairmanship at the appropriate time. I was appointed Chair on 13 February 2019 and Ed stepped off the Board at that time. On behalf of the Clarksons team, I would like to thank Ed for his contribution during his years on the Board and for extending his tenure whilst the chair process was underway. We wish him every success for the future. I am also pleased to report that James has returned to the Board to resume his role as a Non-Executive Director, whilst relinquishing the chairmanship, thus we retain his immense knowledge of shipping, offshore and world trade within the Clarksons Group.

I am delighted to be joining Clarksons as the Chair. With its heritage, strong financial position and outstanding executive management team focused on clients and innovation, this is an exciting time to be joining the business.

During 2018, we welcomed Dr Tim Miller to the Board as a Non-Executive Director, Chair of the Remuneration Committee and member of the Audit Committee and Nomination Committee. Tim is an experienced Non-Executive Director and has significant expertise in the areas of HR and remuneration.

Finally, Peter M. Anker has expressed a wish to retire from full-time employment on his 62nd birthday in July 2019, and consequently he has decided not to offer himself up for re-election as a Director at the AGM in May. Peter has invested a huge amount of time and energy into the success of RS Platou, and the integration within the Clarksons Group, and on behalf of the entire Board I would like to thank him.


Outlook

We start 2019 with a stronger forward order book. Nevertheless, geo-political uncertainty, be it from trade wars, Brexit impacting exchange rates or the imposition of sanctions, is continuing to have an impact on global sentiment. This is causing delays in the ability for our financial segment to execute on awarded mandates and also, combined with the effects of tragic natural disasters, is impacting the rate environment within the dry cargo segment. Consequently, we believe our results in 2019 will be second half weighted as it will take a time for these headwinds to improve. We are however confident that as we approach 2020 the fundamentals of the shipping market will continue to improve, and that Clarksons' 'best in class' offering and market-leading position leaves us well placed to take advantage of this opportunity.

Bill Thomas

Chair
8 March 2019

Our investment across the business continues, as we drive innovation and remain focused on furthering Clarksons' position at the forefront of the sector.

A portrait of Andi Case, the Chief Executive Officer, with a red line pointing from the text to his name. He is a middle-aged man with a beard and blue eyes, wearing a dark suit jacket over a white shirt. The background is a plain, light-colored wall.

Andi Case
Chief Executive Officer

Our strategy is to create long-term sustainable value for all of our stakeholders by building on our strong performance, which allows us to maintain and develop our position as the global market leader in shipping services.

Our strategic objectives

1 Breadth

Expanding our breadth to better tailor our integrated offer

2 Reach

Extending our reach to support clients globally

3 Understanding

Stronger understanding of clients' needs

4 People


Empowering people to fulfil their potential

5 Trust

Maintaining trust in shipping intelligence

6 Growth

Growing our business to improve performance

 See more on pages 28 and 29.

Chief Executive Officer's review continued

I am pleased to report that, despite Clarksons experiencing a challenging start to the year amidst a backdrop of market headwinds in the shipping industry, the business has delivered a full year performance in line with expectations.

This robust performance underpinned by the efforts and 'best in class' service of our market-leading teams across the business and a trend of continuing market share gains, has enabled the Board to recommend another increase in the final dividend, allowing Clarksons to deliver a 16th consecutive year of dividend growth for our shareholders.

We remain confident in the overall recalibration of the shipping markets despite a macro-economic environment that continues to provide an uncertain trading backdrop for the global financial markets. The 18% annual increase in the Baltic Dry Index and the steady 13% rise in the ClarkSea Index, in 2018 compared to 2017, point to the fact that the underlying fundamentals in shipping continue to improve. Despite geo-political volatilities weighing on market sentiment, we believe global trade demand will continue to grow and are encouraged as we start the new year with a strong forward order book for delivery in 2019 of US\$107m, an impressive 15% increase on the position going into 2018.

We are confident that Clarksons' strengthening position at the forefront of the market means we can be optimistic about the longer-term outlook for the business.

The broking teams delivered an encouraging performance during 2018 after experiencing what was a difficult start to the year. Whilst headwinds from geo-political uncertainty weighed heavily on market sentiment, a strong level of seaborne demand saw dry cargo vessel earnings reach their highest levels in six years, whilst activity in sale and purchase markets rebounded strongly during the second half of the year. Elsewhere, despite a tough three quarters, the tanker market showed more positive signs approaching previous levels in the final quarter and overall we ended the year with better medium-term visibility with an impressive forward order book for 2019. We anticipate forthcoming regulatory changes such as IMO 2020 sulphur cap regulations will provide significant market disruption towards the end of 2019, and believe that the broking business is heading into the new financial year in a strong position following another year where the supply/demand imbalance continued to improve.

The financial division has had a more challenging year, with activity being affected by a weakened sentiment in the global shipping capital markets. Macro-economic uncertainties have undoubtedly led to a more cautious approach in both the shipping and offshore capital markets, and although the team executed a number of high profile transactions, we expect a similarly cautious sentiment to remain in the near-term. We continue to invest in our financial teams in the belief that positive markets will return in the medium-term, buoyed by global demand and regulatory changes, ultimately allowing Clarksons to take advantage of the exciting opportunities and market appetite that remains from an even stronger platform.

Clarksons Research continued its strong annual revenue and profit growth during 2018, confirming its position as the global leader in shipping, trade, energy and offshore data. We have invested in the research team during the year, improving our product offering through new technology and innovation. By doing this, we have been able to further provide both our clients and internal teams with invaluable insight and intelligence that allows them to make efficient and informed decisions.

The port services team has enjoyed a year of modest profit growth, driven by increased North Sea activity and a significant contract win in Egypt. The team continues to strengthen its offering, expanding through new hires and new offices, and we expect to see this level of investment boost activity levels in the new financial year.

Our people are our most important asset and it is as a team that we continue to drive the Clarksons business forward. We remain committed to investing in our first class talent, as evidenced by the growth of our Tokyo office, where the team has grown to 18 people in just 18 months, and the new wet futures team which expands our futures broking capabilities to take advantage of our significant presence in the physical freight market. After what has been at times an uncertain trading environment for our teams, I would like to thank everyone at Clarksons for their extremely hard work and dedication during 2018.


We continue to invest in our market-leading technology offering and are positive about the number of clients that have shown interest in, and signed up to, our platform modules during 2018. We are committed to the continued roll out of our cloud-based products as we look to provide innovative and improved solutions to our client base and the market more generally.

Following his decision to step down from his role as Acting Chair and his position on the Board, I would like to thank Ed Warner for his significant contribution to the Company over the last decade. James Hughes-Hallett will remain on the Board as a Non-Executive Director. We look forward to once again drawing on all of his experience in this capacity going forwards. I am delighted to welcome Bill Thomas to Clarksons in his new role as Chair, where his significant experience in IT and business development will be invaluable. I look forward to working with him as the business focuses on taking advantage of the various opportunities in the global shipping market.

Finally, I thank Peter M. Anker enormously for his dedication to the business, providing success for so many of our clients, staff and the business overall. I understand completely his desire to retire from the Board, and look forward to continuing to work together with him in his changed part-time role over the coming years.

The fundamentals of shipping continue to improve across the sectors, with ongoing growth in demand and a tightening of supply arising from lower shipbuilding activity, additionally impacted by increased cost of build coupled with reduced availability of finance, and accelerated scrapping programmes following greater regulation. Highlighted headwinds are having an impact, in particular within our financial segment, but as the year progresses, we expect these headwinds to diminish and the impact from changes in regulation around sulphur emissions to begin. Consequently, we believe that the strength and breadth of Clarksons, enhanced by technology platforms which continue to be rolled out to our clients, positions the Group well and will set the foundations for the next stage of growth in future years.

Andi Case
Chief Executive Officer
8 March 2019



Our people are our most important asset and it is as a team that we continue to drive the Clarksons business forward.

**Andi Case
Chief Executive Officer**

Clarksons' culture

Clarksons is more than just a job to those that work here and our team culture is something that continues to attract new talent, retain existing and set us apart from others in the industry.

Almost half of our global employees have been with the Company for more than five years, helping to bring working relationships closer together and ensuring continued consistency and stability across our day-to-day global practices.

This is increasingly important as we continue to grow in headcount, offices and diversity. Our unrivalled global presence is supported by the local knowledge and understanding held by our employees who represent over 60 nationalities.

Embracing technology

Shipping is an industry steeped in tradition and Clarksons has been established within it for 167 years. As a business, it is important that we lead by example, embrace innovation and ensure that the impact of digital transformation is to improve the efficiency and capabilities of all our employees.

Shipbroking is intrinsically a relationship-driven business and we are acutely aware that any technology we look to develop or adopt must not lose sight of the human element of our business. This is not about replacing, but enhancing the tools that our brokers, operators and support staff have in their armoury.

Clarksons pioneers digital change by developing and investing in digital solutions to support our industry, and this continuous investment in technology is transforming the transaction lifecycle across our four segments. As technology redefines the shipping markets, we are implementing new processes and technologies to be at the forefront of all new regulations that may come into effect.

Our position as market leader of the global shipping industry has been built over 167 years, providing our clients with a unique, tailored service that offers an unrivalled understanding of the sector and global marketplace.



Around 85% of world trade is carried on ships with seaborne trade reaching 11.9bn tonnes in 2018; almost double that at the turn of the millennium, and more than treble that of the mid-1980s.

In 1990, 0.8 tonnes of cargo was shipped for every person on the planet; by 2018 this was 1.6 tonnes of cargo shipped per person. In 2018, seaborne trade grew by 2.7%.

In the past 20 years, the capacity of the world's shipping fleet has grown by over 150%. Financing this is capital intensive, with today's shipping and offshore fleet valued at US\$1.2tn.

Therefore, chartering strategy and capital investments require detailed understandings of trends, economics, financials and risk factors that come from expert analysis. As market leaders, we have an opportunity to set new benchmarks for best practice and to shape the next generation of broking, banking, research and technology.

Global trade carried on ships

85%

Cargo shipped per person per year

**1.6
tonnes**

Vessels and offshore assets

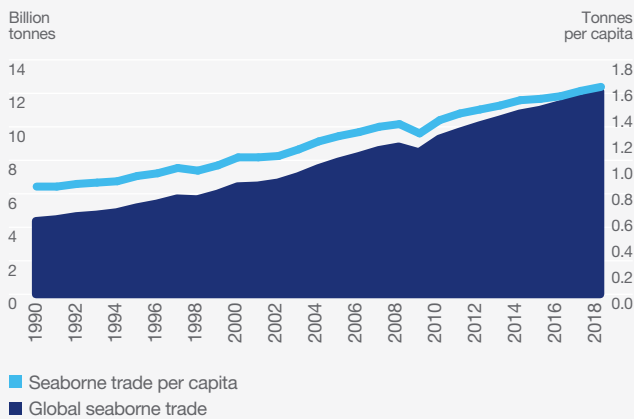
150,000

Global megatrends

Increase in seaborne trade

Shipping plays a vital role in facilitating global trade, with 85% of all trade moved by sea. At 11.9bn tonnes, 2018 seaborne trade levels were almost double that at the turn of the millennium, and more than treble that of the mid-1980s. In 1990, 0.8 tonnes of cargo was shipped for every person on the planet; by 2018 this figure stands at double, at 1.6 tonnes of cargo per person. During 2018, seaborne trade grew by 2.7% in tonnes and 3.1% in tonne miles.

Seaborne trade 1990-2018



Source: Clarksons Research

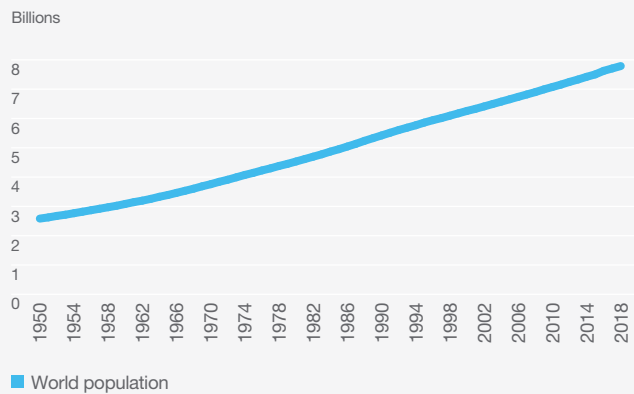
Opportunities for Clarksons

As an essential part of the freight supply chain and market leaders across all of the major cargo sectors, our chartering broking teams benefit from growing global trade volumes. Our innovative technology solutions are increasingly adding value to the freight transaction and differentiating our service offer. Our deep understanding of trade flows, and the range of economic, geo-political and seasonal factors that impact both positively and negatively on growth trends, makes us a trusted advisor and provider of market insights and intelligence to cargo interests and shipowners.

Population growth

As the global population grows, economic activity and consumer activity also increases. In the past ten years, world population has grown by 11.5% to reach 7.7bn. As a result, the movement of manufactured goods and raw materials across the globe has increased too.

Global population 1950-2018



Source: Clarksons Research

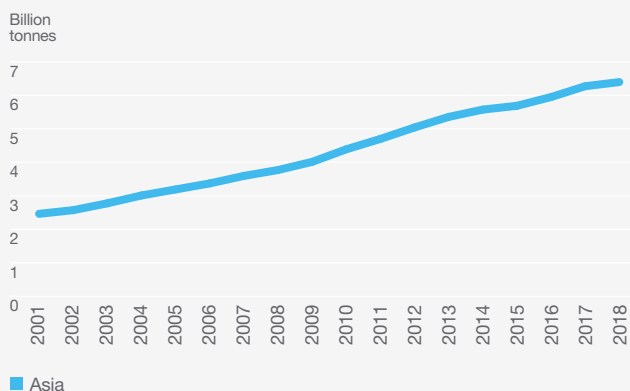
Opportunities for Clarksons

With population growth one of the drivers of increased economic activity and trade, our broking teams continue to support greater volumes of cargo traded and ships chartered. As a facilitator of global trade investing in technology, our offer is increasingly attractive to clients looking for solutions that increase productivity, efficiency and transparency.

Developing economies

Growth in seaborne trade is supported by developing economies, as they become embedded within the global trading matrix. Population growth, urbanisation and globalisation continue to support increased economic activity across the world and in these markets. Since 2000, Asian imports have grown from 2.5bn tonnes to over 6bn tonnes. Since 2007, imports into non-OECD economies have overtaken those into OECD economies.

Seaborne imports in Asia 2001-2018



Source: Clarksons Research

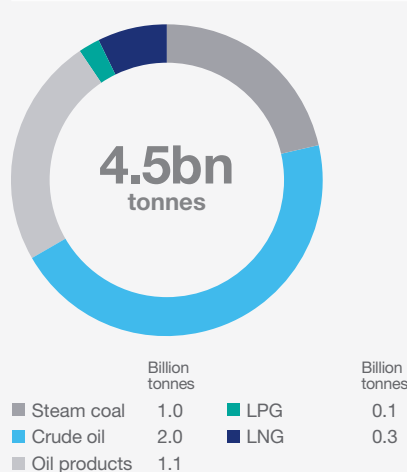
Opportunities for Clarksons

Our global network of offices, expanded in recent years, provides relationships and insights into all regional growth markets. As economies develop, their shipping needs evolve and our integrated offer supports our clients through this evolution, including their adoption of technology. Our intelligence and data flow is truly global in coverage, providing insights into all developing economies and their shipping requirements.

Changing energy mix

Nearly 40% of seaborne trade is energy transportation and, besides underlying growth in energy demand over recent decades, the mix of energy sources is changing also. With strong growth trends in gas and more mature trends in coal, shipping requirements and investment needs are also changing. From a production perspective, 17% of global energy continues to be met by offshore oil and gas production alongside a small, but growing, proportion from offshore renewables.

Energy transportation share 2018



Source: Clarksons Research

Opportunities for Clarksons

Our understanding of energy markets and our deep relationships with energy producers and traders allow us to provide an unrivalled service to support our clients in their ship chartering, asset and financing strategies. Our market-leading LNG and LPG teams allow us to support our clients operating in the rapidly growing gas markets. Our investments across our offshore teams and technology solutions, will enable us to provide a market-leading offer as these markets recover. Our dedicated renewables team, focused on the offshore wind industry and established in 2017, works with clients in this niche, but fast-growing, sector.

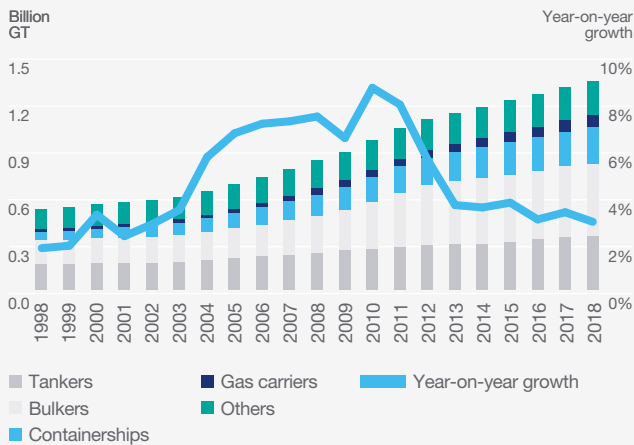
Our markets continued

Our industry trends

Shipping fleet growth

Over the past 20 years, the capacity of the world's shipping fleet has grown by over 150% to over 1.3bn GT as the shipping industry has expanded to meet its crucial role in servicing global trade. Although fleet growth has begun to moderate in recent years, helping markets begin to recalibrate, the world fleet is still 60% larger than at the start of the financial crisis, providing greater potential volumes for our asset broking teams. This growth has been spread across vessel segments, including all of the major segments within which Clarksons operate.

World fleet growth 1998-2018



Source: Clarksons Research

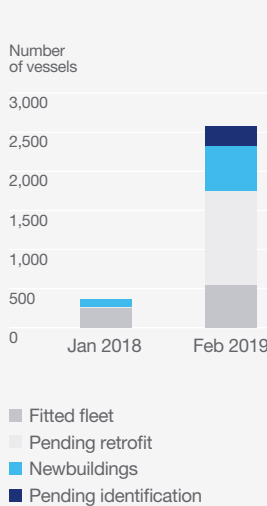
Opportunities for Clarksons

Our understanding of the world's shipping fleet, both at an aggregate trend level and on an individual asset basis, is unrivalled. This understanding builds on the synergies between our broking, financial and research teams and supports our clients in their decision-making through our complex and multi-cyclical markets. Our broking teams are market leaders through the full lifecycle of the asset and across every ship type operating in the world fleet, benefiting from the greater volumes of vessels bought and sold in recent years. Our understanding of the number of active shipyards and capacity reductions is a key insight that Clarksons provides to our clients, as is the tracking of trends in the recycling of ships.

Environmental regulation

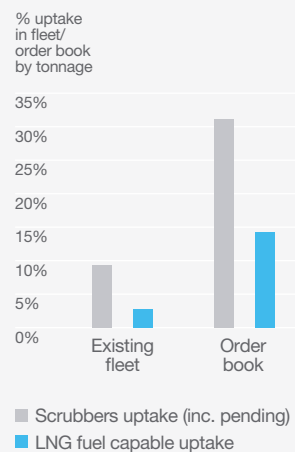
As pressures build globally to find solutions to moderate climate change, new and complex environmental regulations are being introduced across the shipping industry. These regulations are likely to increasingly impact commercial conditions in the shipping markets. New global sulphur limits to be introduced in 2020 require understanding of new technologies, retro-fitting timetables, vessel speeds and oil product trade flows.

Scrubber count



Source: Clarksons Research

Eco-equipment uptake



Source: Clarksons Research

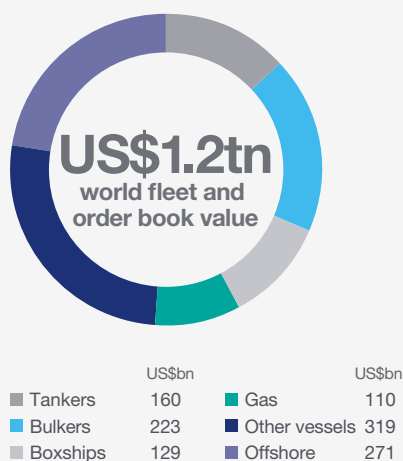
Opportunities for Clarksons

Clarksons is ideally placed to understand and explain the economic impact of new regulations. This allows us to guide clients on how markets may respond, to support clients on how their chartering and asset owning strategies should be adapted and to assess the impact on individual asset value and earning potential. Our commodity broking teams are well placed to support clients in developing fuel hedging strategies. Our wide-ranging data and intelligence, including coverage of eco-equipment and technology on-board ships, engines and fuel consumption, vessel speeds and bunkering facilities, is widely used by the shipping industry as an authoritative source.

Fleet financing

The financial landscape for the shipping industry has changed significantly over the past ten years, impacting the number of financial institutions participating and the scale of finance available. However, financing the world shipping fleet remains hugely capital intensive, with today's shipping and offshore fleet valued at US\$1.2tn. Many shipowners and cargo interests have looked to diversify their funding sources and investigate new financing solutions. Many ship finance banks have restructured or divested elements of their shipping exposure following challenging market conditions and increasing regulation.

Value of the world fleet (including order book)



Source: Clarksons Research

Opportunities for Clarksons

The guidance and execution that Clarksons' market-leading financial teams can provide across the rapidly-changing ship finance landscape is unique in the market. This deep expertise, combined with an innovative approach, allows us to support our clients to raise finance across capital markets, project finance, debt markets and through leasing structures. Our offer also includes an integrated service to support ship finance banks and investors divesting of assets or engaged in restructuring and bankruptcy cases. Our offer is also allowing us to support clients acquiring loan books. Our research and valuations continue to be trusted as the market-leading source across the finance sector.

As the world's leading provider of integrated shipping services, we are able to support our clients in the full lifecycle of their freight transaction.

Our market-leading research and analysis puts intelligence at the core of everything we do, giving our broking, financial and support teams access to the latest market analytics. This enables us to make smarter decisions to meet our clients' strategies and objectives.

For shipowners, we can provide services throughout the entire lifecycle of a vessel. Whether looking to build, buy or finance; our broking and financial teams can provide strategic guidance unique to their market covering the broking of a vessel (newbuild or secondhand), full investment banking services, project finance and structured asset finance, as well as the eventual recycling of a vessel.

For charterers, we work to find the right vessel for the right cargo. With the largest breadth and depth of services within the industry, whether our clients require assistance with the offshore market in drilling, construction or renewables, or services requiring movement of wet or dry cargoes, or the containers required for transport; we are on hand to secure the best option for their needs.

Once the cargo is in transit, our 24/7 operational and agency support teams in the UK and Egypt ensure the process is as smooth as possible providing port services support, supplies and tools for the marine and offshore industries.

Our unrivalled breadth of service and global reach, delivered 24/7, 365 days a year, spans 50 offices in 23 countries, and is supported by over 1,500 employees. It enables us to be where our clients need us to be.



Clarksons is the world's leading provider of integrated services and investment banking capabilities to the shipping and offshore markets, facilitating global trade.

Founded in 1852, we offer our diverse and growing client base an unrivalled range of shipbroking services, sector research, on-hand logistical support and full investment banking capabilities in all key shipping and offshore sectors.

We are committed to providing our clients with outstanding service, offering them unique market insights supported by our up-to-the-minute data analysis and deep sector expertise. Our advanced technology platform continues to differentiate our business as we drive innovation across the shipping industry.

**Smarter decisions.
Powered by intelligence.**

Our business model continued

The resources and relationships we need to create value

Employees

Our people are our most important asset, with our success dependent on the strength of our teams across the business.

See more in resources and relationships on pages 32 to 37.

Clients

We build and nurture strong relationships with our clients, whilst continuing to provide them with our unrivalled knowledge and expertise.

See more in resources and relationships on pages 32 to 37.

Market insight

Our research team are the global market leaders, producing and validating data, analysis, key insights and valuations across all sectors of the shipping and offshore markets.

See more in our markets on pages 18 to 23.

Technology and innovation

Our cutting-edge technology is driving innovation in the industry and enables us to provide unique solutions for our clients, so they can make informed decisions efficiently.

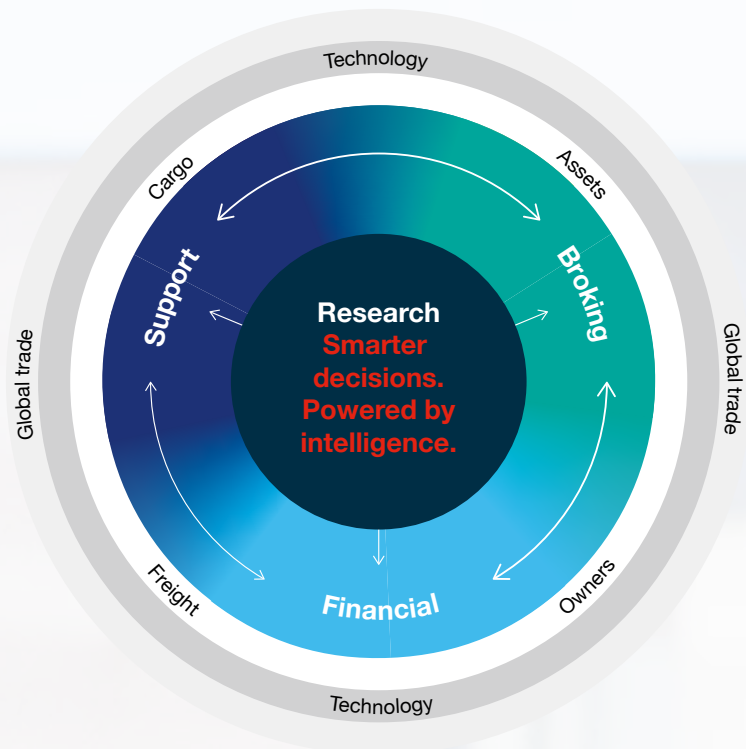
See more in resources and relationships on pages 32 to 37.

Financial strength

We are listed on the London Stock Exchange. We have a strong balance sheet, no bank borrowings and are cash-generative, enabling us to fund growth.

See more in the financial review on pages 60 to 63.

How we create value



Our value-creating activities are underpinned by

Our values

Through our values – integrity, excellence, fairness and transparency – we drive behaviours which deliver the highest quality service to clients whilst ensuring we conduct business in an ethical, honest and professional manner.

See more on page 33.

Our culture

Our culture promotes an inclusive 'I want to work here' ethos and our flat management structure means employees have access to senior management, encouraging open communication across the Group and fostering strong business performance.

See more on page 33.

Our governance

We adhere to high principles of corporate governance to ensure good decision-making and sustainability of the business.

See more on pages 72 to 137.

Our technology

Our investment in technology ensures we remain at the forefront of the shipping industry and continue to innovate and develop new services for clients.

See more on page 37.

Our key stakeholders and the value we generate

Employees

We are focused on hiring and retaining the best people, providing them with the right support, tools and training to enable their success.

Number of employees with over five years' service

47%

Clients

We provide our clients with the most relevant data and unique market insights aided by innovative technological solutions, arming them with the tools and information needed to make key business decisions efficiently.

Viewings of Shipping Intelligence Network in 2018

5.2m

Society

Our skills and knowledge help to support the continuation of world trade in an effective manner, ensuring that countries receive the raw materials necessary to develop and grow whilst people have access to essential food and goods.

Tonnes of cargo shipped per person per year

1.6

Shareholders

We continue to deliver value to our shareholders through our progressive dividend policy, whilst maintaining a solid financial standing and strong balance sheet to take advantage of market opportunities.

Years of consecutive dividend growth

16

Market trends

World seaborne trade*

+43%

World population*

+11%

Seaborne trade per capita*

+28%

Global fleet in dwt terms*

+64%

*Changes based on the ten-year period between 2009 and 2018.

■ See more in our markets on pages 18 to 23.

Our strategy is to create long-term sustainable value for all of our stakeholders by building on our strong performance, which allows us to maintain and develop our position as the global market leader in shipping services.

Strategic objective

Expanding our breadth to better tailor our integrated offer

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

What we achieved in 2018

We have welcomed a new renewables team, re-entered the wet FFA market and established a new convertible bond desk, as well as expanding our presence in the LNG market.

Strategic objective

Extending our reach to support clients globally

Our global presence enables us to meet client needs wherever and whenever they arise. With 50 offices in 23 countries, and growing, we share understanding, culture, IT systems and high standards of corporate governance across our business.

What we achieved in 2018

We completed our first year of operations in South Korea, expanded our team and offering in Japan and established a subsidiary in Canada to introduce our Securities services to the Canadian market.

Strategic objective

Stronger understanding of clients' needs

Our client base ranges from oil majors, raw material producers 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. We have more touch points across the industry than anyone else, enabling us to offer unique and tailored solutions to meet our clients' needs.

What we achieved in 2018

We have continued to invest in IT, as we improve and expand the applications and tools we use both internally and externally in order to enhance our client offering.

Strategic objective**Empowering people to fulfil their potential**

We are committed to attracting and retaining the best people, providing them with the tools and training that empower them to fulfil their potential.

What we achieved in 2018

We held another successful tanker training week in Dubai, as well as offering our employee training in a variety of formats to suit individual needs.

Strategic objective**Maintaining trust in shipping intelligence**

As a globally-respected market leader in the provision of data and intelligence across shipping, trade, offshore and energy, our research is trusted across the shipping industry to inform effective decision-making. Our database tracks over 140,000 ships and 7,000 offshore oil and gas fields. Last year, Shipping Intelligence Network was viewed more than five million times.

What we achieved in 2018

Our wide-ranging and proprietary database continued to expand with an ongoing focus on market relevance, depth and breadth. This expansion was supported by our data analytics team, deriving a range of additional data utilising innovative techniques.

Strong investments into the underlying architecture and functionality of our digital offer took place in 2018. These investments helped capture the benefits of our expanded database and utilise new technologies, including data visualisation and customisation tools.

Strategic objective**Growing our business to improve performance**

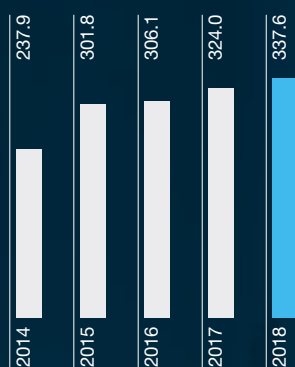
We are a consistently profitable and cash-generative business that is focused on creating long-term value for our shareholders.

What we achieved in 2018

We have increased our dividend for the 16th consecutive year, whilst remaining cash-generative and increasing our free cash resources.

We use financial indicators to monitor our progress in delivering against our strategy to create long-term sustainable value for all of our stakeholders.

Revenue
£m



Definition

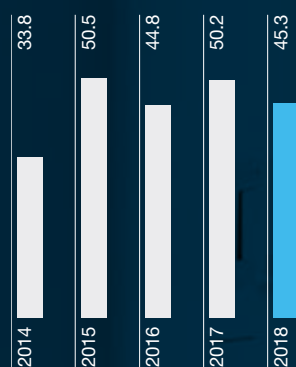
Revenue in sterling equivalent, translated at the rate of exchange prevailing on the date of the transaction. We have four revenue segments: broking, financial, support and research.

Why it is important for Clarksons

Revenue drives the business, resulting in cash generation and rewards to stakeholders.

See more in note 3 of the consolidated financial statements on page 150.

Underlying profit before taxation
£m



Reported profit before taxation for 2018: £42.9m

Definition

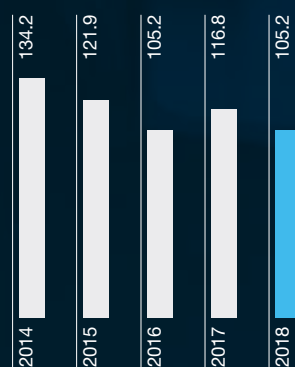
Profit before taxation, exceptional items and acquisition related costs as shown in the consolidated income statement.

Why it is important for Clarksons

The Board considers that this measurement of profitability provides stakeholders with information on trends and performance, before the effect of exceptional items, acquisition related costs and different tax regimes around the world.

See more in the financial review on pages 60 to 63.

Underlying earnings per share
pence



Reported earnings per share for 2018: 98.8p

Definition

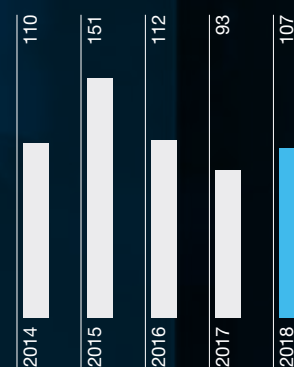
Profit after taxation and before exceptional items and acquisition related costs divided by the weighted average number of ordinary shares in issue during the year.

Why it is important for Clarksons

This measure shows how much money the Group is generating for its shareholders taking into consideration changes in profit and the effects of issuance of new shares. It is an important variable in determining our share price.

See more in note 7 of the consolidated financial statements on page 155.

Broking forward order book (FOB) at 31 December for the following year
US\$m



Definition

Directors' best estimate of commissions invoiceable over the following 12 months as principal payments fall due.

Why it is important for Clarksons

The FOB gives a degree of forward visibility of income.

See more in the financial review on pages 60 to 63.

To ensure we create long-term value for all our stakeholders, we make effective use of a range of resources and relationships.



Our reputation

Clarksons is a business built on long-term relationships and trust. Our clients turn to us for our unrivalled breadth of service and our industry-leading range of products that span the maritime and financial markets. Our expertise and knowledge gives us the ability to provide solutions and services specifically tailored to their business requirements.

Our culture and values

As a global business with an international workforce we represent over 60 nationalities across our 50 offices, allowing us to continually deliver the highest quality service to our client base. Each and every member of the Clarksons team shares our common values of integrity, excellence, fairness and transparency, and we aspire to conduct our business in an ethical, honest and professional manner wherever we operate. We have created an environment in which employees can speak up and highlight any concerns through our whistleblowing arrangements. We are enhancing these arrangements to provide a means for concerns to be raised anonymously.

As a Group, we are committed to our corporate social responsibility programme supporting maritime, children and overseas causes. We encourage our employees across the globe to put forward causes that are close to their hearts so that our support makes a difference to not just the charity, but also to them. Our endeavours to offer our support, 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.

Our employees

At Clarksons we believe that the quality of our people has always been the biggest differentiating factor for us in the market. We believe in inclusion and developing the very best people regardless of race, gender or background, and supporting them in a role and environment where they can thrive and perform to their best. This ethos is underpinned by our four values: integrity, excellence, fairness and transparency.

Employees are key stakeholders in our business and, as our most important asset, we invest in our people and take employee engagement seriously. We regularly communicate with our employees on matters relating to both the Group and the wider maritime industry using a variety of methods such as our monthly online newsletter (Clarksons Voyage) and our annual Company magazine (Horizons), as well as providing ongoing training and development opportunities as detailed further on page 34. Financial results and material announcements that we release to the market are made available to all employees across the Group at the same time.

In line with the recommendations of the new 2018 UK Corporate Governance Code and the importance that the Board puts on engagement with the workforce, a forum is being established at which representatives from the business will have the opportunity to provide their views on the Group in respect of a range of topics. Dr Tim Miller, Chair of the Remuneration Committee, who has been appointed as the designated Non-Executive Director, will attend the employee forum meetings to act as the conduit between the workforce and the Board, and to gather employee views. We recognise this as a positive step towards strengthening the voice of the employee and as a way to maintain regular dialogue with the workforce.

Industry partners

We continue to find new ways in which to support the shipping community.

Throughout 2018, we partnered with a number of maritime associations which are paving the way for the future of maritime. We were delighted to host the inaugural Maritime Masters event, supported by HRH The Princess Royal, at our London HQ. Students from eight leading UK universities and business schools were chosen to present findings from their dissertation theses to a number of industry leaders. The university courses represented ranged from naval architecture to maritime economics, ship management to shipping law. The research projects, proposed by industry and tailored by university academic staff, were directly related to contemporary issues concerning the UK maritime sector and its position within the globe.

Clarksons' involvement with this event supports the significant role we play in encouraging and developing young talent in shipping.

Maritime Masters competition supported by HRH The Princess Royal.



Resources and relationships continued

Attracting and retaining talent

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. Over 47% of Clarksons' employees have been with the organisation for more than five years, and nearly 24% have been employed with the business for ten years or more.

We take our employees' physical and mental health and well-being seriously, and offer a range of benefits to support this such as private health insurance, a cycle to work scheme and discounted gym memberships.

We also support formal qualifications such as the ICS (Institute of Chartered Shipbrokers), CIPD (Chartered Institute of Personnel and Development) and CIMA (Chartered Institute of Management Accountants).

We offer a multitude of training opportunities, encouraging employees at all levels to broaden their knowledge of the industry and markets. Regular seminars can be attended in person, via a webinar or accessed on demand via our internal video channel. In addition, all employees globally have access to iQ, a tool created by Clarksons for Clarksons. Each department provides insights and market updates in the form of video content, which supports current market rates, business briefings and presentations from each area of the business. iQ proves to be a valuable internal channel to empower every employee with the most up-to-date information and help them provide the best service to their clients and colleagues.

As well as providing training to our employees, we also train the shipping leaders of the future with our Jon Marshall Lectures Week (aimed at the dry cargo market) and Tanker Training Week. These two events take place in London and Dubai, and are offered to junior employees as well as clients who are looking for a comprehensive and intensive introduction to shipping. Covering various commercial, financial, technical, legal and operational topics via lectures and workshops, the programmes finish with the students partaking in a group challenge. The winning team is presented with a coveted award.

We encourage the involvement of employees in the Company's performance through inviting eligible employees to participate in our ShareSave Plan. Further detail can be found on page 105 about employee share ownership.



Diversity and inclusion

Clarksons is an equal opportunities employer which entrusts its reputation and market leading position to the best global workforce in shipping. Our business is meritocratic and we seek to appoint the best candidate for each and every role. Candidates are considered against fair and objective criteria which enable all employees, irrespective of gender, race or disability, to advance in their career. Our equal opportunities policy supports the employment, promotion and career development of all people, including disabled persons. Our people are our assets and we strive to be recognised as the place where the best people are empowered to do their best work.

Of the 1,576 employees within the Group as at 31 December 2018, 410 or 26% were female (26% in 2017). There were 339 managers within the Group, of which 59 or 17% were female (16% in 2017). Of total new hires made in 2018, 28% were female (27% in 2017).

The quality of our people has always been a differentiating factor for us in the market. We will not compromise on the intent to continue bringing in and developing the very best people, and putting them into a role and an environment where they can thrive and perform. Whilst we recognise we face the same challenges as the wider sector with regard to attracting, recruiting and retaining women, we have females who are influential figures within our business and our sector due to their accomplishments. We ensure that these role models are actively involved in hosting seminars, speaking at careers events and offering advice in order to inspire other women to pursue a career in our organisation. Through our collaborative relationship with WISTA (the Women's International Shipping & Trading Association) and WOMAG (Women in Agribusiness Asia), we host events and implement recruitment initiatives in order to encourage more women to grow and develop their careers in our sector.

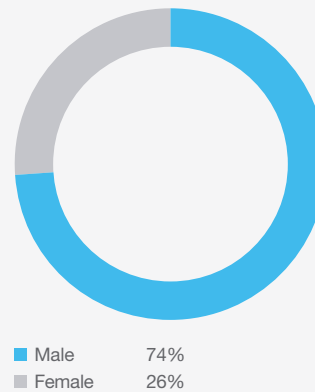
A global business

Our workforce represents 60 nationalities across 50 offices.

Gender diversity

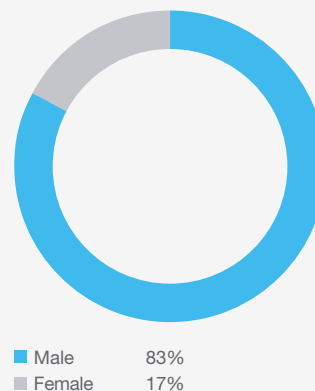
Group gender split

As at 31 December 2018



Management* gender split

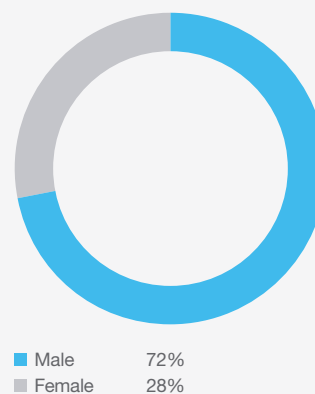
As at 31 December 2018



* Employees with people management responsibilities.

New hires gender split

In 2018



We have worked with many of our clients for generations and as their business grows and adapts to the changing world we are at the forefront with them.



Our clients

Our position at the heart of the shipping industry has been built over 167 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.

We have worked with many of our clients for generations and as their business grows and adapts to the changing world we are at the forefront with them. Our aim is to navigate challenges and identify opportunities together.

Our investment in technology continues to drive growth and provides our clients with market-leading intelligence and innovative tools for trade.

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

Our technology and innovation

Clarksons' technology assists our employees and clients to make informed and timely commercial decisions, and allows them to interact and work efficiently together. By ensuring our clients receive the best information through our technological solutions, we provide them with the tools they need to make key business decisions.

Some of the technological solutions we have developed have transformed the way of working for both our employees and for many clients in the shipping industry.

**Over £1m raised for charities
across the world since 2013.**

Society

As our business evolves, so does our commitment to corporate social responsibility.

We endeavour to support our chosen causes, both financially and by bringing about positive social change, providing a lasting impact on the people and communities that we help.

We contribute to our society in a number of ways across our global offices. Whether through participating in charitable events, donating to causes, fundraising, or sharing our expertise with the maritime industry, we ensure that we continually give back to society.

The 2018 Clarksons Charity Giving Day saw teams from Clarksons' global offices compete in The Clarksons Playoffs, a challenge that consisted of a series of High Intensity Interval Training exercises across a knock-out stage, semi finals and finals. The day involved over 200 participants and volunteers from our offices across the world in our largest charitable event on record and raised in excess of £81,000. Each participating team raised funds specifically for a charity close to their hearts, based within their geographic region.

Charity Giving Day, The Clarksons Playoffs.



Broking

Share of revenue



Services

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

Number of employees

1,110

Strong finish to the year

Despite a challenging start to the year, performance in the second half was encouraging, particularly across sale and purchase and dry cargo markets.

Revenue

£251.7m

2017: £238.9m

Segment underlying profit

£44.0m

2017: £43.9m

Forward order book for 2019

US\$107m

2017: US\$93m*

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



Broking in action

How do Clarkson's' unique data and analytical services help clients navigate the LNG market?

**Smarter decisions.
Powered by intelligence.**



The decision to spend US\$180m on a new LNG carrier or to charter a vessel for up to US\$190,000 per day has significant ramifications for a company if it gets its strategy wrong. Timing and market intelligence are key to making the right decision – whether you are a charterer or an owner.

Our access to the most current data in the market combined with our deep and established relationships with market players means that Clarkson's' LNG brokers have a unique insight into the market, which is a crucial service for customers when advising on the best strategy to meet their requirements.

A dedicated analytical function on the LNG broking desk also gives a richer and more in depth understanding of the fundamental factors driving the market. The services and insight from our LNG broking desk is complemented by other company services including real-time shipping on SeaNet, World Fleet Register and Clarkson Research datasets and reports. High quality data and analysis is important in this industry.

Broking continued

Dry cargo

Dry cargo vessel earnings increased across all sectors reaching the highest level in seven years. Year-on-year sectoral performance is reflected by an 18% improvement in the Baltic Dry Index compared to 2017. The capesize market was responsible for the highest volatility and peaked during the third quarter, while the smaller sizes continued the upward trend towards the end of the year to finish with the strongest quarter. On average the capesize sector improved by 9%, the panamax sector by 19%, the supramax sector by 22% and the handysize sector by 14%. Period rates and asset values both increased on the stronger market fundamentals.

Newbuild deliveries slowed to a 10-year low, which kept tonnage tight and reduced demolition to a minimal level. As a result, the fleet expanded by a mere 2.9%. Irrespective of the improved earnings, newbuild orders slowed year-on-year with the majority scheduled for delivery in 2020 or later.

The year was impacted by the well-documented US-China trade war, which started in April. For the dry cargo market, China's announcement to retaliate on the imposed trade tariffs, by limiting US grain imports and soybeans in particular, weighed on market sentiment. Yet, the market remained balanced as non-Chinese buyers took advantage of the heavily discounted US grain prices, while China took advantage of other suppliers, mainly from East Coast South America (ECSA). The market weakened towards the end of the year when the ECSA crops were depleted.

The manufacturing sector in emerging Asian economies expanded during 2018, which ensured healthy demand for industrial materials. However, seaborne trade growth was limited by a variety of supply disruptions, such as environmental and labour strike-related mine and railway closures. Those 'lost' volumes will return to the market in 2019 and will offset some of the expected losses due to recent iron ore tailings dam collapse in Brazil. China's industrial manufacturing output expanded throughout 2018, but succumbed to the uncertainty of the outcomes of the trade dispute with the US and contracted in December. The Chinese government intends to stabilise economic growth through monetary and fiscal policy measures. The allocated capital towards infrastructure spending as part of such an economic stimulus package is supportive of demand for industrial materials.

Irrespective of the many disruptions in 2018, dry bulk seaborne trade grew by 2.6% and with the signs of amicable trade solutions between the US and China, dry bulk trade is well positioned to accelerate growth.

The incoming IMO 2020 sulphur cap legislation on marine fuels has been the subject of many discussions as it is shrouded with uncertainty regarding the most economical solution for shipowners. However, the time leading up to enforcement in 2020 is limited and the new regulations will limit available fleet supply to some extent as ships go out of service to prepare for compliance, thereby keeping the expansion of the active fleet below 3%.

Containers

Following the improvements seen in 2017, 2018 was a more mixed year for the containership sector. Containership earnings fluctuated, as improvements in the first half of the year were followed by an easing back in the second half. Meanwhile, the box freight market saw volatility across the year, as well as a clear divergence between the performance on the key Transpacific and Far East-Europe trade lanes in the second half. Year-on-year fuel price increases also placed significant pressure on liner company financials.

Globally, container freight rates throughout the year were fairly flat compared to 2017. The full year 2018 SCFI composite index averaged only 1% up on the 2017 average, though still up by 28% on 2016. It is however noteworthy that in the second half of 2018, benchmark China-US West Coast freight rates were up 54% year-on-year whilst China-North Europe freight rates were up just 3% year-on-year.

On the charter market, earnings continued to make positive progress in the first half, backed by limited supply expansion outside the largest ship sizes and rapidly expanding regional trade volumes. The charter market 'basket' index increased by 32% to 68 points in the first half, but then eased back in the second half to 52 points at the end of 2018, a level only marginally higher than at the end of 2017. Nevertheless, the average 'basket' index level across the year stood at 60 points, 28% up on the 2017 full year average, with the average 2,750 TEU ship one year rate up by 23% on the same basis. Volume growth moderated a little, with rates for some of the larger asset classes holding up better than for their feeder counterparts, a reversal of the previous trend. The one year charter rate for a 2,750 TEU ship stood at US\$9,500 per day at the end of 2018, 2% above the end of 2017 level, having previously increased to US\$12,100 per day at the end of the first half. The one year rate for a 9,000 TEU ship stood at US\$29,000 per day at the end of 2018, 71% above the end of 2017 level.

In 2018, demand remained fairly robust, though risks from the world economy have clearly escalated. Global trade volumes are estimated to have expanded by 4.5% to 201m TEU in the full year 2018, following growth of an estimated 5.5% in 2017. The rate of expansion on trades involving developing economies proved strong, though growth on the main lane east-west trades appears to have been more moderate. Expansion on the key westbound Far East-Europe was limited in part due to declining import levels to the UK and Germany, and a sharp drop in volumes into Turkey, though growth on the Transpacific was much firmer, partly supported by a 'rush' to ship cargo before the potential imposition of more stringent tariffs. Containership fleet capacity growth accelerated in 2018, through the ongoing delivery of new 'mega-ships'. In 2018, capacity expanded by 5.6%, pushing the balance between supply and demand growth in favour of the former. However, surplus capacity in the sector remains much reduced, with around 2% of fleet capacity on average standing idle through 2018 compared to 7% back at the start of 2017.

Looking ahead, boxship capacity expansion is set to slow to around 3% in both 2019 and 2020. Whilst trade growth could well remain robust and supportive of market progress, demand side risks have grown and will need to be tracked closely. The trade war between the US and China could potentially have an impact on 5% of global container trade. There are, however, a number of 'wild cards' related to the potential impact of the IMO 2020 global sulphur cap on vessel recycling, operating speeds and time out of service, which could help further containership sector rebalancing. On the supply side, despite a steady flow of feeder ship ordering, at an aggregate level, the ordering of newbuildings remained relatively moderate with 1.2m TEU contracted in 2018; the order book now stands at a historically low 13% of fleet capacity. Liner company consolidation has continued, and for operators and owners alike, fuel economics are now firmly in play.

Tankers

The tanker market was extremely weak for much of 2018, but rebounded strongly in the final quarter. In spite of the early weakness, annual average earnings for VLCCs on the main Middle East-Far East route declined by just 2% versus the 2017 average. Meanwhile, average annual earnings for suezmaxes and aframaxs increased by 7% and 17% respectively versus 2017 levels.

In the products tanker sector, the strong end to the year meant that annual average earnings for LR2s and LR1s trading in clean products on the key Middle East-Far East route increased by 9% and 2% respectively versus 2017 average levels. However, average earnings for MRs in 2018 declined by 14% versus 2017 levels.

In the first half of the year, the crude tanker market was held back by a combination of strong voluntary compliance with OPEC and non-OPEC production cuts and additional unplanned output reductions. However, in the second half of the year, sharp increases in production and exports from a combination of OPEC countries, Russia and the US, together with weather-related delays to vessels in the fourth quarter, conspired to drive earnings back up to higher levels.

In the products tanker sector, the market continued to feel the effects of the strong fleet growth of the previous three years and the oil products trade was hampered by backwardation in forward price curves for much of the year, albeit earnings started to recover in November and December. Forward price curves for a number of oil products returned to contango and some long-haul arbitrage opportunities were seen. In addition, the clean products tanker market was assisted by the strength of the crude tanker market, as several LR2 products carriers switched to crude oil or fuel oil trade. Meanwhile, a number of other LR2s were delayed in discharging clean products cargoes in Asia.

Crude tanker fleet growth fell sharply in 2018 due to a combination of reduced deliveries and a sharp increase in vessel demolition. The overall crude tanker fleet in dwt grew by just 0.6%, compared to growth of 5.2% in 2017 and 6.0% in 2016. In the products tanker sector, fleet growth also fell sharply, principally due to a further reduction in newbuilding deliveries. Deep sea products tanker fleet growth fell to 1.2% in 2018, which was the lowest growth in percentage terms since 2001, lower than the 4.0% in 2017 and 6.2% in 2016.

Dry cargo

Year-on-year sectoral performance is reflected by an 18% improvement in the Baltic Dry Index compared to 2017.

Containers

Containership fleet capacity expanded by 5.6% in 2018.

Tankers

The tanker market was extremely weak for much of 2018, but rebounded strongly in the final quarter.



Broking continued

Tankers continued

In 2019 crude tanker fleet growth is expected to be 3.1% due to a slight increase in newbuilding deliveries, and reduced demolition due to an anticipated increase in vessel earnings. Products tanker fleet growth is expected to increase to 2.7% due to increased deliveries of MR products tankers after a year of very low deliveries in 2018.

Tanker earnings are expected to soften temporarily in the first half of the year from the strong levels seen in late 2018 due to a combination of new OPEC and non-OPEC oil production cuts, a concentration of newbuilding deliveries in the early part of the year, refinery maintenance, and a seasonal reduction in oil demand and vessel delays in the spring.

Nevertheless, unless a significant global economic downturn or unpredictable geopolitical factors intervene, both crude and products tanker markets are expected to strengthen on average in 2019.

A number of factors are expected to support the markets including: the removal of tankers from the market for the installation of exhaust gas cleaning systems ahead of the IMO 2020 reduction in the sulphur content of bunker fuels; geo-political disruption to oil markets that may favour increased spot market shipments of crude oil; the commissioning of substantial new refining capacity in Asia; rising US crude oil exports; and potential changes in crude oil and oil products cargo flows ahead of the impending bunker fuel sulphur content reduction. These factors are expected to be particularly supportive of tanker markets in the second half of the year.

Specialised products

Early optimism in 2018 quickly changed as earnings for chemical tankers came under substantial pressure, negatively influenced by challenging market conditions in the increasingly interlinked deep sea products tanker world.

Whilst the Clarksons Platou Bulk Chemical Index actually recorded a 6% increase from January to December 2018, and the index was on average 9% higher than 2017, increased voyage costs compressed net earnings for owners for much of the year. In a similar manner to the prevailing spot markets, the period charter and asset sectors were also bereft of the usual activity with deal volume reduced, especially in the summer period. Uncertainty surrounding the impending IMO 2020 regulations and their impact was undoubtedly a contributory factor to lower deal volume and also increased short-termism with initial periods of time charter.

Overall, the volume of seaborne trade for specialised products in 2018 was however encouraging, with estimated annual growth of around 6%. Organic chemicals (such as methanol, benzene and styrene) and inorganic chemicals (such as caustic soda, sulphuric and phosphoric acids) growth was particularly evident throughout the year, along with a rapidly increasing lubricants and base oils sector. For the first time ever, annual seaborne trade in this sector is now greater than 300m mts, more than double that of 15 years ago. Seaborne trade in this sector has only declined once (1992 by just 0.6%) in the last 35 years. Despite geo-political uncertainty generally flowing through to downgraded economic expectations, the market experienced continued import demand from a number of key end-user locations, with China and India recording 7% and 5% year-on-year import increases respectively. US-China trade wars have thus far had little direct impact on our overall market as the trade lane only accounts for just over 0.5% of total seaborne trade.

Turning to the other part of the tonne-mile demand equation, distance growth, chemical carriers on average travelled 0.6% further in 2018 when compared to the previous year, meaning more ships were needed to satisfy the same volume obligation.

On the supply side, real net fleet growth was slightly higher in 2018 compared to 2017, with an influx of modern products tankers. That said, the order book is still well below the long-run average and we expect the available fleet to contract in the medium-term. The fleet of chemical tankers, including 10% of 'IMO 3' product tankers, stood at 53.7m dwt at the start of 2018. By the end of the year, we believe 2.7m dwt of deliveries and 1.3m dwt of removals were registered. The overall fleet of chemical tankers at the end of 2018 was more than three times the size of the fleet in 2001.

Whilst earnings and market sentiment were somewhat depressed throughout much of 2018, fundamentals continue to point to a potential increase in utilisation over the medium to long-term.

Gas

2018 saw some improvement in fortunes across most of the sectors of the LPG carrier market, albeit more pronounced in some segments than in others. This recovery was supported by a slowdown in newbuilding deliveries combined with an acceleration in the pace of older vessel removals. In conjunction with the continued expansion of LPG trade, average freights for the year edged above the average 2017 levels.

Following a slowdown in the growth of US LPG exports in the first quarter, which negatively impacted tonne-mile demand, volumes have since recovered. However, the movement of US tonnes into China was adversely impacted from the second quarter by the imposition of trade tariffs. Whilst these volumes have been largely displaced by Middle Eastern suppliers, the redirection of US cargoes into Middle Eastern import markets such as Indonesia, Japan and South Korea has served to support laden distances overall. Despite the ongoing delay of new flows from the Mariner East II terminal expansion in the US, high utilisation levels from the existing terminals in the US Gulf in particular, have continued to drive the lion's share of the growth in seaborne trade, which is estimated to have expanded at a rate of just below 4% year-on-year.

Net growth in the VLGC fleet shrank to 1.3% in 2018, following the addition of ten newbuildings and the removal of six units which, in combination with volume growth, saw the benchmark Arabian Gulf-Japan rate jump by 25.1%. Higher bunker prices eroded some of these gains, but the time charter equivalent earnings were still up by over 21% at an average of just over US\$18,000 per day. As a result of improved trading conditions, there has also been an increase in secondhand sales and acquisitions this year. Partially on the back of a firming larger vessel market, rates for the mid and handysizes also experienced some improvement, although growth in both fleets segments of 2.7% year-on-year has moderated the impact of this. Benchmark handysize semi-refrigerated freights have risen by 11% to average US\$14,800 per day. In contrast, despite ammonia trade growth of over 4%, midsize freights have fallen by 2% as they were not able to capitalise on the longer haul petrochemical market, which continued to provide an increasingly large number of the handy units with employment.

The absence of any notable growth in overall petrochemicals trade prevented any significant recovery in term charter levels for the 12,000 and 8,000 cbm units, which generally flatlined overall during 2018. However, spot levels started to edge upwards in the second half of the year. The smaller units have fared much better and the recovery in the pressure sector has continued the gradual improvement started last year and the 12 month assessed time charter levels for pressure carriers in the East have risen by 19.4% to US\$8,000 per day, whilst those in the West have jumped 24%, driven by an ageing fleet, an absence of newbuildings and healthy coastal LPG and petrochemical gas trades.

The outlook for LPG trade remains positive next year, with the pace of growth to rise slightly to an estimated 5% per annum, as volumes from Mariner East II start to flow and as the Enterprise terminal in the US Gulf Coast undergoes another phase of expansion. There are however a number of factors which may moderate the scale of this expansion, including lower arbitrage opportunities from the US into Asia, with the new Australian projects now up and running. However, Middle Eastern flows to China should remain healthy, particularly as new propane dehydrogenation plants in China build production in the second half of 2019. Ammonia trade should show some further upside next year, although growth expectations are fairly restrained at 1.5%, with further possibility of increased exports and growth from Russia. On the petrochemical gas side, most of the upside is set to come with the start-up of the new ethylene terminal in the Gulf Coast which should help absorb some of the fleet growth which will take place in the handysize segment. Whilst fleet growth is expected to be modest in most sectors of the fleet, the VLGC fleet is expected to undergo a further phase of growth next year as another wave of newbuildings deliver. This will be moderated by the removal of older units but we will still expect the scale of the expansion to offset some of the positive impact of trade growth, as well as the shift in trade flows to soften tonne-miles.

Specialised products

The volume of seaborne trade for specialised products grew by an estimated 6% in 2018.

Gas

2018 saw some improvement in fortunes across most of the sectors of the LPG carrier market.



Broking continued

LNG

The LNG shipping market experienced significant growth in 2018. The near-term LNG shipping market was strong throughout 2018 with rates reaching all-time highs later in the year. The spot freight rate assessment for tri-fuelled diesel electric (TFDE) vessels averaged US\$88,700 per day for 2018, up 93% compared with 2017. Spot TFDE rates reached record levels of US\$190,000 per day in November.

High shipping demand was driven primarily by new projects ramping up production and early winter restocking by northeast Asian importers.

Global LNG trade volumes were up 9.4% to 322.5m mts per year, with Australian exports jumping by 22.8% to 69.3m mts. The Wheatstone project second liquefaction train (T2) and Ichthys project started production in 2018, and the Gorgon facility, which started in 2017, continued to ramp up exports into 2018 which added to growth.

Although Qatar was still the world's largest exporter at just over 77m mts, Australia is expected to become the biggest in 2019 once its new export projects reach full capacity. The US and Russia also increased exports significantly in 2018. US production was up by 54.7% to 22.1m mts and Russian LNG loadings from both Sakhalin and Yamal projects were up by 71.8% to 18.2m mts.

Elsewhere, rising upstream gas production also resulted in additional LNG exports. In Oman, the Khazzan gas project has meant the country could boost its LNG production by 16.8% to 9.5m mts and in Trinidad exports increased by 14.3% to 13.0m mts. Additional domestic gas production in Egypt resulted in climbing LNG exports, with shipments up 93.9% to 1.51m mts. In West Africa, Cameroon also started exporting LNG from a floating LNG (FLNG) production unit in June and shipped around 0.7m mts in 2018.

On the demand side, Asia remained the largest and fastest growing importing region. Japan remained the largest importer at 82.6m mts, but year-on-year growth was flat. The second largest buyer, China, continued its growth with imports up 30.5% to 51.7m mts, driven by environmental policy to switch to gas from coal and economic growth. South Korea remained the world's third largest buyer and increased imports by 11% to 41.9m mts. Meanwhile, India also increased imports by 12.3% to 21.4m mts.

New Atlantic basin production in the US and European transshipments of Russian Yamal cargoes, combined with the long-haul to supply Asian buyers, raised the average distance travelled globally by each cargo. In 2018, average distances were up by 4.4% to around 4,077 nautical miles compared with last year's average of 3,904 nautical miles.

Traded volumes are expected to increase again in 2019, with seven large projects to come online including Shell's Prelude FLNG project in Australia, and six onshore US liquefaction facilities.

Some 48 conventional LNG carriers and four FSRUs were delivered in 2018, double the number of LNG vessels delivered in the previous year. 64 conventional LNG carriers and one FSRU were ordered in 2018, the highest for 14 years. Most were placed against long-term contracts for upcoming export projects, however, a number of speculative orders were also placed by new and existing entrants, who anticipate tonnage requirements into early 2020s and beyond. Newbuild ordering is expected to continue into 2019, with a number of liquefaction projects anticipated to reach final investment decision in 2019.

Sale and purchase Secondhand

Following a slow start to the year, we are pleased to report that 2018 ended with our year-on-year figures up both in terms of volume of transactions and value of income generated when compared with 2017.

Market conditions across all shipping sectors remained fairly challenging which when combined with the tightening of the capital markets as a source of funds for our publicly quoted clients, meant that we had to work especially hard to find meaningful business to transact.

We won a number of major exclusive mandates which, alongside our other more regular business, gave us deep insight into market flow. This meant we were able to better service our clients leading to success when compared to our competitors. The standout exclusive mandate was for a fleet of 27 vessels which had gone into Chapter 11 via the US courts and was a modern fleet of suezmaxes, aframax and kamsarmax bulkers, all of which we successfully disposed of in an orderly fashion during the second half of the year without allowing the asset prices to be significantly eroded. This was the second time we have been appointed in such a way by a US liquidator on behalf of the US Supreme Court to handle a fleet sale and, when combined with the major appointment we won during 2017 from the Korean Banks during the collapse of Hanjin, cements our position as the only broking house worldwide who has either the experience or the resources to professionally handle such business.

Looking forward to 2019, it is difficult for us to predict whether this volume of business is repeatable. However, with all the regulatory changes concerning fuel and Ballast Water Treatment Systems, there are sure to be differing views amongst shipowners worldwide as to how best to manage their fleets and that in itself should provide the foundations for sale and purchase activity.

Newbuilding

2018 showed a steady level of contracting against 2017, remaining above the 2016 lows.

In value terms, US\$64.7bn of orders were placed compared to US\$69.2bn in 2017 and US\$36.7bn in 2016. Although in dwt terms ordering fell 14% year-on-year, contracting volumes by cgt were up 2%, reflecting increased orders for high value LNG and large containerships.

Tanker ordering fell by around a third to 23m dwt, including 39 VLCCs (2017: 56) while bulker order volumes dropped 25% to 31m dwt. A run on LNG ordering developed over the year, both driven by speculative and project demand, with 69 orders of US\$11.7bn being placed. LPG ordering increased to 41 vessels (2017: 27) and containership orders increased to 190 (2017: 140). Cruise and ferry also remained active sectors.

Korean yard order intake increased 67% and, driven by a 98% share of LNG orders, achieved a 44% global share of orders by cgt, compared to 32% for China and 13% for Japan. The equivalent numbers in dwt are Korea (43%), China (39%) and Japan (15%).

Shipyard output declined by 10% during 2018 to reach 30.2m cgt, with a steeper decline when measured in dwt, reflecting an 18% year-on-year reduction in tanker and bulker tonnage delivered. The market continues to fragment with respect to a division of focus between high value/technology asset classes such as gas and offshore, where the Korean yards continue to place an increased focus, and dry and wet conventional tonnage, where the Chinese yards are continuing to press their intentions to maintain and grow market share. From a regional perspective, Chinese yards retained their lead position with a 36% market share by cgt, followed by Korea and Japan both at 25%. The equivalent numbers in dwt are China (43%), Japan (25%) and Korea (25%) with Japanese output actually slightly higher than Korea.

Whilst contracting levels were relatively consistent, much of the activity that took place was catalysed by what remained bottom cycle pricing and yards took challenging deals to secure production and maintain market share. The likely consequence of this is that they will seek to increase their pricing policy for 2019 to mitigate against challenging contracts placed over the last 18 months.

Our performance remained up year-on-year, with significant contributions from both Sweden and Norway in the passenger and container sectors driving real volume and value into our order book. We continue to capitalise on our position in the industrial space, on the relationships that this volume of contracting activity creates, and on the strong synergies existent throughout the Group.

LNG

64 conventional LNG carriers and one FSRU were ordered in 2018, the highest for 14 years.

Sale and purchase – secondhand

Our secondhand volume of transactions and value of income generated increased compared to 2017.

Sale and purchase – newbuilding

2018 showed a steady level of contracting against 2017, remaining above the 2016 lows.



Broking continued

Offshore

General

2018 has, in general, been another challenging year for the offshore oil services sector. During the first half of the year, oil prices strengthened significantly, inducing much needed optimism across the industry, and operators signalled increasing activity levels moving forward. The strong oil price drop towards the end of the year, however, has once again increased uncertainty with regard to future market conditions, which could adversely affect the recovery for offshore oil services.

During 2018, we have observed a steady increase in rig tendering and fixing activity and slightly improving utilisation for selected rig and OSV segments. Field development activity is, however, still progressing slowly and operators did not increase sanctioning of new developments notably compared to last year. Offshore contractors and suppliers, however, regained some optimism and seem to be preparing for increasing activity levels. This is evidenced by increasing sale and purchase activity and a few noteworthy M&A transactions, particularly in the offshore rig segment. In spite of the careful optimism, utilisation and rates in general across the different offshore service segments remain at depressed levels.

Drilling market

Total offshore rig demand improved slightly through 2018 having bottomed in early 2017. The global offshore rig count (rigs on contract) was at 462 units as at the end of December 2018, up from 449 units at the end of 2017. Active utilisation currently is around 71% for jackups and 65% for floaters versus 66% for both segments at the end of 2017.

A deeper analysis of the rig market displays significant regional and sub-segment variances. In shallow water, we see increased rig demand in the Middle East, Asia and West Africa. For the deep water and ultra-deep water floater segment, we see indications of demand growth in Brazil, West Africa and Asia. The North Sea Harsh Environment (HE) semi-submersible market remains the strongest floater segment, especially in Norway. This segment has experienced pronounced tightening due to rising demand and significant supply side attrition, resulting in day rates doubling from trough levels, and HE-focused players picking up all of the HE semis stranded at yards in Singapore and Korea.

2018 also saw a number of secondhand jackup transactions, with more buyers acquiring secondhand and stranded newbuild units. In addition, there has finally been movement in the market for stranded newbuild ultra-deep water drillships for the first time since the downturn.

Rebalancing of the broader rig market continues to progress further on the back of low utilisation and rates, financial stress and contractors' realisation of the need to reduce capacity across the industry. As such, contractors have retired approximately 40% of the total floater fleet since late 2014. While the pace of retirements in the jackup segment has been slower for various reasons, a positive update is that 2018 witnessed the largest number of scrapping announcements. Continuing industry consolidation is also anticipated to be a driver of further retirements in the industry.

The subsea and field development market

In spite of oil prices strengthening during the first half of 2018, leading to operators generally reporting strong cash flow, sanctioning of new offshore field developments has not yet seen a significant uptick. A large number of offshore oil projects seem to be economically viable even after oil prices have dropped and, consequently should not prevent operators from increasing sanctioning activity. Actual sanctioning in 2018 seems to have been broadly in line with that observed in 2017, indicating stable development in sanctioning activity, rather than an uptick. This impacts the subsea and field development market, where backlog for leading contractors generally remains flat. The order backlog is however, down significantly from levels seen in 2015 and 2016, and as a consequence, fleet utilisation for leading subsea contractors has continued to be under pressure during 2018. This has adverse knock-on effects for vessel providers, leading to low global subsea fleet utilisation. A slight increase in the market for subsea inspections, maintenance and repairs and strong activity in the offshore wind segment has compensated somewhat, but this is far from sufficient to cover the shortfall in subsea EPC/project work. Furthermore, as backlogs for leading contractors have not yet started to build, the outlook for improving fleet utilisation is also subdued for the near-term future.

Offshore support vessels (PSV and AHTS)

The market for OSVs remains challenging, characterised by significant vessel overcapacity, low utilisation and day rates marginally above operating expenses in most regions. Global fleet utilisation (taking into account stacked vessels) for large OSVs is currently around 67% and 78% for AHTS and PSV respectively, while active utilisation levels in some regions naturally remain substantially higher (87% and 92% globally for AHTS and PSV respectively). In these severe market conditions, most or all vessel operators are struggling, and we have continued to witness high corporate activity in terms of refinancing, restructuring and consolidation. Some US players have managed to reduce their debt substantially as a result, making them more competitive going forward. Increased consolidation and significant vessel attrition bodes well for the longer-term rebalancing of the segment, but on the back of the substantial overcapacity, we anticipate a recovery to more sustainable day rate levels to still be several years out. As for rigs, regional differences do apply, and rates have come up slightly already, for example in the North Sea where both spot and term rates have come up noteworthy from trough levels.

Futures

2018 was another year of improvement in the dry indices, albeit less substantial than had initially been anticipated. Capes averaged US\$16,528 (US\$15,128 in 2017), panamaxes US\$11,653 (US\$9,766 in 2017) and supramax 6TC averaged US\$11,196 (US\$9,168 in 2017). Supramaxes are slowly migrating from the 6TC 52,000 dwt to the 10TC 58,000 dwt (10TC index averaged 11,486 in 2018).

Volumes for the year were mixed with capes deteriorating from 501,511 lots in 2017 (one lot is 1,000 tonnes) to 488,234 lots in 2018. This was compensated in part by an increase of over 40% in options volumes, particularly in the cape sector, from 192,779 lots in 2017 to 272,666 lots in 2018. Panamax volumes improved from 519,387 lots in 2017 to 576,040 lots in 2018, re-establishing panamax as the highest volume futures contract. Supramaxes lost minimal ground from 150,297 lots in 2017 to 142,128 lots in 2018 in part due to the split liquidity between the old 6TC average and the newer 10TC, which has taken a long time to gain traction.

The headline cape index was volatile throughout the year, particularly in the fourth quarter, when expectations of a strong end to the year ultimately failed to materialise. This volatility together with the improved notional values resulted in an improved year for the division with stronger revenues particularly in the options area.

2018 marked the re-entry of the Company into the wet FFA market, with a team that built in numbers through the year, achieving full strength only in the fourth quarter. The team have made a solid start and quickly established themselves in the market. The year saw a minor drop in clean volumes from 144,127 lots in 2017 to 131,106 lots in 2018, but a substantial growth in dirty volumes from 126,911 lots in 2017 to 191,975 lots in 2018.

Iron ore volumes shrank for much of the year, dropping for an average of 5m mt per day during 2017 to 3m mt per day for the first three quarters of the year. This was predominantly due to the market falling from a US\$41.50 high/low range in 2017 to US\$20 range for much of 2018. This was only remedied in the fourth quarter when volumes returned to the 5m mt per day mark on the back of a spike in volatility, taking the market out of its narrow range.

Offshore – general

During 2018, we have observed a steady increase in rig tendering and fixing activity and slightly improving utilisation for selected rig and OSV segments.

Offshore – drilling market

Total offshore rig demand improved slightly through 2018 having bottomed in early 2017.

Offshore – the subsea and field development market

In spite of oil prices strengthening during the first half of 2018, sanctioning of new offshore field developments has not yet seen a significant uptick.

Offshore – OSVs

The market for OSVs remains challenging, characterised by significant vessel overcapacity, low utilisation and day rates marginally above operating expenses in most regions.

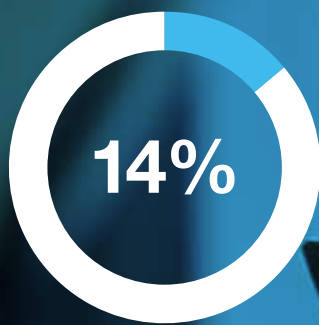
Futures

2018 marked the re-entry of the Company into the wet FFA market. The team have made a solid start and quickly established themselves in the market.



Financial

Share of revenue



Services

- Securities
- Project finance
- Structured asset finance

Number of employees

114

Investing for the future

Against a backdrop of volatile markets and regulatory change, we executed a number of key transactions and positioned ourselves to take advantage of opportunities as they arise.

Revenue

£46.1m

2017: £52.0m

Segment underlying profit

£8.0m

2017: £10.1m

Financial in action

How has Clarkson Platou Securities helped its clients to service funding needed to execute their strategy?

**Smarter decisions.
Powered by intelligence.**



Across the verticals of shipping, oil services and metals and mining, Clarkson Platou Securities has been lead in servicing finance in both Oslo and the US for clients covering cargo and its journey.

Clarkson Platou Securities has been lead in raising US\$38bn in capital for energy and maritime industries from 2010 to 2018; US\$20.7bn in equity and US\$17.3bn in debt.

Clarkson Platou Securities' seamless execution services has led to a significant amount of repeat business, with 39 equity and debt transactions completed in 2018.

Financial continued

Securities

2018 was unquestionably volatile. Stock markets, in particular, suffered mainly due to raised interest rates. During the fourth quarter, global stocks experienced their worst performance since 2010. The US Federal Reserve feared an overheating in the US with high inflation, and raised interest rates faster than expected, which affected the market negatively. Throughout the first three quarters of 2018, most global economic indicators strengthened. Global equities rallied amid strong corporate earnings and solid economic growth in developed markets, having shrugged off the heated-up trade tensions between the US and China. In Norway, the Oslo Børs Benchmark Index had consecutive highs during September, culminating in a new all-time high set on 26 September due to the increased oil price. However, the trend was short-lived. In the final quarter global stocks fell almost 7% and any gain earned during the first nine months were erased due to concern over Chinese economic growth, fear of higher interest rates, trade wars and the fear of a hard Brexit. The S&P fell almost 13%, FTSE down almost 11% and the OSE fell 15.5%.

In the first half of 2018, the demand for oil increased due to the cut in production from OPEC and bargaining disturbances from Venezuela, Angola and Libya. In addition, the decision to abandon the Iranian agreement has also influenced the oil price. Despite the gloomy performance globally, Norway did not see an extremely negative impact in 2018, and the energy index (which contains a large proportion of companies active in the oil sector) climbed 3%, mainly due to the performance of Equinor, DNO and Aker BP.

2018 also came with the implementation of some significant regulatory changes, including MiFID II and GDPR, which have had a negative impact on Investment Banking earnings as continued pressure on commissions due to research payments has become more evident. During 2018, Clarkson Platou Securities established a subsidiary in Calgary, Canada in order to introduce our services into the Canadian metals and mining and E&P sectors. In addition, we have applied to establish a branch in London under our current licences held in Norway, for which we expect to receive the approval to start business during the first quarter of 2019.

Contrary to the first quarter of 2018, the second was extremely good for Clarkson Platou Securities. During the first half of 2018 we completed a total of 21 transactions, raising US\$900m in equity and US\$1.6bn in debt and in the second half of 2018 we closed 18 transactions raising approximately US\$1.3bn in equity and US\$1.1bn in debt.

Key transactions during the year were the closure of the acquisition of Songa Offshore ASA for Transocean and the acquisition of all vessels from Songa Bulk ASA by Star Bulk Carriers Corp. These transactions totalled approximately US\$1.4bn and continued to build our position as a trusted M&A advisor. We have also continued our focus on metals and mining and participated in several deals, including the US\$350m bond offering for Nemaska Lithium.

During the first half of 2018, we established a new convertible bond desk, and by the end of December this totalled six people; in Oslo, New York, Frankfurt and Calgary. This team completed its first convertible bond transaction of US\$350m in Borr Drilling Limited in May 2018 and has an evolving pipeline.

In our core industries of shipping, offshore and metals and mining, low ordering, robust global demand and regulatory changes all fuel positive expectations, albeit balanced against global macro-economic uncertainty.

Project finance

Shipping

The Norwegian project finance market experienced a growing level of deal activity in 2018 compared to the previous year. The Norwegian KS structure is still popular among shipowners who are seeking investors to co-invest in their projects. The typical deal size is US\$10-15m with 50-100% equity finance. Domestic and international investors seeking direct investment in the shipping market, often find the project market in Norway a good platform to make such investments. In addition, the investor market seeks fixed yield investments through long-term bareboat leases. Competition in the leasing space is growing, with several new players having raised equity for leasing funds with capital ready to be deployed. Clarkson Platou Project Finance placed two leasing projects in 2018 and will focus on growing its market share going forward.

Clarkson Platou Project Finance transaction volume reached its highest level since 2009 with 17 vessels financed through 12 transactions, totalling US\$170m of invested capital. The majority of projects placed have been within the container, bulk, tanker and offshore markets.

Real estate

The Nordic real estate market delivered solid volume in 2018 although a slight decrease from the volumes seen in 2017. Throughout the 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 low volatility macro-economies like the Nordics. In 2018, prime yields in Stockholm and Oslo were similar to major European cities like Berlin, Paris and Madrid.

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 exceeded 10% even in 2018, and the consensus expectation for 2019 is that the rent levels will continue with strong growth making office buildings with short leases an attractive investment opportunity.

During 2018 Clarkson Platou Real Estate completed 24 projects and sold two projects, generating substantial success fees.

In addition, we have established a new fund management company with two employees. This company launched its first opportunistic real estate fund in the fourth quarter, where we raised NOK500m in committed equity in less than a week. The fund has already concluded two investments and is considering others.

Structured asset finance

As expected, the challenging financing landscape has persisted throughout 2018 with a fundamental undersupply of credit to the shipping industry. We have seen banks adopt a more cautious approach to ship finance given market regulation alongside Basel III and IV and have seen that the traditional relationship banking approach is beyond only the very few top tier owners.

Global ship finance has fallen 25% since 2008, whilst the global fleet has increased by 28% during the same period. Although the Chinese, Japanese and Korean leasing companies have filled some of the lending gap, banks are lending less and less to shipping and sources of capital are getting tighter. It is also noteworthy that the leasing solutions are only for owners with sizeable fleets and consolidated financials.

Alternative capital providers targeting small- to medium-sized owners have also been on the rise to fill some of the gap, however finance is not cheap, with the price of capital very much matched to the quality of risk. The fundamental shifts in the banking industry and the lack of financing have created some interesting dynamics with owners having to think carefully about new ways to finance their assets.

We expect that in 2019 shipping finance will remain testing as the shipping finance landscape evolves.

Securities

Throughout the first three quarters of 2018, most global economic indicators strengthened.

Project finance – shipping

The Norwegian project finance market experienced a growing level of deal activity in 2018 compared to 2017.

Project finance – real estate

The Nordic real estate market delivered solid volume in 2018.

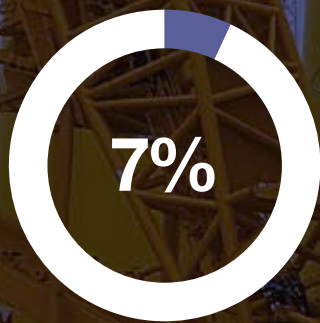
Structured asset finance

The challenging financing landscape has persisted throughout 2018, with a fundamental undersupply of credit to the shipping industry.



Support

Share of revenue



Services

- Agency
- Gibb Tools
- Stevedoring
- Freight forwarding and logistics

Number of employees

240

Capitalising on activity

The breadth of services offered to our clients enables us to capitalise on increasing levels of market activity wherever they arise.

Revenue

£23.9m

2017: £18.5m

Segment underlying profit

£2.3m

2017: £2.1m

Support in action

How does one of the world's major energy providers benefit from working with Clarksons Port Services?

**Smarter decisions.
Powered by intelligence.**



If a turnkey solution for an offshore energy project is required, we have the ability to assist our client from start to finish, providing them with a unique and bespoke service that utilises our experience in logistics management, broking, bunker supply, port agency, stevedoring and procurement services and freight services.

Using the Group's extensive data and global connections, our client can be entirely reassured that we can co-ordinate every aspect of their offshore project, be it sourcing suitable vessels, managing logistics, securing ports, procuring equipment and goods or arranging necessary supplies of bunkers and water, as well as adhere to strict deadlines to ensure that no costly delays to the project will be incurred.

Our ability to contribute such a broad range of services as a result of our intelligence not only generates significant cost savings but ensures maximum efficiency for our clients.

Support continued

Agency – UK

A poor 2018 grain season caused by extremes in weather conditions leading up to the harvest resulted in a marked reduction in activity for our offices that concentrate on the export of grain. We saw some movement of malting barley, but very little feed or milling wheat moving.

The announcement towards the end of the year that two bioethanol plants on the east coast of the UK were suspending production created some welcomed optimism in the grain market, with the hope that more of the UK surplus will now be released for export.

Grain imports remained steady, even seeing increased volume being shipped from the US and Canada.

As a result of the wet weather conditions in the early part of the year, we have seen an increase in animal feed volumes being imported throughout the UK offices, and have taken the opportunity to open a new office on the Clyde in support of our clients.

The import of biofuels remains steady through our Liverpool and Tyne offices and aggregates continue to be an important part of our business, with imports handled by our east coast offices and exports taking place from Ireland.

There was a marked improvement within the offshore oil and gas sector albeit that levels of activity are still nowhere near those seen in 2014.

Our offshore services have been further bolstered by a continued increase in the renewables market as the UK continues to invest in the construction of offshore wind farms. We have now seen several large projects start off the Scottish coast, which are set to give us sustained work for the next few years.

Agency – Egypt

During 2018, Clarkson Shipping Agency in Egypt has successfully expanded its range of services through the signing of a long-term contract with one major customer liner business. Consequently, we have commenced the execution of outsourced customer service centres across all Egyptian ports with the addition of about 50 new joiners to our agency and chartering team.

Gibb Tools

Our supply business has had a good year on the back of the increase in activity in the oil, gas and offshore wind sectors. In Aberdeen, we have seen customers increase their levels of spend with us and are pleased to see contracts for the supply of tools and consumables being renewed into 2019.

Stevedoring

As with our agency business, our stevedoring operation in Ipswich has suffered from the reduced levels of grain exports from the UK.

The lower levels of grain available in the UK did, however, naturally lead to increased import demand. Although providing welcome tonnage through the port, higher levels of imports do rely on increased storage capacity being readily available. With this in mind, we were delighted to be given sole use of Associated British Ports' recently completed purpose-built warehouse facility. The greatly increased storage capacity within the port will allow us to accommodate the growing needs of our customers.

Freight forwarding and logistics

We continue to expand our freight forwarding operations in Aberdeen, Great Yarmouth and Belfast.

We have now achieved Authorised Economic Operator status with HMRC, enabling us to increase the service we can offer to our customers when handling their import and export needs, and have also invested in new dedicated software allowing us to streamline our links with customs, carriers and warehouse requirements.

We are proud to offer a dedicated bespoke service to our customers, meeting a demand and service level not always available from some of the larger freight forwarding companies.

Agency – UK

Our offshore services have been bolstered by a continued increase in the renewables market.

Agency – Egypt

During 2018, our Egyptian agency business successfully expanded its range of services through the signing of a long-term contract with one major customer liner business.

Gibb Tools

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Stevedoring

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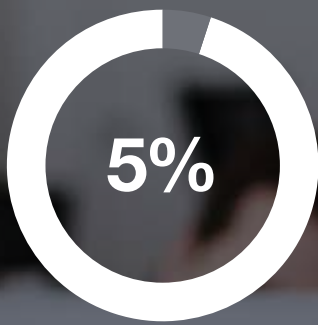
Freight forwarding and logistics

We continue to expand our freight forwarding operations in Aberdeen, Great Yarmouth and Belfast.



Research

Share of revenue



Services
— Digital
— Services
— Reports

Leading the way

Driving innovation to improve our product offering and expand our client base, thus cementing our market-leading position.

Revenue

£15.9m

2017: £14.6m

Segment underlying profit

£5.0m

2017: £4.8m

Number of employees

120

Research in action

How has Clarksons Research improved intelligence flows around ship refurbishment and retro-fit?

**Smarter decisions.
Powered by intelligence.**



The demand for intelligence around the repair, refurbishment and retro-fitting of vessels has increased in recent years, in response to new environmental regulations and the increased opportunities for service support of the expanded world fleet. However, intelligence around this area has traditionally been less comprehensive than that available for the newbuilding market.

Utilising algorithmic techniques to derive data from a combination of our vessel, marine equipment, vessel movement, geo-spatial and shipyard databases, Clarksons Research has created an intelligence flow that tracks activity at ship repair yards around the world. This intelligence covers special surveys, refurbishments, conversions, off hire time and the retro-fitting of eco-equipment such as scrubbers and ballast water management systems. This data is integrated into our World Fleet Register, SeaNet and data feeds to clients providing them with insights to support their decision-making and sales and marketing programmes.

Research continued

Research revenue grew by 9% to reach £15.9m (2017: £14.6m), with profits of £5.0m (2017: £4.8m). Clarksons Research is a globally respected leader in the provision of data and intelligence across shipping, trade, offshore and energy and we have invested heavily to expand our proprietary database, to improve our product offering through technology and innovation and to grow our wide client base through an expanded sales capability. Research continues to be a core data provider to the broking, financial and support teams of Clarksons, including to the Clarksons Cloud initiative, and helps enhance Clarksons' profile across the shipping industry with its wide distribution.

Research focuses on gathering, validating, processing and analysing data around the shipping and offshore markets to support our clients with their strategy and general decision-making processes. Total global research headcount is over 120, with a significant Asia Pacific presence. Recent headcount expansion has focused on our IT development and data analytics teams as well as our business development and sales capabilities. Over 75% of research sales are annuity-based and client retention levels remained high in 2018. 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.

Our wide-ranging and proprietary database continues to expand with an ongoing focus on market relevance, depth and breadth. Our new data analytics team are now deriving a range of additional data utilising innovative techniques. Across shipping and trade, our database provides coverage on over 140,000 vessels totalling 2bn dwt, over 40,000 companies, over 25,000 machinery models including environmental packages on ships, over 600 active shipyards and fabricators, over 600,000 fixtures, capital market and shipping loan data and over 100,000 commercial and trade time series, including coverage of 11.9bn tonnes of seaborne trade and commodity flow data. Our ports and infrastructure database has seen significant expansion in 2018, including a total of 6,000 ports, 20,000 berths, 1,000 refineries and 400 LNG plants, all integrated within a Geographical Information System platform. Our offshore and energy database provides comprehensive coverage of 7,000 offshore fields producing 25m barrels of oil per day and 121bn cubic feet per day, tracking of over 2,000 investment projects through their lifecycle, 8,000 production platforms, 8,000 subsea trees, 1,000 offshore rigs, 5,000 support vessels and construction vessels. This data flows through into our Research offering and into systems used across the Clarksons operating divisions.

Digital

Sales from our digital product range grew by an encouraging 19% (2017: 16%) and there are now over 6,000 individual users across our single access integrated platform. Investments into our digital offer continue, with specific development plans for each of our digital products to ensure that all systems capture the benefits of our expanded database, utilise latest technology including new data visualisation and customisation tools and remain market relevant. Investment into the underlying architecture of our digital offer has also supported wide ranging benefits.

Major digital products include:

Shipping Intelligence Network

Sales from our market-leading commercial shipping database grew strongly, further enhancing our market position. Across 2018, our newly-developed intelligence management tool has allowed us to publish regular briefings on the shipping context of major geopolitical events such as the US-China trade war and Brexit. Investment across our time series and indices database in 2018 has also increased the volume of intelligence available to our clients.

World Fleet Register

Sales from our online vessel register have grown robustly across 2018, benefiting in part from strong client interest in the accelerating environmental regulatory timetable facing the shipping industry. The register focuses on providing intelligence around the world fleet, environmental regulation, the tracking of new technology on-board ships and market trends in the shipbuilding market. A range of new features introduced in early 2018 have been extremely well received by our client base and the roll out of a new ship repair module, focusing on retrofitting of new technology on ships, is scheduled for release in early 2019.

Offshore Intelligence Network

This system benefited from a major upgrade in the first half of 2018, including the roll out of regional OSV utilisation time series developed by our data analytics team using new algorithmic techniques. Other improvements include database driven intelligence alerts, rig availability charting, lifecycle project tracking and oil company investment profiles.

World Offshore Register

Our comprehensive offshore register provides detailed intelligence on all offshore oil and gas fields, oil company investment activity, the infrastructure involved and the mobile assets that support the offshore sector. A new module focused on the growing global renewables market was added to the offer in 2018, as was intelligence on decommissioning projects. Despite the continued challenging market, sales across our combined offshore digital product range grew by 13%. We have retained our market-leading position in the insurance market.

SeaNet

Our vessel movement system blends satellite and land-based AIS data with our proprietary database of vessels and ports, utilising innovative technology developed in-house and in conjunction with Clarksons Cloud. Across 2018, the development of intelligence around vessel speed, deployment patterns and port activity began to be rolled out across the system. This new intelligence leverages off our programme to create a market-leading port and infrastructure database. Further enhancements to SeaNet are planned for 2019.

Services

Our specialist services team, which concentrates on managing retainers and providing bespoke data, consultancy and seminars for a range of corporate clients, achieved some notable successes in 2018 and is working closely with our IT team to offer new delivery options and with our expanded sales teams to generate new business. These bespoke services typically become embedded within our clients' workflows, supporting good client retention. Important client groups include banks, shipyards, fabricators, engineering companies, insurers, governments, asset owners and other corporates. There was expansion of the client base across ports during 2018.

Clarksons Valuations performed well in 2018. Clarksons Valuations 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. The successful project to digitalise workflows, supported by significant investment into the team's operating platform, has substantially improved workflow efficiency and client deliverables.

Reports

Our comprehensive market intelligence report series continues to generate provenance and profile across the industry, benefiting from over 50 years of heritage. The series is widely recognised across the industry as a source of trustworthy intelligence and, in addition to being available individually, are increasingly accessed via our digital offer. Our flagship shipping reports include Shipping Intelligence Weekly, Shipping Review and Outlook and LNG Trade and Transport. Our offshore intelligence series includes Offshore Review and Outlook, Offshore Drilling Rig Monthly and Offshore Support Vessel Monthly.

General

Our new data analytics team are now deriving a range of additional data utilising innovative techniques.

Digital

Investments into our digital offer continue, with specific development plans for each of our digital products.

Services

Our specialist services team achieved some notable successes in 2018 and is working closely with our IT team to offer new delivery options and with our expanded sales teams to generate new business.

Reports

Our comprehensive market intelligence report series continues to generate provenance and profile across the industry, benefiting from over 50 years of heritage.



Despite market headwinds, Clarksons' robust balance sheet and forward order book support a 16th consecutive year of dividend increases to 75p.



Jeff Woyda
Chief Financial Officer
& Chief Operating Officer

Revenue

£337.6m

2017: £324.0m

Underlying profit before taxation

£45.3m

2017: £50.2m

Reported profit before taxation

£42.9m

2017: £45.4m

Dividend per share

75p

2017: 73p

Segmental summary

Broking	2018 £m	2017 £m	2016 £m
Revenue	251.7	238.9	233.6
Underlying profit	44.0	43.9	40.2

Financial	2018 £m	2017 £m	2016 £m
Revenue	46.1	52.0	41.0
Underlying profit	8.0	10.1	6.8

Support	2018 £m	2017 £m	2016 £m
Revenue	23.9	18.5	17.8
Underlying profit	2.3	2.1	2.1

Research	2018 £m	2017 £m	2016 £m
Revenue	15.9	14.6	13.7
Underlying profit	5.0	4.8	4.9

Financial review continued

Results

The Group generated revenue of £337.6m (2017: £324.0m) and incurred administrative expenses of £279.7m (2017: £264.8m). The majority of revenue and a significant proportion of expenses are earned in currencies other than sterling.

Underlying profit before taxation was £45.3m (2017: £50.2m). The term 'underlying' excludes the impact of 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.

	2018 £m	2017 £m
Underlying profit before taxation	45.3	50.2
Acquisition related costs	(2.4)	(4.8)
Reported profit before taxation	42.9	45.4

Acquisition related costs

Acquisition related costs include £1.7m of amortisation of intangibles and £0.7m of cash and share-based payments spread over employee service periods. We estimate acquisition related costs for 2019 to be £1.7m, assuming no further acquisitions are made.

Taxation

The Group's underlying effective tax rate was 23.6% (2017: 24.0%), 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 23.7% (2017: 24.3%).

Earnings per share (EPS)

Underlying basic EPS was 105.2p (2017: 116.8p), 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 98.8p (2017: 104.4p).

See more in the key performance indicators section on page 31.

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. Those amounts which are not yet invoiced, and therefore not recognised as revenue, are held in the FOB. In challenging markets, such amounts may be cancelled or deferred into later periods.

The Directors review the FOB at the year-end and only publish the FOB items which will, in their view, be invoiced in the following 12 months. At 31 December 2018, this estimate was 15% higher than last year at US\$107m (31 December 2017: US\$93m).

See more in the key performance indicators section on page 31.

Dividend

The Board is recommending a final dividend of 51p (2017: 50p), which, subject to shareholder approval, will be paid on 31 May 2019 to shareholders on the register at the close of business on 17 May 2019.

Together with the interim dividend of 24p (2017: 23p), this would give a total dividend of 75p, an increase of 3% on 2017 (2017: 73p). In taking its decision, the Board took into consideration the Group's 2018 performance, balance sheet strength, ability to generate cash and FOB.

The dividend is covered 1.3 times by basic EPS (2017: 1.4 times). This increased dividend represents the 16th consecutive year that the Board has raised the dividend.

Foreign exchange

The average sterling exchange rate during 2018 was US\$1.33 (2017: US\$1.30). At 31 December 2018, the spot rate was US\$1.27 (2017: US\$1.35).

Cash and borrowings

The Group ended the year with cash balances of £156.5m (2017: £161.7m) and a further £1.7m (2017: £5.5m) held in short-term deposit accounts, classified as current investments on the balance sheet.

Net cash and available funds, being cash balances after the deduction of accrued bonuses, at 31 December 2018 were £73.4m (2017: £79.1m). The Board uses this figure as a better representation of the net cash available to the business, since bonuses are typically paid once a year after the year-end, hence an element of the year-end cash balance is earmarked for this purpose.

Given the increasingly regulatory nature of our business, a further measure used by the Board in taking decisions over capital allocation is free cash resources, which deducts monies held by regulated entities from the net cash and available funds figure. Free cash resources at 31 December 2018 were £57.0m (2017: £54.1m).

The Group does not have any borrowings.

Balance sheet

Net assets at 31 December 2018 were £434.6m (2017: £423.4m). The balance sheet remains strong, with net current assets and investments exceeding non-current liabilities (excluding pension provisions) by £89.3m (2017: £77.1m).

The overall impairment allowance for trade receivables was £14.4m (2017: £13.3m).

The Group's pension schemes have a combined surplus before deferred tax of £14.0m (2017: £12.3m). During the year, the largest two schemes de-risked by replacing their equity holdings with less volatile investments.

Brexit

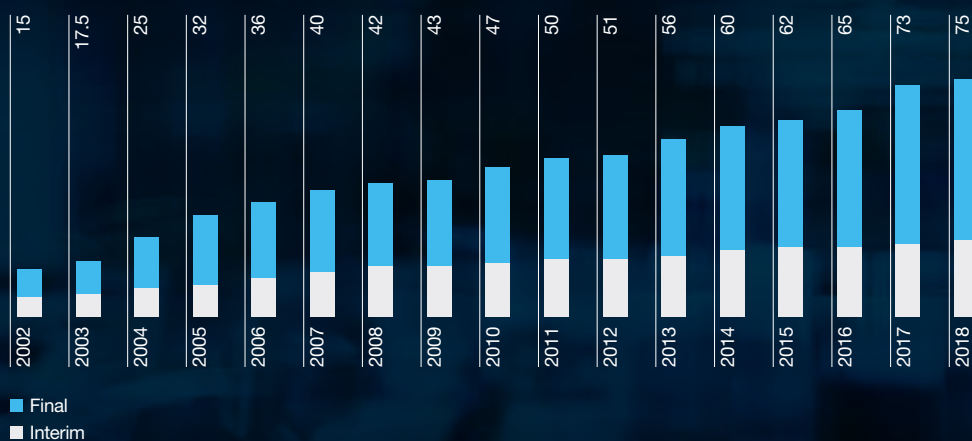
The UK referendum in June 2016 and subsequent triggering of Article 50 in March 2017 means that the UK is scheduled to leave the EU in March 2019 (Brexit), creating uncertainties surrounding global economic impacts. As a global Group, we do not currently believe that our businesses will be materially affected by Brexit, other than any impact arising from movements in the foreign exchange rates. We continue to monitor developments closely and assess the uncertainty and risks associated with the potential economic and geo-political volatility arising from Brexit. Our decentralised business model, with operations in diverse markets and locations, enables the Group to adapt quickly to changing trading conditions.

Jeff Woyda

Chief Financial Officer & Chief Operating Officer
8 March 2019

A strong financial performance to sustain long-term growth

Dividend per share Pence



Free cash resources

£57.0m

2017: £54.1m

Net assets

£434.6m

2017: £423.4m

The balance of effective risk management and taking advantage of all potential opportunities enables us to deliver our strategy. 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.

Our risk profile continues to adapt as a result of changing market conditions and regulations, increasing global political uncertainty with associated market volatility, and increasing cyber criminality. We recognise that a number of our principal risks, such as changes in the broking industry, also create opportunities for us, as we develop the tools to future proof our business.

See more on our markets on pages 18 to 23.

Risk environment

Inherent risk attributes of our business include the following principles:

— **We act as agents in the provision of services for and on behalf of our clients**

As agents, we are bound by the scope and authority determined by our General Terms and Conditions, which are communicated to our clients on commencement of business with them. We do not take principal trading positions, other than in the new convertible bonds business and in exceptional circumstances in the financial division should there be a failure of a client to meet its obligations during the settlement period.

— **We do not own physical assets of material value**

The strength of our balance sheet comes from cash and other current working capital which strengthen with our consistently profitable business. Our profit and cash flows are not exposed to asset valuations or the risk of loss or damage to physical assets of material value integral to our day-to-day business.

— **Capital commitments**

Aside from regulatory capital commitments in our regulated entities, we are not required to commit material amounts of capital in the conduct of our day-to-day business.

— **The Group has no borrowings**

Our strategy is to create long-term sustainable value for all of our stakeholders by building on our strong performance, which allows us to maintain and develop our position as the global market leader in shipping services.

See more on our strategic objectives on pages 28 and 29.

Risk culture

Risk management is an integral part of all of our activities. Risks are considered in conjunction with opportunities in all business decisions. We focus on the principal risks which could affect our business performance and therefore the achievement of our strategic objectives.

Our flat management structure and culture of open communication across all areas of the business enables employees to identify, assess, manage and report current, potential or emerging risks to senior management in a timely manner. Employees are also encouraged to suggest improvements to processes and controls.

See more on our culture on page 33.

Risk appetite

Risk appetite reflects the overall level of risk we are willing to accept in order to achieve our strategic objectives and is therefore at the heart of our risk management processes. Determining the nature and extent of the risks we are willing to take is the responsibility of the Board. Our aim is to manage each of our principal risks and mitigate them to within our agreed risk appetite level.

The Board approves the Group's policies, procedures and controls. This process enables, where possible, a reduction in risks to the tolerance levels set by the Board. In determining its risk appetite, the Board recognises that a prudent and robust approach to risk mitigation must be carefully balanced with a degree of flexibility so that the entrepreneurial spirit which has greatly contributed to the success of the Group is not inhibited.

Brexit

The scheduled departure of the UK from the EU on 29 March 2019 (Brexit) creates uncertainties surrounding global economic impacts. As a global Group, we do not currently believe that our businesses will be materially affected by Brexit, other than any impact arising from movements in the foreign exchange rates. We continue to monitor developments closely and assess the uncertainty and risks associated with the potential economic and geo-political volatility arising from Brexit.

Risk governance

We have an established risk management structure in place to enable us to identify, document, assess and monitor the risks facing our business.

The Board is responsible for:

- managing risk to deliver opportunities;
- setting the Group's strategic objectives and determining the nature and extent of the risks it is willing to take (the risk appetite) in achieving these strategic objectives;
- establishing risk management policies, key controls and procedures to ensure that they continue to be effective and protect the Company's stakeholders;
- maintaining the Company's system of internal controls and risk management; and
- reviewing the effectiveness of these systems annually.

The Audit Committee is responsible for:

- undertaking an annual review of the Group's internal controls and procedures, including those for financial, operational, compliance and risk management;
- reviewing the external Auditors' report in relation to internal control observations;
- reviewing the adequacy and effectiveness of the Group's risk management systems and processes;
- overseeing the development of internal control procedures which provide assurance that the controls which are operating in the Group are effective and sufficient to counteract the risks to which the Company is exposed; and
- reviewing the need for an internal audit function.

No significant control deficiencies were identified during the year.

Operational management

- risk management processes and internal controls embedded across divisions and functional areas;
- risk identification, assessment and mitigation performed across the business; and
- risk awareness and safety culture embedded across the business.

Controls environment

Our internal control system is embedded into our culture and encompasses the policies, processes and behaviours that, taken together:

- facilitate its effective and efficient operation by enabling us to respond appropriately to significant operational, financial, compliance and other risks to achieving our objectives. This includes the safeguarding of assets from inappropriate use or from loss and fraud and ensuring that liabilities are identified and managed;
- help ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information; and
- help ensure compliance with applicable laws and regulations.

Our internal control 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.

The Company continually seeks to improve and update existing procedures and to introduce new controls where necessary.

It is clearly communicated to all staff that they are responsible for ensuring compliance with Group policies, identifying risks within their business and ensuring these risks are controlled and monitored in the appropriate way.

Approach and framework

Our approach is to maintain and strengthen our risk management and internal control framework of identifying, monitoring, managing, quantifying and assessing the principal risks facing our business.

Our risk assessment is formed in stages:

1. Identify the risks facing the Group;
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 using a quantified scale;
5. Determine the strength and adequacy of the controls operating over each risk;
6. Assess the effect of any mitigating factors;
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 continuously monitors key risks.

Every year, through an integration of culture, compliance and training, we make further progress embedding our risk management approach with all employees. This is, of course, an ongoing process and we continue to work hard to improve risk awareness and enhance controls and procedures to further 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.

Risk management continued

Approach and framework continued

In November 2018, the Audit Committee carried out its annual formal assessment of risk, controls and risk management processes in place. The Board agreed the residual risks fall within the risk appetite for the Group.

The Board reviews the summary of principal risks at each Board meeting, in conjunction with any movements in their risk factor.

The priority for 2019, in addition to our regular risk management activities, is to continue promoting a 'monitoring environment' of validating, monitoring and reviewing the effectiveness of our existing controls in order to support the Board in their responsibilities.

The principal risks which may impact the Group's ability to execute its strategic objectives have not changed since 2017.

The principal risks that follow, whilst not exhaustive nor in any order of priority, 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, and confirms that a robust assessment has been performed.

Failure to achieve strategic objectives	Description	Controls/mitigating factors	Activities in 2018
<p>Change in risk factor since 2017</p> <p>↔</p> <p>Link to strategic objective: Growth</p> <p>See more on our strategic objectives on pages 28 to 29.</p>	<p>Due to the size and international coverage of the Group, there is a risk that our objectives are not communicated effectively throughout the organisation. We risk entering into business areas in which we have no expertise, compromising our strategy, draining our resources from the rest of the business for what could potentially be an unsuccessful venture.</p> <p>There is also the risk that our strategy does not deliver the required and expected outcomes for stakeholders.</p>	<ul style="list-style-type: none"> – Frequent communication between Executive Directors, global Managing Directors and staff means we can react swiftly to changes in the market which could impact our strategic objectives. – Quarterly divisional reviews of risks, operating and financial performance with Managing Directors. – Daily review of real-time financial information. 	<ul style="list-style-type: none"> – We have continued to focus on delivery of our strategy through 'best in class' service in 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

Change in risk factor since 2017



Link to strategic objective:
Understanding

Description

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 market share, loss of revenue and reputational damage.

Controls/mitigating factors

- We monitor and develop technological applications which will impact the broking industry.
- We regularly review our clients' broking requirements.

Activities in 2018

- We continued to invest in developing sophisticated technological tools to enhance our service offering to our clients and to future proof our business.

Economic factors

Change in risk factor since 2017



Link to strategic objective:
Growth

See more on our markets on pages 18 to 23.

Description

Changes in world trade, global GDP and other general economic fluctuations impact the demand for ships. The 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.

The scheduled departure of the UK from the EU in March 2019 is creating uncertainties surrounding global economic impacts.

Controls/mitigating factors

- 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.
- We have the resources and support available to open offices in new locations, mitigating the reliance on regional performance.
- 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.
- We do not believe that our businesses will be materially affected by Brexit, other than any impact arising from movements in the foreign exchange rates.

Activities in 2018

- Our results show the robustness of our strategy and business model against volatility in our markets, particularly those affected by falling commodity prices.
- We continue to monitor Brexit developments closely.

Risk management continued

Cyber risk and data security

Change in risk factor since 2017



Link to strategic objective:
Trust

Description

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 an insider, an external party, inadequate physical security, insecure software development or inadequate supply chain management.

Controls/mitigating factors

- IT processes include regular penetration testing, anti-virus and firewall software, quarterly network vulnerability scans, frequent password changes including complexity requirements, email authentication and strict procedures on granting and removing access.
- Operational processes include segregation of duties, business continuity planning and regular training.

Activities in 2018

- We continued to invest significantly in enhanced security policies and measures, people and resources dedicated to the prevention of cyber crime.

Loss of key personnel

Change in risk factor since 2017



Link to strategic objective:
People

See more on our people on page 33.

Description

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 across the Group.

Controls/mitigating factors

- 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.

Activities in 2018

- We continued to make strategic hires.
- We monitor staff turnover and staff absenteeism in order to understand the reasons behind such activity.
- A number of employees transferred locations within the Clarkson Group, accommodating both the employees' and the Group's needs.

Employee misuse of confidential information

Change in risk factor since 2017



Link to strategic objective:

People

Description

Accidental or deliberate disclosure of confidential information could have a significant reputational and financial impact.

Controls/mitigating factors

- 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.

Activities in 2018

- We continue to invest in staff training and our commitment to operating an ethical work environment in order to promote high standards, consistency and a unified approach.

Adverse movements in foreign exchange

Change in risk factor since 2017



Link to strategic objective:

Growth

See more on our financial risk management objectives and policies note on page 169.

Description

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.

Controls/mitigating factors

- 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.

Activities in 2018

- We continued to apply our hedging strategy consistently and, as at 31 December 2018, the Group had hedges in place for 2019 and 2020 of US\$40m and US\$20m respectively, being a proportion of US dollar anticipated revenue.

Financial loss arising from failure of a client to meet its obligations

Change in risk factor since 2017



Link to strategic objective:

Understanding

See more on our trade receivables note on pages 159 to 160.

Description

Uncertainty in our markets continues to affect the amount of debt that may be recoverable. Furthermore, any forward order book values may have to be written off, thereby impacting future income as well as existing booked income.

Controls/mitigating factors

- 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.

Activities in 2018

- We continued to provide for doubtful debts on a prudent basis.
- There were no unexpected losses arising from a client failure during the year.

Viability statement

The Board has assessed the prospects of the Group over a longer period than the 12 months required by the UK Corporate Governance Code's going concern provision.

In carrying out their robust assessment, the Directors have considered the resilience of the Group with reference to:

- the risk appetite set by the Board;
- the Group's principal risks and their impact on the strategic objectives;
- the effectiveness of mitigating actions;
- the business model;
- future operational performance; and
- financial performance, solvency and liquidity over the period.

The Board conducted this review for the three-year period to 31 December 2021, which is appropriate for the following reasons:

- in broking, over 70% of the FOB is due to be invoiced within the next three years;
- cash flow projections are carried out for a three-year period;
- historical average newbuilding process from inception to delivery is two to three years;
- existing hedging activities extend to 2020;
- pension scheme funding is subject to triennial valuations; and
- our external investment analysts provide estimates and forecasts for three years of market expectations for revenue and profit before taxation.

The Board has identified the principal risks that could impact the Group, see pages 66 to 69, together with mitigating factors and controls.

The Board do not consider that any single event detailed above would give rise to a viability event for the Group. Failure to monitor and take the appropriate mitigating action could result in a combination of smaller events or circumstances accumulating to create conditions in which the longer-term viability is brought into question. The compounding of events will only occur if no action is taken to mitigate each of the smaller events which arise, therefore the probability of such a compound viability event is considered to be extremely low. Given the net funds and free cash resources of the Group, the probability of a compound series of events collectively resulting in the Group becoming unviable is low.

Based on their assessment of prospects and viability and the outcome of the sensitivity analyses, 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 2021. 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.

The Group's viability and going concern status is reviewed by the Audit Committee at each meeting. The viability assessment is reviewed annually by the Board.

Based on their assessment of prospects and viability and the outcome of the sensitivity analyses, 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 2021.

Viability analysis

The analysis below seeks to identify viability events which are considered so material and which arise so suddenly as to bring into question the viability of the Group.

Risk	Analysis
Failure to achieve strategic objectives	An acquisition or investment in a new business activity could result in a significant cash outflow, if not funded using debt and/or equity. Material transactions require shareholder approval along with all the necessary accompanying due diligence and working capital forecasts, to ensure that any such acquisitions/investments are in the best interests of the shareholders and correspondingly support the continuing viability of the Group. The Board reviews the performance of each division at each Board meeting to enable it to take the necessary action to ensure the achievement of strategic objectives.
Changes in the broking industry	Broking contributes a considerable proportion to the Group's results. We closely monitor technological changes which will impact the industry and are developing our own applications based on our reviews of clients' broking requirements.
Economic factors	Our markets are multi-cyclical and volatile. Our industry has not seen a two-year period of volume decline since 1990. The Group is consistently profitable, assisted by the FOB. Sustained declines in world trade rarely occur overnight, so the business will be able to respond with appropriate measures.
Cyber risk and data security	A successful attack could occur without warning and could affect the Group's ability to conduct business for a period of time. Emails can be quickly rerouted or run on other, unaffected parts of our network. In the event of an attack which causes the loss of the network, it is possible to reconstruct it using backups. Assuming suitable hardware is available, key services can be restored within hours and all other services with days. Whilst this might result in errors, omissions and possible claims, key business decisions can still occur using other forms of communication. In addition, we utilise state-of-the-art training and internal processes to prevent any cyber attack breaching our defences.
Loss of key personnel	No one global divisional team accounts for more than 20% of revenue or 30% of profit before taxation. No individual has generated more than 5% of new business for the Group in 2018 or 2017.
Employee misuse of confidential information	If a claim was brought against the Group, any amounts payable will only materialise after protracted negotiations and litigation.
Adverse movements in foreign exchange	The majority of the Group's revenues are in US dollars. Over the last three years, the USD/GBP rate has reached lows of 1.22 and highs of 1.47. The Group has hedges in place for 2019 and 2020, reducing the effect of any changes in the cross rate.
Financial loss arising from failure of a client to meet its obligations	The Group benefits from having thousands of clients spread around the world in a wide range of sectors. The largest client balance accounts for less than 3% of the total outstanding trade receivables balance at 31 December 2018.

Going concern

The Group's business activities, strategic objectives, business performance and financial position, together with the factors likely to affect its future development are set out in the strategic report on pages 12 to 71. The Group has considerable financial resources available and a strong balance sheet.

The Directors believe that the Group is well placed to manage its risks effectively; its forecasts and projections, taking into account possible adverse changes in global markets, show that the Group has sufficient resources to continue in operational existence for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in preparing the Group's financial statements. In forming their view, the Directors considered the Group's prospects for a period of at least 12 months from the date on which the financial statements are approved.

See more on our financial performance and position on page 62.

The Board strives to set the tone from the top to ensure we have an open and honest corporate culture which is based on our core values.



Dear Shareholder

I am delighted to introduce my first corporate governance report since my appointment as Chair. Although I joined the Board just a few weeks ago, I have been impressed by the focus throughout the organisation to evolve the service proposition for our clients by embracing new technology, whilst also maintaining our traditional values. Of course, this has to be underpinned by high standards of corporate governance and driven forward by an effective and cohesive Board and executive management team, and this is where the role of the chair comes to the fore.

2018 was a busy year for the Board, as we sought to further enhance our governance arrangements. I set out below a few of the highlights and achievements under each of the UK Corporate Governance Code (the Code) principles, together with areas of focus for this year. You will find further detail within the Board Committee reports, as well as the thoughts of the Committee Chairs who are driving forward the agendas of these forums.

Leadership

The Board strives to set the tone from the top to ensure we have an open and honest corporate culture which is based on our core values of integrity, excellence, fairness and transparency. As the guardians of our culture, we need to live these values through all of our actions.

Looking forward to 2019, the Board has reviewed the mechanisms set out in the 2018 Code for engagement with the workforce, and I am pleased to confirm that Dr Tim Miller, our Remuneration Committee Chair, has agreed to assume the role of Employee Engagement Director. The feedback that we get from our colleagues will be extremely valuable, and I will share more details with you in next year's report. More personally, I will be visiting a number of our offices as part of my induction programme, providing me with an opportunity to hear first-hand the views of our employees and to share with them my own values and impressions of the business.

Effectiveness

I am pleased to confirm that the annual effectiveness evaluation of the Board and its Committees concluded that these forums continue to operate effectively. I have been discussing the output from the evaluations with my fellow Directors and I have welcomed the open and honest culture that already exists within the Board. As I learn more about the Board and the Group, I will of course have my own views as to how our governance arrangements may need to evolve in the future to best support our strategy, and we will keep this under review. Our next effectiveness evaluation (commencing in late 2019) will be externally-facilitated, the timing of which works well as I consolidate my own views regarding how our effectiveness might be enhanced.

As highlighted in my Chair's review and the Nomination Committee report, there were a number of Director changes in 2018/early 2019. Moving into 2019, we will be strengthening our focus on executive succession planning to ensure we have appropriate future capabilities for the business.

Accountability

Our risk management and controls environment has been further strengthened through 2018 by activities led by the Audit Committee. Having reviewed our internal audit arrangements for our non-regulated businesses, the Audit Committee concluded that there could be scope to enhance them and, following a review process, appointed Grant Thornton to provide outsourced support. The Audit Committee also ran a competitive tender process for the external audit contract, resulting in PricewaterhouseCoopers being reappointed (subject to shareholder approval).

We are maintaining our focus on our risk management systems in 2019, and are currently refreshing our approach to evaluating our risk appetite.

Remuneration

Remuneration remains high on the agenda for shareholders. In response to the vote against the Directors' remuneration report at last year's AGM, Dr Tim Miller has met with a number of our top shareholders through 2018, and his annual statement in the Directors' remuneration report provides an overview of those discussions. We will next be seeking shareholder approval for our Directors' Remuneration Policy at the 2020 AGM and, as mentioned in his annual statement, Tim will be consulting with our largest shareholders and leading proxy agencies later this year.

Relations with shareholders

Understanding the views of our shareholders is one of the keys to our long-term success and, whilst the CEO and CFO & COO act as the primary contact for institutional investors, I am available to attend meetings if requested by shareholders. Meetings with investors will form an important part of my induction programme which I hope will foster an open dialogue.

I also look forward to meeting shareholders at our AGM on 9 May 2019. The Board unanimously recommends all of the resolutions which are set out in our Notice of Meeting, and we look forward to receiving your support.

Bill Thomas

Chair
8 March 2019

Governance is at the heart of delivering for all our stakeholders.

Statement of compliance with the UK Corporate Governance Code, published April 2016 (the Code)

The Company complied with the principles and provisions of the Code during the year ended 31 December 2018 other than with the following provisions:

- **Provisions A.4.2 and B.6.3: The non-executive directors, led by the senior independent director, should be responsible for performance evaluation of the chairman, taking into account the views of the executive directors.**

Given that James Hughes-Hallett was unable to fulfil his duties as Chair for most of 2018 due to illness, and that the Acting Chair intended to step down from the Board in 2019 following the appointment of a new Chair, it was agreed that it would not be relevant to undertake an appraisal of the Chair's performance in respect of 2018. This approach has been followed on an exceptional basis, and an evaluation of the new Chair's performance will be undertaken at the end of 2019.

- **Provision B.1.2: At least half the board, excluding the chairman, should comprise non-executive directors determined by the board to be independent.**

Throughout 2018 there were three Executive Directors on the Board and six Non-Executive Directors. As set out in the Code, the individual occupying the chair role (notwithstanding his illness, James Hughes-Hallett through 2018) is not counted as an independent Non-Executive Director, and the Acting Chair (Ed Warner) was not considered to be an independent Non-Executive Director over the period that he stepped up to the chairmanship. There was not therefore a majority of independent Non-Executive Directors on the Board over the period 26 March 2018 to 31 December 2018. With effect from 13 February 2019, Bill Thomas was appointed as Chair, Ed Warner stepped down from the Board, and James Hughes-Hallett was confirmed by the Board as an independent Non-Executive Director, thereby resulting in a majority of the Directors being independent.

The Code is available at www.frc.org.uk.

Leadership

The Company is headed by an effective Board of Directors, whose roles and responsibilities are all clearly defined. The Chair takes responsibility for leading the Board, whilst day-to-day management of the Group is delegated to the CEO.

Find out more about the Board of Directors on pages 76 to 79 and about the Board's role and activities during the year on pages 80 to 83.

Effectiveness

The Nomination Committee oversees many of the activities which, together, underpin the effectiveness of the Board. It takes the lead on succession planning, taking account of the size and structure of the Board; evaluates the balance of skills, experience, independence and knowledge of the Company on the Board; and reviews outputs from the annual effectiveness evaluation of the Board. The Nomination Committee oversaw the appointment of a new Non-Executive Director and Chair during the year, and made recommendations to the Board regarding the election/re-election of individual Directors.

Find out more about these activities on pages 84 to 95.

Accountability

The Audit Committee plays a primary role in supporting the Board's compliance with the accountability principles. It takes responsibility for assessing whether the Company's position and prospects are fair, balanced and understandable; monitoring the integrity of corporate reporting; ensuring that the necessary safeguards are in place through effective risk management and internal control systems; and advises the Board in this regard. Within this context, the Audit Committee is well-positioned to review and recommend to the Board the principal risks facing the Company. The Audit Committee regulates its relationship with the external Auditor through a number of policies and procedures and, during 2018, it oversaw an external audit contract tender and made a recommendation to the Board that the incumbent firm, PricewaterhouseCoopers (PwC), be reappointed.

Find out more about the principal risks facing the Company on pages 66 to 69, and the activities of the Audit Committee on pages 96 to 103.

Relations with shareholders

An open dialogue is maintained with shareholders regarding strategic, governance and other objectives. This is led by the CEO and the CFO & COO, whilst the Chair and other Non-Executive Directors also engage with shareholders as necessary. The views and concerns of shareholders, as well as engagement with them more generally, is considered by the whole Board.

All Directors who are standing for election or re-election will be in attendance at the 2019 AGM.

Find out more on pages 104 to 107.

Remuneration

The Directors' Remuneration Policy was approved at the 2017 AGM. The current Policy was designed with the aim of promoting the long-term success of the Company. However, the Board noted the significant vote against the Directors' remuneration report at the 2018 AGM and is committed to understanding the concerns of shareholders. The Remuneration Committee Chair has engaged with shareholders over the last six months, and further engagement will be undertaken prior to a new Policy being submitted for shareholder approval at the 2020 AGM.

The Remuneration Committee makes decisions regarding remuneration packages for Executive Directors and senior management within the framework of the agreed Policy. No Director is involved in deciding his or her own remuneration.

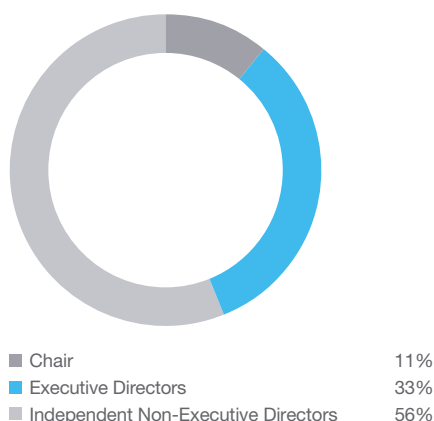
Find out more on pages 108 to 123.

A refreshed team with the right mix of skills and experience.

Changes in Board membership during the year and to the date of this report:

- Ed Warner was appointed as Acting Chair on 26 March 2018 whilst James Hughes-Hallett recovered from an illness.
- Dr Tim Miller was appointed as a Non-Executive Director and Chair of the Remuneration Committee on 22 May 2018.
- Bill Thomas was appointed as Chair on 13 February 2019.
- Ed Warner resigned as a Non-Executive Director on 13 February 2019.

Board structure As at 8 March 2019



Board gender split As at 31 December 2018 and 8 March 2019



Chair



Bill Thomas
Chair

Appointed
February 2019

Skills and expertise

Bill brings to the Board extensive experience of non-executive roles in listed companies, including significant experience of chairing and membership of board committees. Through his executive career within international technology organisations, Bill has developed a wealth of expertise in global people-intensive organisations, customer-focused service industries and relationship-based transactions with major clients, all of which can be applied to his role on the Clarksons Board.

Career experience

Bill spent most of his executive career in technology services providers where he had a strong track record in delivering strategy and major change. He is a former Senior Vice President at Hewlett Packard and was on the executive committee of EDS plc as Executive Vice President. Bill has also served as a Non-Executive Director on the boards of GFI SARL, XChanging plc, Balfour Beatty plc and VFS Global.

Principal appointments

- Chair of Spirent Communications plc
- Chair of Node4 Ltd
- Non-Executive Director of The Co-operative Bank p.l.c.
- Member of the International Advisory Board of FireEye, Inc.
- Chair of the Board of Trustees of the Royal Navy & Royal Marines Charity

Committee membership

Audit Committee	A
Nomination Committee	N
Remuneration Committee	R
Chair	●

Executive Directors



Andi Case
Chief Executive Officer

Appointed
June 2008

Skills and expertise

Having worked in shipbroking his entire career, Andi brings to the Board extensive knowledge and experience of global integrated shipping services. He is recognised in the market as an industry leader. His detailed knowledge of Clarksons' operations, combined with his commitment to drive the growth strategy, make him ideally placed to inspire and lead the workforce.

Career experience

Andi joined Clarksons in 2006 as Managing Director of the Group's shipbroking services. His shipbroking career began with C W Kellock & Co and later the Eggar Forrester Group. Prior to Clarksons, he was with Braemar Seascope for 17 years.

Principal appointments

— None



Jeff Woyda
Chief Financial Officer
& Chief Operating Officer

Appointed
November 2006

Skills and expertise

Jeff's broad-based experience across a number of disciplines is extremely relevant to his role at Clarksons. In addition to his strong background in finance, Jeff brings an impressive track record in managing and delivering across broking, corporate finance, IT implementation and software development, HR and regulatory compliance. His career has spanned both publicly listed and private companies, as well as regulated industries. Jeff's position at Clarksons was expanded to include the Chief Operating Officer role in 2015, recognising that his remit extended beyond Finance to IT, Legal, HR, Company Secretariat and Property Services.

Career experience

Before joining Clarksons, Jeff spent 13 years at the Gerrard Group PLC, where he was a member of the executive committee and Chief Operating Officer of GNI. Jeff began his career with KPMG LLP and is a Fellow of the Institute of Chartered Accountants.

Principal appointments

— Non-Executive Director
of the International Transport
Intermediaries Club



Peter M. Anker¹
President of Broking
and Investment Banking

Appointed
February 2015

Skills and expertise

Peter has extensive knowledge of the shipping industry with over 30 years' experience in leadership and brokerage services. Having led RS Platou ASA (now Clarksons Platou AS) until its acquisition by the Group, Peter brings to the Board a deep knowledge of the sectors in which Clarksons operates, and is accomplished in delivering strategy and performance.

¹ Peter will not be offering himself for re-election at the 2019 AGM, and will step down from the Board with effect from the date of the AGM (9 May 2019).

Career experience

After starting his career as an offshore shipbroker with RS Platou ASA's Houston office, Peter progressed to senior positions in the business, including Vice President of RS Platou (USA) Inc and Head of Platou Group and Offshore division. From 1987 until the acquisition of RS Platou ASA in 2015, Peter served as Chief Executive Officer and Managing Partner of RS Platou Shipbrokers AS and Chief Executive Officer and Managing Partner of RS Platou ASA.

Principal appointments

— None

Board of Directors continued

Non-Executive Directors



Peter Backhouse
Senior Independent
Non-Executive Director

Appointed
September 2013

Skills and expertise

Peter has over 40 years of experience in the international energy business, gained both through his executive career and as a non-executive director. He brings valuable experience to Clarkson's through his involvement in offshore oil and gas activity, liquefied gas and oil transportation, finance and mergers and acquisitions, as well as extensive listed company expertise.

Career experience

Most of Peter's executive career was spent at British Petroleum (BP), where he was Chairman and Chief Executive of European refining, marketing and shipping, and head of both north sea oil development and global mergers and acquisitions. He served 14 years as a Non-Executive Director of BG Group p.l.c., the international energy company, as well as a member of the Advisory Board of private equity firm Riverstone Energy Partners. For the past seven years, he has been a Director of HES International B.V., a major operator of European bulk port storage and handling facilities.

Principal appointments

— Chairman of the Supervisory Board of HES International B.V.



Marie-Louise Clayton
Independent Non-Executive Director

Appointed
January 2017

Skills and expertise

Marie-Louise has significant financial leadership and strategic experience, having held a number of senior finance roles through her executive career, and is a seasoned audit committee chair in listed companies. She brings to the Board a wealth of knowledge and experience in a variety of sectors, including telecommunications, manufacturing, power and energy. Furthermore, during her executive career Marie-Louise obtained extensive digital and technology expertise which complements Clarkson's commitment to delivering market-leading IT products.

Career experience

Marie-Louise served as Finance Director of Venture Production plc (today part of Centrica plc), Chief Financial Officer and IT Director of the primary food group division of Associated British Foods plc, and Chief Financial Officer of Lincoln Gas Turbines at GEC Alstom. Her past non-executive appointments have included Audit Committee Chair of Zotefoams plc, Diploma plc and Forth Ports plc, and Non-Executive Director of Independent Oil & Gas PLC and Ocean Rig ASA.

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

Principal appointments

— Director and Treasurer of Dignity In Dying



James Hughes-Hallett, CMG
Independent Non-Executive Director

Appointed
August 2014

Skills and expertise

James' experience in global trading markets spans a number of sectors including shipping, transportation and banking, and his expertise in these areas is invaluable in building Clarkson's strategy. He has had extensive exposure to Asian markets in particular, having lived in Hong Kong, Japan, Taiwan and Australia. James served as the Chair of Clarkson's from January 2015 before stepping down in February 2019, and during this period he oversaw the completion of the acquisition of RS Platou ASA (now Clarkson's Platou AS) and the integration of the business.

Career experience

James' executive career spanned 40 years with the conglomerate Swire Group. For his last ten years he served as Group Chairman in London, and prior to that as Chairman of Swire Pacific Limited and Cathay Pacific Airways Limited. He also served as Managing Director and Chairman of The China Navigation Company, and Chairman of Swire Pacific Offshore, United States Cold Storage Inc., and the Hong Kong Shipowners Association. James is also a proven non-executive director, having served on the board of HSBC Holdings PLC from 2005 to 2014.

James is a Fellow of the Institute of Chartered Accountants and was made a CMG in the 2012 Queen's Birthday Honours.

Principal appointments

— Non-Executive Director of John Swire & Sons Limited
— Governor of the Courtauld Institute of Art
— Chairman of the Esmée Fairbairn Foundation



Committee membership

Audit Committee	A
Nomination Committee	N
Remuneration Committee	R
Chair	●



Dr Tim Miller
Independent Non-Executive Director

Appointed
May 2018

Skills and expertise

Dr Tim Miller has over 30 years' experience working in large-scale people businesses with significant international operations. Whilst Tim has extensive experience of HR and remuneration matters gained in his executive and non-executive career, his executive roles also gave him exposure across a broad remit including compliance, audit, assurance, financial crime, property and legal. Tim has a proven track record serving as a non-executive director and remuneration committee chair in listed companies which, together with his HR background, make his experience very relevant to his role at Clarkson's.

Career experience

The majority of Tim's executive career was within regulated industries, including roles at Glaxo Wellcome and latterly Standard Chartered, with global responsibility for a wide variety of business services. He was previously a Non-Executive Director of recruitment services provider Michael Page Group plc, chairing their remuneration committee.

Principal appointments

- Non-Executive Director and Chair of the Remuneration Committee of Equiniti Group plc
- Non-Executive Director of Equiniti Financial Services Limited
- Non-Executive Director of Otis Gold Corporation

A N R



Birger Nergaard
Independent Non-Executive Director

Appointed
February 2015

Skills and expertise

Birger's in-depth knowledge of capital markets and investment banking brings valuable expertise to Clarkson's, particularly in developing and overseeing our banking strategy. He has extensive knowledge of investing in Nordic technology companies, and is experienced in taking an active role on the boards of these companies to help position them for long-term growth. Birger is therefore well-positioned to provide unique insight into initiatives to innovate and develop new services for clients.

Career experience

After establishing Four Seasons Venture (today Verdane Capital) in 1985, Birger was the CEO until 2008. He joined the board of Clarkson's Platou AS (formerly RS Platou ASA) as Deputy Chairman in 2008 and has remained as a Director of this company since its acquisition by Clarkson's.

In 2006, Birger was awarded King Harald's gold medal for pioneering the Norwegian venture capital industry.

Principal appointments

- Director of Verdane Capital funds V, VI, VII and VIII
- Director of Clarkson's Platou AS and Clarkson's Platou Securities AS
- Director of Nergaard Investment Partners AS
- Advisor to the P/E fund Advent International (Norway)

R

Group Company Secretary



Rachel Spencer
Group Company Secretary

Appointed
April 2018

Career experience

Rachel has over 25 years' listed company experience. She joined Clarkson's from Aldermore Group PLC where she was the Company Secretary of both the listed entity and the regulated bank. Prior to this, she was the Deputy Company Secretary at Invensys PLC from 1999 until 2014 on the conclusion of its acquisition by Schneider Electric SA.

Rachel is a Fellow of the Institute of Chartered Secretaries and Administrators.

Responsibilities

Rachel acts as secretary to the Board and its Committees and is accountable to the Board (through the Chair) on all corporate governance matters.

The role of the Board

The Board is collectively responsible for promoting the long-term success of the Group and is accountable to shareholders for the creation of sustainable value. We have overall responsibility for leading the Group and are the decision-making body for matters which are significant to the Group as a whole (in particular, strategic and financial matters, and those which could have a material reputational impact). We are cognisant that the continued growth of a sustainable business is underpinned by its culture and the tone we set from the top, and therefore seek to reinforce this through all of our actions.

In developing the strategy, the Board takes account of, not only our obligations to shareholders, but also the considerable impact that the Group may have on other stakeholders including customers, employees, suppliers and the community in which we operate. Thereafter, we provide guidance and oversight to management in the implementation of the strategy, taking into account the agreed risk appetite, and monitor performance against it.

Governance framework

The Board has implemented a governance framework which underpins our ability to meet our responsibilities. This enables effective decision-making within a structure of clear accountabilities. An overview of the governance framework is set out on the next page.

We discharge some of our responsibilities through delegation to Board Committees. The Board Committees bring an increased focus on key areas and probe them more deeply, thereby gaining a greater understanding of the detail. The Chairs of the Board Committees provide a verbal update on the activities of their Committee at the next Board meeting, and recommendations from the Committee are presented to the Board where appropriate.

Any delegation of authorities to Board Committees is formally documented in writing through Terms of Reference, while the Board maintains a schedule of key matters which are reserved for our decision. Furthermore, there is a clear division of responsibilities between the Chair and the CEO. The execution of the strategy and the day-to-day management of the Group and operational matters are delegated to the CEO.

The particular responsibilities of members of the Board are set out in more detail within the framework on the next page, whilst the schedule of Matters Reserved for the Board; the Terms of Reference of the Board Committees; and the roles of the Chair, CEO and Senior Independent Director are available on our website at www.clarksons.com/about-us/board-of-directors.

In addition to the principal Board Committees, the Board has also delegated some responsibilities to an Administrative Committee. These include routine administrative matters and the approval of items where we have already approved the overarching principle.

The Group's governance structure has continued to evolve, and over 2018 a revised executive governance structure was developed by the CEO to streamline executive decision-making processes and provide both formal and informal engagement channels for the Executive Directors and senior management. This structure will be implemented in 2019. The embedding of the structure will be monitored by the CEO, and any changes necessary to further maximise efficiency will be implemented.

Governance framework (2018)

Board

Key matters reserved for the Board:

- Strategy
- Setting the Group’s culture, standards and values
- Internal controls and risk management
- Financial reporting and viability
- Capital and liquidity
- Board and Committee appointments
- Corporate governance matters
- Stakeholder obligations
- Material contracts

Individual roles and activities

Chair

- Leads the Board, facilitating the contribution of all Directors and promoting an open and constructive relationship between the Executive and Non-Executive Directors.
- Ensures the effectiveness of the Board.
- Oversees the development of the Group’s purpose, values and culture.
- Promotes high standards of corporate governance.
- Available to shareholders and fosters dialogue with other key stakeholders.

Senior Independent Director

- Acts as a sounding board for the Chair and leads the evaluation of his performance.
- Serves as a trusted intermediary for other Non-Executive Directors.
- Available to shareholders, particularly when their concerns have not been resolved through other channels.

Non-Executive Directors

- Contribute to the development of the strategy and scrutinise its execution by management.
- Provide both objective and constructive challenge, and support, to the development of Board proposals and the performance of management.

Chief Executive Officer

- Responsible for the day-to-day management of the Group.
- Develops the strategy and commercial objectives for approval by the Board, and leads the executive management in delivering them within the risk appetite approved by the Board.
- Promotes the embedding of the Group’s culture throughout the organisation.
- Leads the relationship with institutional investors and other stakeholders.

Chief Financial Officer & Chief Operating Officer

- Manages the Group’s financial and operational affairs and supports the CEO in the management of the Group.
- Alongside the CEO, represents the Group in meetings with institutional shareholders and other stakeholders.

President of Broking and Investment Banking

- Co-ordinates and promotes the Group’s activities in investment banking and ship/offshore broking.
- Responsible for the Group’s activities in Oslo.
- Supports the CEO in the management of the Group.

Nomination Committee

- Reviews the effectiveness of the Board, and its structure, size, composition and diversity.
- Leads succession planning for the Board and senior management.

Audit Committee

- Monitors the integrity of the financial reporting for the Group and manages the relationship with the external Auditor.
- Oversees the effectiveness of the risk management and internal control systems.

Remuneration Committee

- Sets the remuneration policy and packages for the Executive Directors and other members of the senior management team, whilst having regard to pay across the Group.
- Approves the remuneration of the Chair.

Executive Committee

- Assists the CEO in running the business.
- Reviews the development and implementation of strategy, operational plans, procedures and budgets, and monitors business performance (including competitive pressures).
- Oversees the assessment and control of risk.

Group Company Secretary

- Acts as first point of contact for the Chair and Non-Executive Directors, and facilitates the induction of new Non-Executive Directors.
- Facilitates information flows between the Board and its Committees, and between executive management and the Board.
- Updates the Board on corporate governance developments and ensures good governance practices throughout the Group.

Leadership continued

Board meetings

Six scheduled Board meetings and five further ad hoc Board meetings were held during the year. Two of the ad hoc meetings were convened in order to approve changes to the Board (the appointment of Ed Warner as the Acting Chair and the recommendation from the Nomination Committee that Dr Tim Miller be appointed as a Non-Executive Director), whilst matters discussed at the other ad hoc meetings included the trading update released to the market in April 2018 and the outcome of the external audit tender process.

Attendance at scheduled Board meetings is set out to the right. If a Director is unable to join a meeting, they are encouraged to provide comments to the Chair in advance on the business of the meeting so that their views can be taken into account as part of the debate at the meeting.

The Group Company Secretary supports the Chair in setting an annual programme of agenda items for the Board, which is driven by key strategic priorities, the schedule of Matters Reserved for the Board and the financial calendar. The programme is flexed as necessary to take account of changes in priorities and external developments. In consultation with the Chair, the Group Company Secretary ensures that time allocations on the agendas are appropriate to allow sufficient debate and discussion. A similar process is followed with the Chair of each Board Committee. All agendas include a private session at the end of the meeting to allow the members to meet without management present.

At each Board meeting, the CEO and the CFO & COO provide reports covering commercial developments, financial performance, key people matters, investor relations, emerging external developments and the competitive environment.

In addition to the formal meeting programme, Non-Executive Directors have full access to management which allows them to explore significant matters in more depth and signal areas where more detail will be required when the matters are discussed formally. These sessions provide Non-Executive Directors with an opportunity to engage with management in a more informal way.

Strategy sessions

The CEO and members of the senior management team present their views of the market and forward view of the coming year at Board strategy sessions. The Non-Executive Directors collectively have a range of experience and expertise, and the challenge and independent oversight that they bring to the debate supports the building of a sustainable strategy. The delivery of the strategy within the Group's risk appetite, and ensuring that the Group has the appropriate resources, skills and competencies to achieve the strategy responsibly are also key areas of focus.

The Board monitors the implementation of the strategy through regular updates at Board meetings on key initiatives as they progress. This also enables us to regularly review whether the strategy remains appropriate.

Scheduled meeting attendance

Andi Case	6/6
Jeff Woyda	6/6
Peter M. Anker	6/6
Peter Backhouse	6/6
Marie-Louise Clayton	6/6
James Hughes-Hallett ¹	5/6
Dr Tim Miller ²	3/3
Birger Nergaard ³	5/6
Ed Warner	6/6

¹ Unable to attend due to illness.

² Appointed on 22 May 2018.

³ Unable to attend due to a prior commitment but Birger Nergaard reviewed the papers beforehand and provided feedback to the Chair.



Key topics discussed at Board meetings in 2018

Business performance and operations

- Regular updates from the CEO and CFO & COO including key commercial developments, financial performance, people matters, emerging external developments and the competitive environment
- Annual insurance programme

Financial matters and investor relations

- Publicly released financial results and the annual report, including going concern and viability statements
- Dividend payments
- Pre-close statement ahead of the release of the full year results, and trading updates released to the market in April and May
- Market feedback on results and insights into movements in the shareholder register

Strategy

- Assessment of the acquisition of RS Platou ASA against the original objectives of the transaction
- Key matters arising from the annual strategic discussions with Global Managing Directors
- Updates on strategic matters, including technological developments, banking strategy, the impact of IMO 2020, and the strategy for Clarkson's operations in Houston

Risk management

- Regular reports on the risk environment, the top risks facing the Group and associated risk appetite
- Annual review of the systems of risk management and internal control, including the Group's risk profile, the internal control environment, the risk register and mitigating factors and controls to risks included therein
- Principal risks to be included in the annual report

Governance

- Changes to the Board and composition of Board Committees
- Results of the annual effectiveness review of the Board, the action plan implemented as a result and progress against it
- Governance disclosures in the annual report, including related matters such as the annual reappointment of the Directors and the external Auditor
- Actions taken in response to the significant vote against the Directors' Remuneration Policy at the 2017 AGM
- Gender pay gap report to April 2017
- Changes in the revised UK Corporate Governance Code and actions required to be able to comply, including the most appropriate method of engaging with the workforce
- Annual review of the Modern Slavery Act statement
- Outcome of the external audit tender and confirmation of PwC's reappointment

Nomination Committee report

At a glance

Comprises a majority of independent Non-Executive Directors:
 – Bill Thomas, Chair¹
 – Peter Backhouse, Senior Independent Director
 – Marie-Louise Clayton, independent Non-Executive Director
 – James Hughes-Hallett, independent Non-Executive Director
 – Dr Tim Miller, independent Non-Executive Director²

Regular attendees at meetings include the CEO, CFO & COO and Group Company Secretary.

James Hughes-Hallett was Chair of the Nomination Committee until Ed Warner assumed the role on 26 March 2018 (when he was appointed as Acting Chair of the Company). Ed stepped down as Chair of the Nomination Committee on 13 February 2019 on the appointment of Bill Thomas as Chair.

The Nomination Committee's key role is to oversee the Board composition and effectiveness of the Board to support planning for its progressive refreshing.

Held two scheduled meetings during 2018, and six unscheduled meetings. Attendance at the scheduled meetings is set out below.

Unscheduled meetings were convened principally to review progress in the appointments of a new Non-Executive Director and Chair. Peter Backhouse, as Senior Independent Director, chaired the meetings concerned with the Chair search.

Scheduled meeting attendance

Peter Backhouse	2/2
Marie-Louise Clayton ³	1/2
James Hughes-Hallett	2/2
Dr Tim Miller ²	1/1
Ed Warner	2/2

¹ Appointed on 13 February 2019.

² Appointed on 22 May 2018.

³ Unable to attend due to an important prior commitment but Marie-Louise Clayton reviewed the papers beforehand and provided feedback to the Committee Chair.

Dear Shareholder

I am pleased to introduce my first Nomination Committee report since my appointment as Chair of both the Board and this Committee on 13 February 2019. Due to the temporary absence of James Hughes-Hallett from the Board during 2018 as he recovered from illness, the majority of Nomination Committee meetings were chaired by Ed Warner (other than where succession to the chairmanship was being discussed). I would like to take this opportunity to thank Ed for his stewardship of the Committee during this period and James for serving as Chair of the Nomination Committee in the three years prior to that. I am delighted that James remains a member of the Nomination Committee given his knowledge of Clarkson's governance arrangements.

During 2018, the Nomination Committee has dedicated a significant amount of time to our Board succession plans, including overseeing the searches for new Directors. Whilst we continue to appoint our Directors on merit against objective criteria, we believe that an effective board is one which is diverse in the broadest sense and represents a wide range of backgrounds, skills, experience, expertise and perspectives. Diversity therefore goes hand-in-hand with succession planning, and was an important factor in the Director searches conducted this year.

It was reported last year that a process to identify a new Non-Executive Director had been initiated. This was driven in part by the need to replace Ed Warner as Chair of the Remuneration Committee, in light of him having served nine years on the Board in June 2017. The Nomination Committee was supported by an external search agency during this process, which culminated in a recommendation to the Board in May 2018 to appoint Dr Tim Miller as a Non-Executive Director, Chair of the Remuneration Committee and member of the Audit Committee and the Nomination Committee. Tim has an extensive amount of relevant expertise gained across both his executive and non-executive career, which the Board and all of its Committees are able to benefit from.

During 2018 it was also announced that, as part of our succession planning, the Board had determined that it was appropriate to commence a search for a new independent Non-Executive Director, with a view to that person taking on the chairmanship in due course. Following the search process, I was privileged to be asked to join Clarkson as the Chair.

Looking ahead to 2019, we recognise that developing the right talent and capabilities in the level below the Board is critical to our continued success. The Nomination Committee will therefore be strengthening its focus on executive succession planning. We will also be reviewing the diversity and inclusion policy for the Group as a whole, along with the initiatives which support this policy. Finally, a key area of focus in the second half of the year will be the appointment of an external firm to facilitate an external evaluation of the effectiveness of the Board and its Committees.

Bill Thomas
 Nomination Committee Chair
 8 March 2019



From left to right:
Standing – Peter Backhouse, James Hughes-Hallett
Seated – Dr Tim Miller, Marie-Louise Clayton, Bill Thomas

Looking ahead to 2019,
we recognise that developing
the right talent and capabilities
in the level below Board is
critical to our continued success.

Bill Thomas
Chair

Responsibilities of the Nomination Committee

Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and its Committees, and make recommendations to the Board with regard to any changes.

Formulate and recommend to the Board succession plans for both the Board and senior management, taking into account the challenges and opportunities facing the Company.

Lead the process for nominating candidates to fill Board vacancies as they arise.

Recommend the reappointment of any Non-Executive Director at the conclusion of their term of office.

Prior to recommending their re-election to shareholders, review annually the continued independence of each Non-Executive Director.

Oversee the annual effectiveness review of the Board and its Committees.

Provide the Board with guidance on the treatment of Directors' conflicts and conduct an annual review of the Register of Directors' Conflicts.

The Nomination Committee's Terms of Reference are reviewed annually and are available at www.clarksons.com/about-us/board-of-directors.

Key topics discussed at Nomination Committee meetings in 2018

Annual effectiveness review

- Output of the 2017 annual effectiveness review of the Board and the Nomination Committee, including progress against action plans.
- Approach and timescales for the 2018 process for reviewing both Board and Committee effectiveness and performance of the Non-Executive Directors.

Appointment/reappointment of Directors

- Extension of the appointments of James Hughes-Hallett and Birger Nergaard for a further three-year term and of Ed Warner for a further one-year term, following review of their performance and independence.
- Search for a new Non-Executive Director and the recommendation to the Board of the appointment of Dr Tim Miller (including Board Committee memberships).

Board composition

- Annual review of the structure, size and composition of the Board and its Committees, including the balance of skills, knowledge, experience and diversity of the Directors.

Succession planning

- Succession planning for both Executive and Non-Executive Directors.
- Initiation of the search for a new Chair, including agreement of job specification, selection of search agency and review of candidate profiles (which culminated in the appointment of Bill Thomas in February 2019).

Diversity

- Review of the Board Diversity Policy and recommendation to the Board for approval.

Governance

- Impact of the UK Corporate Governance Code 2018 on the Committee's duties.
- Annual review of the Committee's Terms of Reference, including how the Committee had discharged its responsibilities during the year.

Succession planning

Non-Executive Directors

The Nomination Committee reviews succession planning for the Non-Executive Directors. Whilst the tenure of the Directors is an important factor, the Nomination Committee is cognisant that this cannot be reviewed in isolation. Non-Executive Director succession planning is therefore considered within a wider context which includes the size, structure and composition of the Board; provisions under the UK Corporate Governance Code regarding Board Committee composition; the benefits of refreshing the membership of the Board Committees; and the current balance of skills, knowledge, experience and diversity on the Board and whether it is appropriate to continue to challenge management and support the delivery of the Group's strategy.

Having reviewed the factors listed above, and taking account of feedback from the last effectiveness evaluation of the Board, the Nomination Committee drew the following conclusions during 2018:

- The tenure of the Directors (which is set out below) does not give rise to any immediate concerns as five of the six Non-Executive Directors will not reach the end of their second three-year term until 2020 at the earliest. The appointment of Bill Thomas has improved the tenure profile.
- None of the Non-Executive Directors have any plans currently to step down from the Board in the short term.
- The size of the Board is conducive to an effective debate, being large enough to bring a broad and diverse range of backgrounds, perspectives and experiences, but not so large as to be unwieldy. The structure of the Board remains appropriate.
- The Company complies with all provisions under the Code in relation to Board Committee memberships.
- The current balance of skills, knowledge, experience and diversity (which is reviewed on an ongoing basis through a skills matrix) remains appropriate. Some areas were identified where, in the medium term, the balance of skills, knowledge and experience could be strengthened. These will be taken into account in any future search for a Non-Executive Director.
- Succession planning will continue to be monitored on an ongoing basis and further consideration will be given to actions to be taken across a number of planning horizons once our newly appointed Chair has been able to observe the operation of the Board and form his own views.

In addition to his considerable leadership and Board experience, Bill will make a significant contribution with his experience of international people-intensive organisations, customer-focused service industries and relationship-based transactions with major clients.

Peter Backhouse
Senior Independent
Non-Executive Director

Chair

During 2018, the Company announced that, in light of James Hughes-Hallett's temporary absence from the Board due to illness, and as part of its succession planning, the Board had determined that it was appropriate to commence a search for a new independent Non-Executive Director, with a view to that person taking on the chairmanship at the appropriate time. We have recently announced that Bill Thomas has been appointed as Chair and, following a further review of the situation, that this appointment would take effect immediately (from 13 February 2019). Further detail regarding Bill Thomas' appointment can be found on pages 88 to 89.

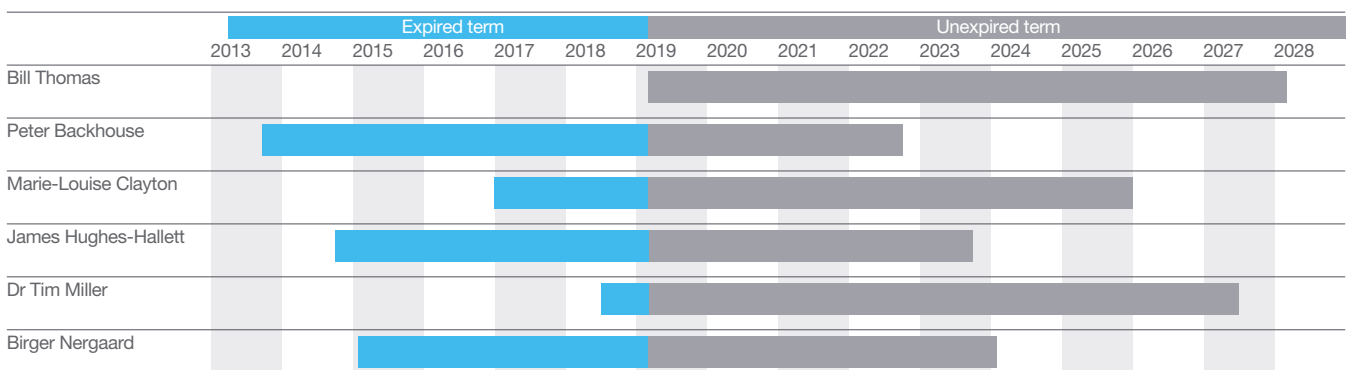
To ensure that an effective Chair is in place at all times to lead the Board, and that the Board will be able to act quickly when a search for a new Chair needs to be undertaken in the future, the Nomination Committee will establish a framework for Chair succession in 2019. This will outline the process to be followed, as well as confirming any arrangements to be implemented in the event of the Chair being temporarily absent at short notice.

Executive positions

At the direction of the Nomination Committee, the CEO has been developing his pipeline of potential successors, and efforts have been made to provide opportunities for these individuals to engage with the Board. Increased focus and formality will be brought to the development of the right talent and capabilities in the level below Board during 2019.

See more on the appointments of Bill Thomas and Dr Tim Miller on pages 88 to 89.

Clarkson PLC Board tenure



Effectiveness continued

Appointments

The Nomination Committee is responsible for making recommendations to the Board regarding appointments of new Directors and membership of Board Committees, as well as reviewing the reappointment of Directors at the end of their terms.

Our six-stage process

Board decision to initiate search process (made on the recommendation of the Nomination Committee)



Search firm chosen – taking account of those firms who are signatories to the Voluntary Code of Conduct for Executive Search Firms



Search firm provided with objective criteria to assess potential candidates against



Longlist debated by Nomination Committee



Interviews with those shortlisted and preferred candidate confirmed



Formal recommendation by Nomination Committee to Board and Board approval



Appointment of Dr Tim Miller
Independent Non-Executive Director

New Remuneration Committee Chair to be identified due to Ed Warner approaching nine-year tenure.

Following a selection process involving a number of firms, Spencer Stuart (who have no other connection with the Company) were engaged.

- Experience of serving on a remuneration committee.
- A strong understanding of the nuances of a people business.
- A strong and independently-minded individual who would be able to lead the remuneration agenda by taking a collaborative approach.

Dr Tim Miller nominated as preferred candidate:

- Tim's skills and experience complemented the Board.
- Tim serves on (and chairs) the remuneration committee of other organisations and therefore has recent and relevant experience of remuneration matters.

Approved by the Board on 22 May 2018.



Appointment of Bill Thomas
Chair

Search driven by both succession planning and James Hughes-Hallett's temporary absence from the Board due to illness.

Following a selection process involving a number of firms, Spencer Stuart (who have no other connection with the Company) were engaged.

- Chair or committee chair of a listed company, or who had played the role of a senior advisor and understood the chair role.
- Strong track record of dealing with institutional investors and public markets.
- Exposure to businesses with a strong emphasis on deal processes.
- Proven ability to promote a collaborative, open culture.
- Ability to act as a wise counsel to the CEO whilst being comfortable to challenge constructively.

Considerations:

- Suitability against the job specification.
- Ability to commit sufficient time to the role.
- Any potential conflicts.

Bill Thomas nominated as preferred candidate:

- Bill's skills and experience met the candidate specification.
- Positive chemistry between both Bill and the Non-Executive Directors, and Bill and executive management.

Approved by the Board on 13 February 2019.

Appointments of Dr Tim Miller and Bill Thomas

Dr Tim Miller was appointed Non-Executive Director, Chair of the Remuneration Committee and member of the Audit Committee and Nomination Committee with effect from 22 May 2018, whilst Bill Thomas was appointed as Chair, Chair of the Nomination Committee and member of the Remuneration Committee with effect from 13 February 2019. Details of the process followed for each search is set out on the opposite page.

 Our Board biographies are on pages 76 to 79.

Reappointments

During the year, the Nomination Committee recommended the reappointments of James Hughes-Hallett and Birger Nergaard for a further three-year term, and Ed Warner for a further one-year term, subject to annual re-election by shareholders. This followed confirmation of their continuing and effective contribution to the Board, and that they continued to commit sufficient time to the Company in order to discharge their responsibilities fully.

In considering James' reappointment, the Nomination Committee highlighted feedback from his 2017 performance evaluation which confirmed that he led the Board in such a way to ensure its effectiveness in all aspects of its role, and in maintaining effective communication with shareholders.

In making its recommendation in respect of Birger, the Nomination Committee revisited the previous conclusion that Birger was deemed to be an independent Non-Executive Director notwithstanding that he had served as the Deputy Chairman of RS Platou ASA (Platou) for seven years prior to its acquisition by the Group. In assessing whether Birger remained independent at the current time, the Nomination Committee considered whether his prior service on the Platou Board should be aggregated with his three years' service on the Company's Board. However, taking account of both the changes in the composition of the Platou executive team over the period and the relationship of Platou with the Company prior to Birger's appointment to the Clarksons Board, the Nomination Committee remained satisfied that he should continue to be treated as independent in both character and judgement.

Ed Warner reached nine years' tenure on the Board in June 2017. As reported in last year's annual report, in order to ensure stability and continuity on the Board during a period of change, the Board had approved Ed's reappointment for a further one-year term. In making a recommendation to the Board in this regard, the Nomination Committee determined that Ed remained independent in character and judgement. At that time, the expectation was that Ed would step down from the Board following a suitable handover with a newly appointed Remuneration Committee Chair. However, due to the illness of the then Chair (James Hughes-Hallett), the Company announced on 26 March 2018 that Ed would take on the role of Acting Chair whilst James recovered from his illness, in order to provide the Board with stewardship through a further period of uncertainty. Cognisant that this was a temporary arrangement, in June 2018 the Nomination Committee recommended to the Board that Ed's appointment be extended by a further year. On the recent announcement that Bill Thomas has been appointed as Chair, Ed stepped down from the Board with immediate effect. The decision to extend a Non-Executive Director's term beyond the nine years set out in the Code would only be taken by the Board under exceptional circumstances, and we were pleased to have received positive feedback from a number of our investors that they supported the approach taken by the Board.


Election and re-election

The Code sets out that all Directors should offer themselves for election by shareholders at the first AGM following their appointment, and for re-election on an annual basis thereafter.

The Nomination Committee leads the process for evaluating whether the Board should recommend the election/re-election of Directors to shareholders, and takes account of the performance, time commitment and independence of each Non-Executive Director in forming a recommendation to the Board. The appraisals of the Executive Directors are also considered by the Board prior to their re-election being recommended.

Director performance evaluations

The process by which the performance of the Directors is evaluated is set out on page 93. The evaluations concluded that each of the Directors continues to perform effectively and to demonstrate commitment to their role.

 Director performance evaluations are discussed in more detail on page 93.

Time commitment and independence

Although the letter of appointment of each Non-Executive Director includes an anticipated time commitment, the letter also states that Directors are expected to commit sufficient time to their directorship to discharge their obligations to the Company. The Nomination Committee reviewed the time that each Non-Executive Director commits to the Company and was satisfied that this was sufficient to discharge their duties fully and effectively in each case. The Nomination Committee also considered the external directorships and other commitments of each Director, and noted in particular that Bill Thomas' membership of the International Advisory Board of FireEye, Inc. was in an advisory capacity only. Following this review, the Nomination Committee confirmed that the external directorships and time commitments of the Directors did not give rise to any concerns that each Director would not be able to commit sufficient time to their directorship in the future.

The Nomination Committee assesses the independence of the Non-Executive Directors against the criteria set out in the Code, which highlights that to be classed as independent, non-executive directors should be independent in character and judgement and free from any relationships or circumstances which may affect that judgement. This assessment is made on an annual basis prior to recommending the election/re-election of the Directors, but the Nomination Committee also revisits its assessment as and when there are any changes in circumstances which could impact on independence. In recommending the election/re-election of the Directors at the 2019 AGM, the Nomination Committee took account of the factors reviewed in recommending the reappointments of James Hughes-Hallett and Birger Nergaard for a further term (as described on this page), and satisfied itself that there had not been any changes in circumstances which would impact on the previous assessment that all Non-Executive Directors were independent.

Conclusion

The Board approved the Nomination Committee's recommendation that each Director should be proposed for election/re-election at the 2019 AGM. Further information about the Directors, which highlights their skills and areas of expertise, is set out on pages 76 to 79.

Effectiveness continued





Board and Committee effectiveness

The Board is cognisant that changes in strategy, personnel and the external environment may need to drive changes in the way that we operate in order to maximise our effectiveness. We therefore recognise the benefits of regularly evaluating our own effectiveness and that of our Committees (at least annually) so that we can take any actions necessary to ensure

that we continue to perform effectively. In line with the Code, an external evaluation is undertaken at least once every three years. The last external review was completed in 2016, and we are planning for the 2019 review to be externally facilitated. The timing of this review aligns well with the appointment of our new Chair, who may wish to delve into specific areas within that review.

2017 review

The key actions arising from the 2017 review, along with an update on progress against the actions, is provided below:

Area	Action	Update
Induction programme  See more on pages 94 to 95.	Refresh the induction programme for new Non-Executive Directors to ensure that they are able to gain an understanding of the Group and have access to senior management across the business.	A structured programme was developed for Dr Tim Miller, which included opportunities to visit overseas units. Whilst induction should be tailored to the individual, the revised programme will provide a robust framework for any future inductions. A tailored induction programme is in the process of being designed for Bill Thomas.
Meeting programmes  See more on page 82.	Review the structure of Board and Committee calendars to ensure agendas are focused on appropriate matters and therefore promote effective and constructive debate.	The Secretariat function reviewed the programme of meetings and, together with the Chair/Committee Chairs, developed forward-looking agendas to ensure discussions allowed for a balance of strategy, performance and governance items.
Information flows  See more on page 94.	Assess adequacy and timeliness of information given to the Board/Committees to ensure high-quality submissions.	A Board portal was implemented during 2018 and papers are now distributed electronically. This has improved security and provided for more efficient circulation. A new template for papers is being tested by Secretariat – the use of the template is to ensure papers focus on key issues and flag decisions to be made. Subject to further discussion with the Chair and Committee Chairs, the template will be rolled out for other meeting submissions.
Senior management engagement/ succession planning  See more on page 94.	Promote engagement with senior management below Board level, which will provide opportunities to map internal talent and therefore provide support to succession planning.	There were a number of Board presentations during the year by senior executives and this will continue to be a feature in forward agenda planning.

2018 review

The Nomination Committee leads the annual review, and considered the process and areas of focus for the 2018 review. The review took the form of questionnaires which were issued to all Board and Committee members, and which covered a wide range of areas including the balance of skills, experience and diversity on the Board; Board dynamics both within the boardroom and outside it, and between executive and non-executive management; the quality of information flows to the Board; and the support provided by the Secretariat team. The output from the questionnaires was supplemented by one-to-one meetings between the new Chair and each Director in order to gain further insight into Board dynamics, and to allow the Directors to expand on any points that they had raised through the questionnaires.

The Nomination Committee reviewed the output from the Board evaluation and agreed a draft action plan which was recommended to the Board. Each Committee also reviewed the output of its own evaluation process and agreed actions where appropriate.

The review concluded that the Board and its Committees continued to operate effectively although as would be expected at every evaluation, there were some opportunities to enhance effectiveness. The Nomination Committee will monitor progress against the Board actions during the year, and an update will be provided in the 2019 annual report.

An overview of the review process and timetable is provided to the right, whilst further detail on the conclusions arising from the review is set out on the next page, along with the actions to be taken forward in 2019.

Board and Committee effectiveness review process

December 2018

Approach and areas of focus agreed by Nomination Committee.



December 2018 to January 2019

Questionnaires completed and output analysed.



January to February 2019

Outputs discussed with Chair and Committee Chairs and areas of focus for 2019 agreed.



February to March 2019

One-to-one meetings between Chair and Directors.



March 2019

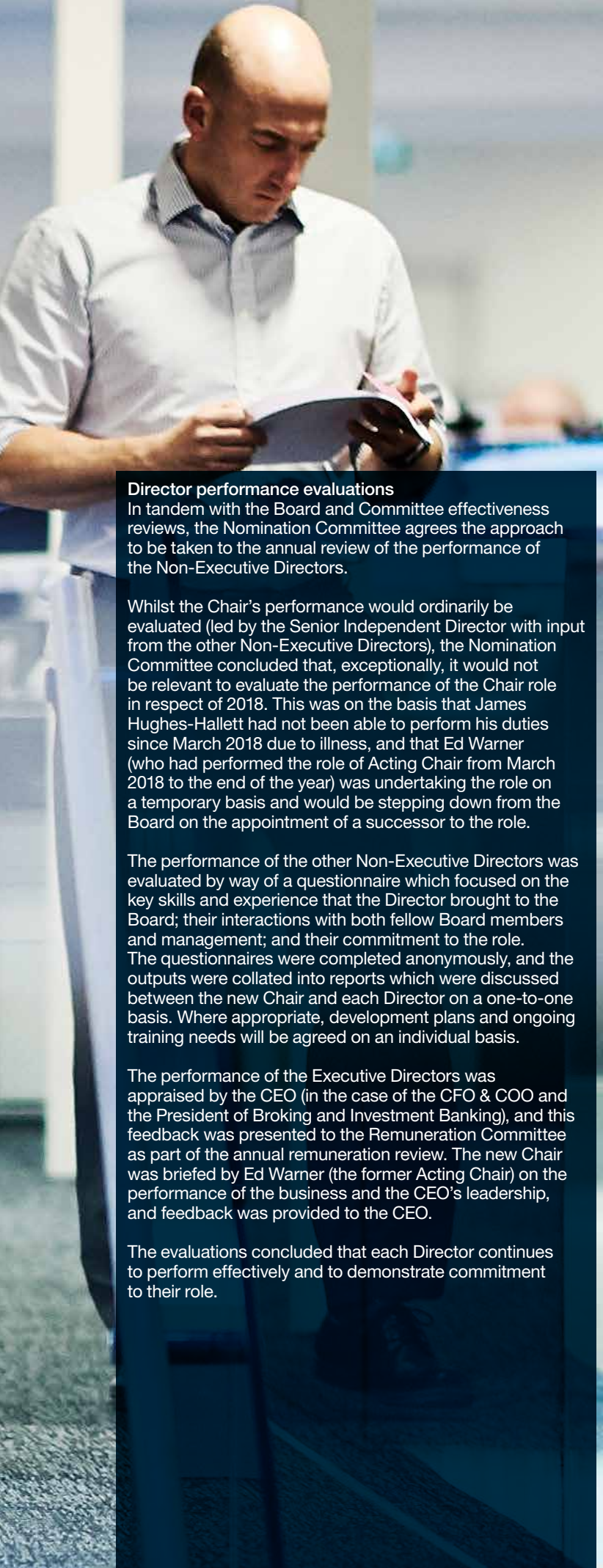
Action plans approved by the Board and its Committees (where required).

The review concluded that the Board and its Committees continued to operate effectively although as would be expected at every evaluation, there were some opportunities to enhance effectiveness.

Effectiveness continued

Output from the 2018 review

Area of assessment	Output/actions
Board composition See more on pages 76 and 87.	The composition of the Board was considered to be adequate, although it was acknowledged that a greater breadth of diversity and sector experience may be beneficial. This will be considered as part of the Board's ongoing succession planning.
Boardroom dynamics See more on pages 80 to 81.	Dynamics within the boardroom were agreed to be good, with Board members operating in a candid and open manner, fostering a healthy and constructive debate. Members would welcome further opportunities to interact in a more informal environment with their fellow Directors, and this will be factored into the annual Board calendar.
Information flows See more on page 94.	Whilst Board agendas were driving focus on the most pertinent areas facing the Company, some enhancement of the way in which information was presented would aid the Board and its Committees in focusing on the key issues and decisions to be made. The provision of further information in months where the Board did not meet would also be of benefit.
Strategic oversight See more on page 82.	The Company's strategic direction was understood. However, the Board would welcome the strategic planning and review process being revisited in order to allow the Directors to increase their focus on developing the strategy. In 2019, additional time will be allocated to discussions on strategy.
Succession planning See more on page 87.	Whilst progress had been made during the year on non-executive succession planning through the appointments of Dr Tim Miller and Bill Thomas, the Board recognised that succession plans for key executive roles required further development. This will be an area of focus for the Nomination Committee in 2019.
Risk management and internal controls See more on pages 64 to 71 and 100.	The Company's risk management and internal controls processes have continued to evolve. More detailed information will allow the Board to undertake a deeper review of their effectiveness and embedding, and this will be led by the Audit Committee in 2019.
Support See more on page 94.	A good level of support was provided to the Board by the Secretariat team, with the advice provided on corporate governance matters and the newly introduced electronic Board portal being particular highlights. Directors felt that a more structured training programme would be beneficial, and the Secretariat will work with the Chair to design this.
Committees	The Board Committees were confirmed to be operating effectively. Some of the areas highlighted above, such as the way in which information is presented, were also themes emerging from the Committee reviews. These actions will be progressed within the wider Board action plan and rolled out to the Committees where appropriate.



Director performance evaluations

In tandem with the Board and Committee effectiveness reviews, the Nomination Committee agrees the approach to be taken to the annual review of the performance of the Non-Executive Directors.

Whilst the Chair's performance would ordinarily be evaluated (led by the Senior Independent Director with input from the other Non-Executive Directors), the Nomination Committee concluded that, exceptionally, it would not be relevant to evaluate the performance of the Chair role in respect of 2018. This was on the basis that James Hughes-Hallett had not been able to perform his duties since March 2018 due to illness, and that Ed Warner (who had performed the role of Acting Chair from March 2018 to the end of the year) was undertaking the role on a temporary basis and would be stepping down from the Board on the appointment of a successor to the role.

The performance of the other Non-Executive Directors was evaluated by way of a questionnaire which focused on the key skills and experience that the Director brought to the Board; their interactions with both fellow Board members and management; and their commitment to the role. The questionnaires were completed anonymously, and the outputs were collated into reports which were discussed between the new Chair and each Director on a one-to-one basis. Where appropriate, development plans and ongoing training needs will be agreed on an individual basis.

The performance of the Executive Directors was appraised by the CEO (in the case of the CFO & COO and the President of Broking and Investment Banking), and this feedback was presented to the Remuneration Committee as part of the annual remuneration review. The new Chair was briefed by Ed Warner (the former Acting Chair) on the performance of the business and the CEO's leadership, and feedback was provided to the CEO.

The evaluations concluded that each Director continues to perform effectively and to demonstrate commitment to their role.

Diversity

The Board recognises that diversity, in its broadest sense, is a key driver of an effective board, being a board which comprises individuals with a broad range of backgrounds, skills, experience, expertise and perspectives, and which utilises these qualities in order to generate effective debate, challenge and decision-making.

We have adopted a Board Diversity Policy which confirms that the Board strongly supports the principle of boardroom diversity, of which gender is one important aspect. However, it does not include a measurable target for gender representation on the Board and explains that all appointments are subject to formal, rigorous and transparent procedures and should be made on merit against a defined job specification and criteria. The Company does not therefore consider it appropriate to set a measurable target for female representation on the Board. Female representation on the Board currently stands at 11%.

Going forward, there will be an increased focus on broader action across the Group regarding diversity.

Conflicts of interest

Our Directors have a duty under the Companies Act 2006 to avoid a situation in which he or she has or may have a direct or indirect interest that conflicts, or may conflict, with the interests of the Company. Directors have a further duty under the Company's Articles of Association to disclose to the Board any interest in a transaction or arrangement with the Company.

Directors are required to disclose any interests that could give rise to a conflict of interest either prior to appointment or as and when they arise. Potential conflicts are considered by the Board on a case-by-case basis and, if satisfied that it is appropriate to do so, the Board is permitted under the Articles to approve the conflict. The interested Director does not participate in the discussion regarding the conflict or vote on the matter. The Board may impose any conditions on the authorisation of a conflict that it deems necessary, for example that the Director should leave the boardroom when certain matters are discussed. Once authorised, a conflict is recorded in the Register of Directors' Conflicts. The Nomination Committee has recently assumed responsibility for providing the Board with guidance on the treatment of Directors' conflicts and for conducting an annual review of the Register of Directors' Conflicts.

During 2018, no potential or actual conflicts were raised for consideration by the Board. Dr Tim Miller and Bill Thomas disclosed their external directorships prior to their appointments, and the Board was satisfied that these would not give rise to any conflict of interest.

Effectiveness continued

Induction and development

All newly appointed Directors receive a comprehensive induction programme which is tailored to their needs. The Chair and the Group Company Secretary are responsible for designing an effective induction programme, with the objectives of facilitating the Director's understanding of the Group's businesses, markets and culture, and enabling their effective contribution to the Board as early as possible. This is supplemented by access through the Board portal to a file of reference material, which covers areas including corporate governance matters and procedures, past financial performance, shareholder analysis and risk management systems.

Details of Dr Tim Miller's induction programme are set out on the next page. The induction programme for Bill Thomas is in the process of being agreed.

A typical induction programme

Meetings with all Executive and Non-Executive Directors and the Group Company Secretary.



Briefings across nine to 12 months from senior managers on key businesses and functions; and the opportunity to meet with major shareholders, advisors and clients.



Site visits are also a critical element of the programme, enabling the Director to meet the local leadership team and build a deeper understanding of the business from an on-the-ground perspective.

As part of our ongoing development, the Board receives briefings on legal, regulatory and governance matters as they arise. Senior managers make presentations to the Board on strategic matters and key industry and business developments, which is also an opportunity for us to engage with employees who may be considered as part of succession planning.

Information flows and support

The Group Company Secretary, through the Chair, is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed, applicable rules and regulations are complied with and that due account is taken of relevant codes of best practice. The Group Company Secretary is also responsible for facilitating communication flows between the Board and its Committees, and the senior management team. All Directors have access to the advice of the Group Company Secretary and, in appropriate circumstances, may obtain independent advice at the Company's expense.

Board and Committee papers are delivered securely to the Directors using an electronic portal in advance of meetings. Directors are able to seek additional information from senior management at any time, whether in relation to papers submitted for discussion or any other matters. Should any urgent matters arise between scheduled meetings, Directors are briefed either individually or through a Board call.

I have been struck throughout my induction by the aspirations of the executive and the wider team to excel in delivering for clients, and their knowledge and expertise. Whilst new technology is being embraced, the strong heritage of the business shines through.
Dr Tim Miller

A tailored induction programme for: Dr Tim Miller Non-Executive Director

A tailored induction programme was designed which reflected the following objectives:

- Facilitating Tim's understanding from both an internal and an external perspective of the Group, its people, key markets, operations on the ground and the most significant issues facing the Group.
- Building on his considerable experience of remuneration matters gained within both an executive and non-executive context, in order to build an insight into the Group's own remuneration structures and to position him to lead the remuneration agenda.

Tim's induction is ongoing, and is expected to be completed within the first half of 2019. The programme has primarily taken the form of meetings and briefings as set out below.

Internal

Business Managing Directors: to provide an overview of the business (including history, challenges, opportunities, the competitive environment and the key risks) and establish links with key personnel.

Functional leaders: to discuss the principal focus areas of the functions and how they support the strategy, whilst building relationships with key leaders.

Site visits: visit undertaken to the New York office while meeting US-based shareholders. Other site visits will be completed when the opportunity arises (for example in conjunction with meetings to the area for other purposes).

External

Board Directors: to provide an insight into the key issues facing the Group from the Board's perspective.

Principal advisors: to build an understanding of the context within which the Group operates through meetings with the Group's external Auditor, corporate brokers and financial public relations advisors.

Remuneration

Introductory meetings with major shareholders undertaken in conjunction with engagement with shareholders regarding remuneration matters.

Given his role as Chair of the Remuneration Committee, Tim also received a briefing pack on remuneration matters. This provided relevant reference material, such as previous Directors' remuneration reports (which included the current Directors' Remuneration Policy); details of previous shareholder consultations; proxy advisory reports; and documents to enable Tim to build up an understanding of how the remuneration for the Executive Directors is structured.

Audit Committee report

At a glance

Composed of independent Non-Executive Directors:

- Marie-Louise Clayton (Chair), independent Non-Executive Director
- Peter Backhouse, Senior Independent Director
- Dr Tim Miller, independent Non-Executive Director¹
- James Hughes-Hallett, independent Non-Executive Director²

Ed Warner served as a member throughout 2018 and stepped down on 13 February 2019.

The Board is satisfied that Marie-Louise Clayton meets the requirement under the Code that at least one member of the Committee has recent and relevant financial experience, and that the Committee as a whole has competence relevant to the sector in which the Company operates.

Regular attendees at meetings include the CFO & COO, Group Financial Controller, Group Company Secretary and the external Auditor (PwC).

Its key roles are to review the integrity of the financial reporting for the Group (including managing the relationship with the external Auditor) and to oversee the effectiveness of the risk management and internal control systems.

Held three scheduled meetings during 2018. Attendance is set out below.

Scheduled meeting attendance

Marie-Louise Clayton	3/3
Peter Backhouse	3/3
Dr Tim Miller ¹	2/2
Ed Warner	3/3

¹ Appointed on 22 May 2018.

² Appointed on 13 February 2019.

Dear Shareholder

I am pleased to present our Audit Committee report and would like to start by welcoming Dr Tim Miller as a new member with effect from 22 May 2018 and also thanking Ed Warner who retired from the Board and Committee on 13 February 2019. Ed provided invaluable support to the Audit Committee during his tenure for which we are very grateful. Finally on membership changes, I am delighted that James Hughes-Hallett has now become a formal member of the Committee following his transition from Chair to a Non-Executive Director.

A key area of work for the Audit Committee this year was around the audit tender process which resulted in the reappointment of PwC. I led this process on behalf of the Audit Committee but would like to thank my fellow members and Jeff Woyda for their support. Further detail on the tender process can be found on page 103. In accordance with PwC's rotation rules, our current Lead Audit Partner (John Waters) will rotate off the audit after finalisation of this year's audit, and we look forward to a smooth transition and working with Chris Burns, his successor. I would like to offer my thanks to John for his contribution to the audit process over the last five years.

Throughout the year, we have continued to focus on the fundamentals around our risk management and internal control framework. We implemented some changes to strengthen our approach to the annual risk assessment and undertook a comprehensive review of our risks, including emerging risks. We also value the compliance updates we receive from management as these provide the Audit Committee with real insight into the maintenance of proper and appropriate systems and controls.

To further strengthen assurance on the effectiveness of our internal control environment, the Audit Committee has appointed Grant Thornton to provide internal audit services. We are currently working with Grant Thornton and the business to develop a risk-based rolling plan. This expands the internal audit activities across the Group, with Deloitte providing services to our Norwegian regulated operations. Further detail on internal audit can be found on page 102.

The results from our annual performance review confirm that the Audit Committee is operating effectively. However, I intend to ensure we continue to provide appropriate oversight, particularly as the demands of good governance continue to change.

I will be available at the Annual General Meeting to answer any questions about the work of the Audit Committee.

Marie-Louise Clayton
Audit Committee Chair
8 March 2019

Responsibilities of the Audit Committee

Monitor the integrity of the Group's financial reporting.

Challenge the consistency of, and any changes to, accounting policies, and confirm whether the Group has adopted appropriate accounting standards and made appropriate estimates and judgements.

Advise the Board on whether the annual report taken as a whole is fair, balanced and understandable; the adoption of the going concern basis of accounting; and the appropriateness of the viability statement.

Oversee the relationship with the external Auditor, including recommending their appointment and reappointment to the Board; approving their remuneration; reviewing the level of fees payable for non-audit services; implementing procedures to ensure that the external Auditor's independence is maintained; and assessing annually whether these have been effective.

Keep under review the effectiveness of the Group's internal financial controls, internal control and risk management systems.

Review the adequacy of systems and controls for detecting and preventing fraud, bribery and money-laundering.

Monitor the adequacy and effectiveness of the compliance function.

Consider regularly any internal audit reports in relation to the regulated banking business, and the need for any internal audit activity in the wider Group.

The Audit Committee's Terms of Reference are reviewed annually and are available at www.clarksons.com/about-us/board-of-directors.

From left to right:
Standing – Dr Tim Miller
Seated – Marie-Louise Clayton, James Hughes-Hallett,
Peter Backhouse

Throughout the year,
we have continued to focus
on the fundamentals around
our risk management and
internal control framework.

Marie-Louise Clayton
Chair

Key topics discussed at Audit Committee meetings in 2018

External audit

- External audit reports on the principal audit and accounting issues arising during the half year and full year audits
- Assessment of the effectiveness of the external audit process
- Audit tender process and recommendation to the Board to reappoint PwC, having reviewed the proposed terms of engagement and reassessed PwC's independence
- Plan for the 2018 full year audit, including objectives, approach, timing and fee proposal

Financial reporting

- Financial results and the 2017 annual report, including statements regarding going concern and viability
- Accounting policies and key judgement areas for the half year and full year results
- Interim and final dividend payment capacity

Governance

- Impact of the UK Corporate Governance Code 2018 on the Audit Committee's duties
- Annual review of the Audit Committee's effectiveness

Internal audit

- 2018 internal audit plan for Clarksons Platou Securities AS and regular updates on internal audit activities
- Consideration of the need to implement an internal audit function in the wider Group
- Internal audit tender process, and agreement (in 2019) to appoint Grant Thornton

Risk management and internal controls

- Regular reports on the risk management and internal control systems, including the annual review of the effectiveness of those systems
- IT security update
- Mitigation of risks in the convertible bond market
- Regular compliance updates (including reports from the Money Laundering Reporting Officers)

Financial reporting

The Audit Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates.

In respect of the Company's half year and annual financial statements, the Audit Committee considered the significant issues set out in the table below to ensure that appropriate rigour was applied. These are the same issues as were considered in 2017 and they were discussed in detail with management and the external Auditor throughout the year.

All accounting policies can be found in note 2 on pages 142 to 149 of the consolidated financial statements.

Significant issues considered in relation to the financial statements

Issue	Area of focus	Audit Committee review and conclusion
Recoverability of trade receivables	A number of judgements are made in the calculation of the provision, primarily the age of an invoice, the existence of any disputes, recent historical payment patterns and outlook, and the debtor's financial position.	<p>The Audit Committee discussed with management the results of its review, the internal controls and the composition of the related financial information.</p> <p>The Audit Committee also discussed with the external Auditor their audit procedures over the provision.</p> <p>The Audit Committee is satisfied that the implementation of IFRS 9 has been properly applied this year and has had no significant financial impact on the determination of trade receivable provisions which now apply an expected credit loss model. Other IFRS 9 accounting and disclosures are properly implemented. See note 2.2 and note 13 of the consolidated financial statements for further details.</p>
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 and when performance obligations are satisfied.	<p>The Audit Committee considered the revenue recognition processes in place for all four business segments with management, and cut-off procedures with the external Auditor.</p> <p>The Audit Committee is satisfied with the control environment and that revenue has been recognised in the correct periods.</p> <p>The Audit Committee is satisfied that the implementation of IFRS 15 has been properly applied this year and has had no overall significant impact on the revenue recognition for the Group. See note 2.2 of the consolidated financial statements for further details.</p>
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.	<p>The Audit Committee discussed with management and reviewed the results of its testing, and evaluated the appropriateness of the assumptions used within its impairment test model. The results of the Audit Committee's review of management's testing were subsequently considered with the external Auditor. The Audit Committee then discussed with both management and the external Auditor the headroom in each of the cash-generating units and the impact of sensitivity analyses from changes in key assumptions.</p> <p>The Audit 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 sensitivity disclosures have been included in the financial statements.</p>

Accountability continued

Fair, balanced and understandable

The Audit Committee reviewed whether the 2018 annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In making its assessment the Audit Committee took into account the process which management had put in place to provide assurance as detailed below:

- Overall co-ordination of the production of the annual report was overseen by the CFO & COO to ensure consistency across the document, with overall governance and co-ordination provided by a cross-functional team of senior management.
- Each section of the annual report was prepared by a member of management with appropriate knowledge, seniority and experience.
- An extensive verification process was undertaken to ensure factual accuracy.
- A formal review of all Board and Board Committee meeting minutes was completed by the Group Company Secretary to ensure that all significant matters were appropriately reflected and given due prominence in narrative reporting.
- Comprehensive reviews of drafts of the annual report were undertaken by members of senior management and the external Auditor.
- The Audit Committee discussed management's views on each of the key judgements considered in the period.
- Board members received drafts of the annual report for their review and input which provided an opportunity to discuss the drafts with both management and the external Auditor, challenging the disclosures where appropriate.

The final draft of the annual report was reviewed by the Audit Committee. On the basis of the process put in place by management and its review of whether the information necessary for shareholders to assess the Group's position and performance, business model and strategy was appropriately disclosed, concluded that the 2018 annual report was fair, balanced and understandable and advised the Board accordingly.

Internal controls and risk management

The Audit Committee is responsible for reviewing the adequacy and effectiveness of the Group's systems of internal control and risk management. Details of the risk management structures in place to enable the risks facing the business to be identified, documented, assessed and monitored are provided within the risk management section on pages 65 to 66.

Details of the annual assessment undertaken of the effectiveness of risk, controls and risk management processes are provided on pages 65 and 66.

On the recommendation of the Audit Committee, the Board concluded that the Group's systems of internal control and risk management were appropriately designed and operated effectively during the year.

Viability statement

The Audit Committee recommended to the Board the approval of the viability statement (which is set out on page 70). Cognisant that changes in both the internal and external operating environment could impact on the Group's viability, the Audit Committee receives a report from management at each meeting as to the prospects of the Group which includes key financial indicators (including profitability, liquidity and the forward order book), business risks and the principal risks. Ahead of recommending the approval of the statement to the Board, a more detailed report was presented by management which considered the impact on viability of scenarios which are linked to the Group's principal risks, as well as the compounding impact of certain scenarios. The Audit Committee also revisited the period over which previous assessments of the Group's viability have been made, and confirmed that a three-year timeframe remained appropriate.

Going concern

The Audit Committee reviewed the matters, assumptions and sensitivities in support of preparing the accounts on a going concern basis and recommended to the Board that this remained appropriate. Further information about the going concern assessment is set out on page 71.

Compliance

As part of strengthening our compliance processes and to enhance employees' understanding of the standards of conduct and ethics expected of them, the Board published a revised Compliance Code in 2018. This contains a suite of policies that mitigate ethics and compliance risks, which all employees and contractors must comply with. In addition, the Group's regulated businesses are subject to further compliance requirements which are set out in local compliance manuals.

In addition to existing anti-bribery and corruption online training, sanctions and cyber security awareness have been supplemented by online training modules. To further improve awareness across the Group, compliance training seminars for unregulated businesses have been conducted by the Group General Counsel in all the key offices globally, with attendance by employees being mandatory. Embedding of policies and processes is supported by a global compliance team, who the Audit Committee is satisfied have the necessary skills and experience to fulfil their duties.

At each meeting, the Audit Committee receives a compliance update which assesses compliance with current and evolving regulatory requirements, best practice and areas of focus by the compliance team. These reports provide assurance to the Audit Committee in respect of the appropriateness of controls of a compliance nature.

Whistleblowing

The Audit Committee is responsible for reviewing the adequacy and security of the Group's arrangements for its employees to raise concerns.

The Audit Committee, in conjunction with the Board, has agreed arrangements by which employees may raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. This is formalised into an overarching Whistleblowing Policy. Where relevant, local mandatory whistleblowing policies also exist.

Under the 2018 UK Corporate Governance Code, whistleblowing arrangements are now the responsibility of the Board, which has been reflected in the Matters Reserved for the Board.

The Board has reviewed the current whistleblowing arrangements and agreed that, to complement the processes already in place and to provide a mechanism for concerns to be raised anonymously rather than just in confidence, an independent third-party provider will be appointed to operate the whistleblowing helpline. An evaluation of potential firms to operate the helpline is currently under review for discussion with the Board. In addition, current arrangements will be expanded to ensure that the entire workforce (i.e. including agency workers and contractors) can raise any concerns.

Anti-bribery and corruption

To prevent bribery and corruption, the Group has an approved policy which all employees and contractors must follow. This includes guidance around the acceptance of gifts and hospitality. All employees have been trained in person and/or completed online training modules in anti-bribery and corruption to ensure awareness of their obligations in this area.

Anti-money laundering

The Group has sought to establish and maintain effective and proportionate mechanisms and controls to prevent opportunities for money laundering. These include anti-money laundering (AML) policies and procedures for all businesses.

During the year, the Group reviewed the processes for its unregulated businesses, resulting in enhanced AML procedures and specifically 'Know your Client' processes. To implement these enhancements, the Group has developed a custom-built online sanctions checking tool. All employees who support AML compliance have the necessary skills and experience to fulfil their duties.

Accountability continued

Internal audit

An internal audit arrangement is in place for our banking and finance operations headquartered in Norway, given their scale and regulatory nature. During 2018, Ernst & Young (EY) performed this function on an outsourced basis and an update on activities was discussed at each Audit Committee meeting. There were no significant issues identified during the year.

Following review, management recommended a change of internal auditor in 2019 from EY to Deloitte to ensure a freshness of perspective.

In respect of the Group's other activities, the Audit Committee concluded, following review, that there may be scope to enhance current activities to provide further assurance over key risks and the effectiveness of the control environment. Given the size of the Group, the Audit Committee agreed that an outsourced partner to support internal audit activities would be a more effective approach. In conjunction with management, the Audit Committee Chair ran a review process (as detailed in the table on the opposite page), inviting three independent firms to tender. Following the selection process, Grant Thornton was appointed to provide internal audit services. A three-year risk-based plan is currently being developed with Grant Thornton which will be monitored by the Audit Committee.

External audit

The Audit Committee manages the relationship with the external Auditor on behalf of the Board. The Audit Committee recommends the appointment of the external Auditor to the Board, and approves their remuneration and terms of engagement.

Tender

PwC has been the external Auditor to the Group since 2009. As reported in the 2017 annual report, and in compliance with the Competition and Markets Authority's Order regarding the tender of audit services, a competitive tender process was carried out during the year. Details of this tender process, which was led by the Chair of the Audit Committee, are set out in the table on the opposite page. Following consideration of the conclusions, the Board agreed with the Audit Committee's recommendation that PwC should be reappointed. PwC will be subject to mandatory rotation in 2029.

Independence

Processes are in place to safeguard the independence of the external Auditor, including controls around the use of the external Auditor for non-audit services. Details of the Non-Audit Services Policy are set out in a separate section to the right. The Audit Committee was informed of a non-permitted service that had been performed by PwC in China in respect of payroll services. Given the de minimis nature of the fee incurred and balances involved, the Audit Committee concluded that the conduct of this work had not impacted PwC's independence.

The Audit Committee also considered a report from PwC which set out the rigorous internal control procedures it has in place to safeguard its independence and ensure the quality of the audit, which provided further assurance.

In accordance with PwC's rotation rules and UK Ethical Standards, the current Lead Audit Partner (John Waters), who has been in place since 2014, will rotate off the audit from the 2018 audit cycle and be replaced by Chris Burns. This will provide a fresh perspective without sacrificing institutional knowledge. Chris has already shadowed certain aspects of the half year and year-end processes to facilitate a smooth transition.

The Audit Committee remains satisfied that the independence and objectivity of PwC has been maintained.

Non-Audit Services Policy

To ensure that the external Auditor maintains its independence and objectivity, the Audit Committee has agreed that its policy is that the external Auditor and their associated audit network firms will not be used for any non-audit services, other than legacy non-audit services already approved by the Audit Committee and certain exceptions. The exceptions relate to where services are required by statute; or exceptionally, the local statute law permits the provision of such services, and the external Auditor is best placed to preserve the quality of the non-audit service and there are limited feasible alternatives.

One non-permitted service was provided in China, as set out in the Independence section to the left.

Legacy non-audit services approved by the Audit Committee are detailed in note 3 of the consolidated financial statements.

Auditor effectiveness

The Audit Committee Chair meets the external Auditor on a regular basis during the year to facilitate effective and timely communication, and at each Audit Committee meeting there is a session without management present in order to discuss the Auditor's remit and raise any issues.

The Audit Committee conducts an annual assessment of the effectiveness of the external Auditor and the external audit process, and reports its findings to the Board. It does this through:

- Evaluating delivery and performance against the audit plan, including feedback from the CFO & COO;
- Assessing the experience and expertise of the audit team assigned to conduct the audit;
- Considering the content and quality of PwC's written reports, contributions to the Audit Committee's discussions and ability to challenge management;
- Reviewing compliance with the Non-Audit Services Policy; and
- Consideration of audit quality inspection reports issued.

Following its annual review of the 2018 external audit process, the Audit Committee concluded that it was effective.

Auditor reappointment

Taking into account the review of independence and performance of the external Auditor, together with the insights from the recent audit tender, the Audit Committee has recommended to the Board the reappointment of PwC. Resolutions reappointing PwC as external Auditor and authorising the Directors to set their remuneration will be proposed at the 2019 AGM.

Activity relating to the external audit and internal audit tenders

Stages of process	External audit	Internal audit
<p>Initial selection</p> <p>▼</p>	<p>The Audit Committee agreed to invite a number of firms to tender for the external audit.</p>	<p>The Audit Committee agreed that a review process for an internal audit firm should be conducted. Authority was delegated to the CFO & COO to initiate a process.</p>
<p>Invitation to participate</p> <p>▼</p>	<p>In June 2018, an invitation to tender was issued and a summary of the tender process outlined.</p> <p>Firms were requested to confirm their participation and submit a non-disclosure agreement, a statement of independence and their most recent FRC Audit Quality Review Report.</p>	<p>In October 2018, three firms were invited to participate, and informal discussions were held with the Group Company Secretary so that each firm could gain an understanding of the Group's internal audit requirements.</p>
<p>Provision of information and meetings</p> <p>▼</p>	<p>To assist with formulating proposals, firms were provided with information about the Group.</p> <p>To gain an understanding of the Group's history, business and audit requirements, firms were invited to meet the Audit Committee Chair and key individuals of the management team (including the CFO & COO, the Group Financial Controller and the Director of Finance) ahead of making a formal presentation to the Audit Committee. Feedback gathered from the sessions was collated to provide input into the subsequent decision-making process.</p>	<p>The three firms were invited to make a presentation to the CFO & COO, Group Financial Controller and Group Company Secretary. These meetings provided an opportunity for each firm to learn about the Group and gain further insight into proposed internal audit requirements, explain their internal audit processes (from planning to delivery) and how they would engage with the business and Audit Committee.</p> <p>Following these meetings, two firms were shortlisted to proceed to the next stage.</p>
<p>Presentations/ proposals</p> <p>▼</p>	<p>Written proposals were submitted in July 2018 and evaluated by the Audit Committee in August 2018.</p> <p>In September 2018, each firm made a presentation to the Audit Committee, the CFO & COO and other members of senior management, setting out their audit proposal.</p>	<p>The two shortlisted firms were requested to submit a written proposal setting out capabilities, key elements of the proposed service, details of their team and proposed fee. This enabled comparability on key components of their respective offerings.</p>
<p>Outcome</p>	<p>Based on a careful assessment against a comprehensive set of evaluation criteria, the Audit Committee recommended a preferred firm together with an alternative.</p> <p>After careful consideration, the Board accepted the recommendation from the Audit Committee to reappoint PwC as the Group's external Auditor.</p> <p>Feedback was provided to all firms on the reasons for the decision.</p> <p>The reappointment of PwC will be recommended to shareholders at the 2019 AGM.</p>	<p>The submitted proposals were carefully evaluated and, taking into account feedback from the formal presentation and general engagement with both firms during the process, management recommended to the Audit Committee Chair the appointment of Grant Thornton.</p> <p>A meeting was scheduled for Grant Thornton to present their proposal to the Audit Committee Chair who, along with her fellow members, endorsed the appointment of Grant Thornton with effect from February 2019.</p> <p>Feedback was provided to all firms on the reasons for the decision.</p>

Relations with shareholders

The Board is cognisant of its responsibility to manage the Company on behalf of our shareholders, and understands that maintaining strong relationships and an open dialogue with investors underpins the long-term success of the Company.

Investor calendar

January
Pre-close trading update

March
Full year results announcement

March to April
Investor roadshow

May
AGM

August
Half year results announcement

September
Investor roadshow

Investor data

Analysis as at 31 December 2018

Shareholder by type



■ Retail

Number of shareholders:
885 66.44%

Number of ordinary shares:
6,062,587 19.99%

■ Corporate/Nominee

Number of shareholders:
447 33.56%

Number of ordinary shares:
24,262,471 80.01%

Shareholder by geography

Total



■ Number of shareholders:
1,332 100%

Number of ordinary shares:
30,325,058 100.00%

UK



■ Number of shareholders:
1,164 87%

Number of ordinary shares:
25,952,570 85.58%

Rest of Europe



■ Number of shareholders:
94 7%

Number of ordinary shares:
4,067,049 13.41%

Asia



■ Number of shareholders:
36 3%

Number of ordinary shares:
112,150 0.37%

North America



■ Number of shareholders:
16 1%

Number of ordinary shares:
21,785 0.07%

Rest of World



■ Number of shareholders:
22 2%

Number of ordinary shares:
171,504 0.57%

Shareholder engagement

Institutional investors

Whilst the Chair is responsible for ensuring effective communication with shareholders, the CEO and CFO & COO act as the primary contact for institutional investors and engage actively with both current and potential investors. The Chair, Senior Independent Director and all Non-Executive Directors are available to attend meetings if requested by shareholders.

During the year, the CEO and CFO & COO held over 70 meetings with both potential and current investors (holding nearly 50% of the issued share capital) to gain an understanding of their views and concerns.

In response to the significant vote against the Directors' remuneration report at the 2018 AGM, the Remuneration Committee Chair engaged with shareholders through 2018/19, meeting holders of around 35% of the Company's issued share capital. Further details on the engagement can be found in the Directors' remuneration report on page 110.

Retail shareholders

Retail shareholders (excluding employee shareholders) hold around 12% of our issued share capital, and the Board recognises the value of maintaining a good level of engagement with these investors. This is achieved principally through our website and the AGM. Full year and half year results announcements, the annual report and results presentations are all available on our website, as well as information regarding financial performance and governance matters. Further detail regarding our AGM can be found on page 107. Our Company Secretariat team and our registrar (Computershare) are also available to help retail shareholders with any queries they may have.

During 2018, the CFO & COO welcomed the UK Shareholders' Association (UKSA) to the Company's London office. The UKSA is a not-for-profit organisation set up to promote and protect the interests of private investors and promote the wider benefits of savings and investment in equities to society in general. A presentation was made which provided an overview of the Group's business model, market dynamics and an introduction to Clarkson's Cloud, our end-to-end digital shipping platform. The presentation was well received by attendees, and provided a valuable opportunity for the Company to hear directly from current and potential retail shareholders.

Employee shareholders

The Board recognises the benefits of encouraging employee share-ownership, and Group employees hold around 8% of the Company's issued share capital, either through direct interests or through restricted shares granted under employee share plans. Furthermore, the Company issues an annual invitation to employees in the UK, Norway and Singapore to join a ShareSave plan, which gives employees the opportunity to purchase shares in the Company at a discounted price, subject to certain conditions. Take-up of the last invitation reached 37% of eligible employees (excluding employees already saving the maximum savings amount in prior invitations), with a number of employees already participating in previous invitations. A similar plan will be offered to employees in the US this year, subject to shareholders approving the adoption of new plan rules at the AGM.

Employee shareholders (and the workforce as a whole) are kept informed by the Group Company Secretary of publicly available financial updates and governance changes such as new director appointments.

Size of holding

Analysis as at 31 December 2018

Size of shareholding	Number of shareholders	%	Number of ordinary shares	%
1 > 999	709	53.23%	235,035	0.78%
1,000 > 4,999	303	22.75%	668,907	2.21%
5,000 > 9,999	76	5.71%	509,806	1.68%
10,000 > 99,999	196	14.70%	6,331,591	20.88%
100,000 > 249,999	27	2.03%	4,064,695	13.40%
250,000 > 499,999	10	0.75%	3,521,930	11.61%
500,000 > 999,999	5	0.38%	3,242,983	10.69%
1,000,000+	6	0.45%	11,750,111	38.75%
Total	1,332	100.00%	30,325,058	100.00%

Relations with shareholders continued

Information flow to Board

The Chair takes responsibility for ensuring that the views of shareholders are communicated to the Board as a whole.

The CEO and CFO & COO regularly update the Board on shareholders' views, which reflects both their own direct engagement with investors and feedback from the Company's joint corporate brokers and financial public relations advisors.

An analysis of movements in the shareholder register and trading volumes is provided to each Board meeting, whilst analyst reports on the Company are made available to all Directors through the Board portal in order to enhance their understanding of how the Company is perceived in the market.

Going forward, the Company's joint corporate brokers and financial public relations advisors will be invited to attend at least one Board meeting each year in order to present their views on market and economic conditions and investors' perceptions.

Investor engagement

During the year, the CEO and CFO & COO held over 70 meetings with both potential and current investors.

Analysts/brokers

We receive analyst reports through our Board portal and review them, along with broker feedback, at our Board meetings.

Board

An open dialogue with investors of all types, and our ability to respond to their feedback, is the key to our long-term success.

Internal

Our employee engagement forum, which is being established, will provide a valuable opportunity for us to enhance engagement with the workforce (including our employee shareholders).

Annual General Meeting

We view the AGM as an opportunity to engage directly with all shareholders.

During the year, the CEO and CFO & COO held over 70 meetings with both potential and current investors.



Annual General Meeting

We view the AGM as an opportunity to engage directly with all shareholders (but particularly retail shareholders) on the key issues facing the Group and respond to any questions shareholders may have on the business of the meeting. The Notice of Meeting is circulated to shareholders at least 20 working days prior to the meeting. All resolutions proposed to the meeting are voted on by way of a poll. This allows all votes cast to be counted, rather than just those of the shareholders attending the meeting, which we believe is the most representative means of gauging the views of our shareholder base. The number of proxies received is disclosed to shareholders in attendance at each AGM, and the voting results are announced to the London Stock Exchange and made available on the Company's website as soon as practicable after the meeting.

The 2018 AGM was held on 10 May 2018. Votes were cast in relation to circa 72% of the issued share capital and, although all resolutions were passed by the required majority, the Board noted a significant vote against resolution 2 to approve the Directors' remuneration report. As mentioned on page 105, the Remuneration Committee Chair engaged with shareholders in response to this vote.

This year's AGM will be held at 12pm on Thursday 9 May 2019 at the Company's London office at Commodity Quay, St. Katharine Docks, London E1W 1BF. Full details of the resolutions to be proposed at the meeting are set out in the Notice of Meeting. The Chair, as well as the Chairs of the Board Committees, will be in attendance at the meeting to answer questions, and we will be available after the meeting to meet shareholders on an informal basis.

AGM
12pm, Thursday 9 May 2019
Commodity Quay
St. Katharine Docks
London E1W 1BF

Remuneration Committee report

At a glance

Composed of independent Non-Executive Directors:

- Dr Tim Miller (Chair), independent Non-Executive Director¹
- Peter Backhouse, Senior Independent Director
- Marie-Louise Clayton, independent Non-Executive Director
- James Hughes-Hallett, independent Non-Executive Director
- Birger Nergaard, independent Non-Executive Director
- Bill Thomas, Chair²

Ed Warner was Chair of the Remuneration Committee until 22 May 2018, and stepped down as both Chair and member on the appointment of Dr Tim Miller.

Dr Tim Miller serves on (and chairs) the remuneration committee of other organisations and therefore has recent and relevant experience of remuneration matters.

Regular attendees at meetings include the CEO, CFO & COO, Group Company Secretary and the Remuneration Committee's independent remuneration advisor (FIT Remuneration Consultants LLP).

The Remuneration Committee's key role is to set the remuneration policy and individual terms for the Chair, Executive Directors and other members of the senior management team. Remuneration for the Non-Executive Directors is determined by the Board.

No person participates in any discussion relating to their own remuneration.

Held three scheduled meetings during 2018. Attendance at the scheduled meetings is set out below.

Scheduled meeting attendance

Dr Tim Miller ¹	2/2
Peter Backhouse	3/3
Marie-Louise Clayton	3/3
James Hughes-Hallett ³	1/3
Birger Nergaard ⁴	2/3
Ed Warner	1/1

¹ Appointed on 22 May 2018.

² Appointed on 13 February 2019.

³ Unable to attend two meetings due to illness.

⁴ Unable to attend one meeting due to an important prior commitment but Mr Nergaard reviewed the papers beforehand and provided feedback to the Committee Chair.

Key topics discussed at Remuneration Committee meetings in 2018

Governance

- Draft Directors' remuneration report
- Review of remuneration advisory services
- Changes to share plan rules to reflect General Data Protection Regulations and treatment of leavers
- Impact of the UK Corporate Governance Code 2018 on the Remuneration Committee's duties
- Training session on market developments in remuneration

Individual remuneration arrangements

- Annual review of the Chair's remuneration and fee for the new Chair
- Fixed pay, bonus outturn and awards to be made for all employees falling within the Remuneration Committee's remit

Performance-related incentive schemes

- 2017 bonus outturn, and performance measures and targets for the 2018 performance year
- Parameters and quantum of awards to be made under the Long Term Incentive Plan (LTIP) in 2018
- Vesting of LTIP awards (granted in 2015, in relation to performance to 31 December 2017)

Remuneration in wider Group

- 2018 ShareSave invitation

Shareholder engagement

- Engagement with shareholders following the significant vote against the Directors' remuneration report



From left to right:
Standing – James Hughes-Hallett, Dr Tim Miller
Seated – Peter Backhouse, Bill Thomas, Marie-Louise Clayton
(Birger Nergaard is also a member of the Remuneration Committee, but was unable to be present when this photograph was taken)

We strive to set pay structures that are in the best interests of the business, the ongoing strategy and which are in line with the values that we hold.

Dr Tim Miller
Chair

Responsibilities of the Remuneration Committee

Setting remuneration policy for Executive Directors and senior management in conjunction with the Board.

Determining individual remuneration arrangements for the Executive Directors and senior management within the agreed remuneration policy.

Approving the Chair's remuneration.

Reviewing pay and bonus allocations across the wider Group.

Reviewing the design of performance-related incentive schemes for recommendation to the Board. Once in place, agreeing targets and assessing the outcomes.

Reviewing recruitment and termination arrangements for Executive Directors and senior management.

Engaging with shareholders on remuneration-related matters.

The Remuneration Committee's Terms of Reference are reviewed annually and are available at www.clarksons.com/about-us/board-of-directors.

Directors' remuneration report continued

Dear Shareholder

Annual statement

I took over as Chair of the Remuneration Committee on 22 May 2018 and am pleased to introduce, on behalf of the Board, my first Directors' remuneration report for the year ended 31 December 2018.

2018 AGM vote

As the new Chair of the Remuneration Committee, and in response to the vote at last year's AGM, I have spent a significant amount of time meeting with our largest shareholders and their representative bodies to ensure that they understand how our distinctive model benefits our shareholders. Since my appointment, I have met with eight of our largest shareholders and each of the leading proxy agencies.

These discussions were constructive and gave me an opportunity both to understand the different views of our shareholders and to explain to shareholders that, while our remuneration arrangements are increasingly unusual in a listed company context, they are consistent with practice within shipping and shipbroking and have served the Group and its shareholders well since inception, whilst also honouring the terms of Executive Directors' contracts.

I have subsequently discussed the feedback with Bill Thomas, our new Chair, and together with other members of the Remuneration Committee, we will be reflecting carefully, and with an open mind, on all feedback received in the run up to the submission of our Directors' Remuneration Policy to our shareholders at the 2020 AGM. One of my first actions as Committee Chair was to review the provision of independent advice that the Remuneration Committee receives. As a consequence, we have appointed a new external independent advisor who will, I believe, bring a fresh perspective to our discussions. Together with our advisor, I shall again be consulting with our largest shareholders and, the leading proxy agencies later this year.

Performance and reward for 2018

Our full-year performance bonuses were, as in previous years, based on a bonus pool linked to stretching Group profit before tax targets, with threshold levels increased by 5% on those of 2017. Combined with the reduction in profit, this has given rise to lower calculated bonuses becoming payable. As in previous years, on a voluntary basis 10% of the bonus will be deferred into shares which will vest after four years.

The Remuneration Committee noted that the Executive Directors had proposed 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 varied over the past five years, but this year is by far the largest voluntary sacrifice made at 30% of the entitlement (2017: 10%).

The LTIP awards which were granted on 15 April 2016 were subject to challenging absolute EPS and relative TSR performance targets. Neither the 2018 EPS nor the three-year relative TSR exceeded targets and thus none of the 2016 LTIP awards will vest. These outcomes result in reductions in total remuneration for the CEO, CFO & COO and President of Broking and Investment Banking of 32%, 29% and 15% respectively.

Implementation of Directors' Remuneration Policy in 2019

The Policy will be implemented in 2019 as follows:

- **Salary:** As in previous years, there will be no change to Executive Directors' salaries. This means that the CEO's salary is unchanged since 2010 and the CFO & COO's remains unchanged since 2015 when an increment was given to reflect his additional duties as Chief Operating Officer.
- **Annual bonus:** Performance bonuses from the bonus plan will continue to be closely linked to the Group's adjusted pre-tax profits for the year and, once again, no bonuses will be payable to Executive Directors below a threshold level of profit.
- **LTIP:** The Executive Directors will receive LTIP awards equivalent to 150% of base salary in 2019. The performance targets will be, as in prior years, 50% based on EPS in the year of vesting and 50% based on relative TSR measured independently over a three-year period. The EPS performance target has been set at a threshold of 121p to a stretch target of 149p in 2021. The relative TSR targets will continue to be measured relative to the performance of the constituents of the FTSE 250 index (excluding investment trusts). Any vested shares from the performance-related LTIP are subject to a two-year post-vesting holding period.
- **Share ownership guidelines:** A guideline of 200% of salary will continue to apply for Executive Directors. The Executive Directors all have significant shareholdings in the Company and have substantially exceeded these guideline levels.

Applying a consistent approach to our pay arrangements over many years has both provided a clear incentive for the executives to deliver for our shareholders over time and has led to the build-up of significant shareholdings (approximately 1,750%, 420% and 550% of salary for the CEO, CFO & COO and President of Broking and Investment Banking respectively) which, in turn, reaffirms alignment with shareholders. This alignment is further reinforced by the existence of clawback provisions, four-year bullet vesting of deferred shares and a two-year post-vesting holding period on LTIP awards, as well as contributing to an appropriate level of risk mitigation.

This report comprises the annual report on remuneration (pages 112 to 121) which describes how the shareholder-approved Directors' Remuneration Policy was implemented for the year ended 31 December 2018 and how we intend for the Policy to apply for the year ending 31 December 2019. To ensure clarity and transparency we have republished our Directors' Remuneration Policy (pages 122 to 123).

All-employee remuneration matters

The Board is committed to giving as many employees as possible the opportunity to share in the Group's success through all-employee share plans, and I am pleased to confirm that we are seeking shareholder approval at the AGM for a new share plan in which US-based employees will be able to participate. The plan will operate in a similar way to ShareSave in the UK (to the extent possible under US regulations).

Conclusion

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 that are in the best interests of the business and the ongoing strategy, and which are in line with the values that we hold. We hope that you will be able to support the remuneration-related resolutions at the 2019 AGM.

Should you have any questions or comments, please contact me through the Group Company Secretary.

Dr Tim Miller

Remuneration Committee Chair
8 March 2019

Directors' remuneration report continued

Annual report on remuneration

Implementation of the Directors' Remuneration Policy for 2019

Base salary

No changes have been made to the base salaries of the Executive Directors for 2019, and salaries therefore remain as set out below:

Executive Directors: base salary

	1 January 2019	1 January 2018	% 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.

Peter M. Anker has expressed a wish to retire from full-time employment on his 62nd birthday in July 2019, and consequently he has decided not to offer himself up for re-election as a Director at the AGM on 9 May 2019. He will continue on his current terms until that date and then remain with the Group as an employee on a part-time basis. His pay will be reduced accordingly as a result. Peter will retain any outstanding share awards on their normal terms. No payment for loss of office is envisaged.

Taxable benefits

The taxable benefits received by the Executive Directors in 2018 included a car allowance, private medical insurance and club memberships. No material changes to taxable benefits are proposed for 2019.

Annual bonus for 2019

The annual bonus opportunity for 2019 will be calculated on the same basis as in previous years and will continue to be based on a bonus pool derived from Group profit before tax as follows:

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

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

As in 2018, the share of the executive bonus pool allocated to the CFO & COO will, in part, be determined by performance against a series of non-financial, strategic and operational objectives.

The profit floor and thresholds for 2019 have not been disclosed on a prospective basis as these are considered to be commercially sensitive although disclosure will be provided retrospectively. The target ranges are higher than those that applied for 2018.

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 which vest 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 2019

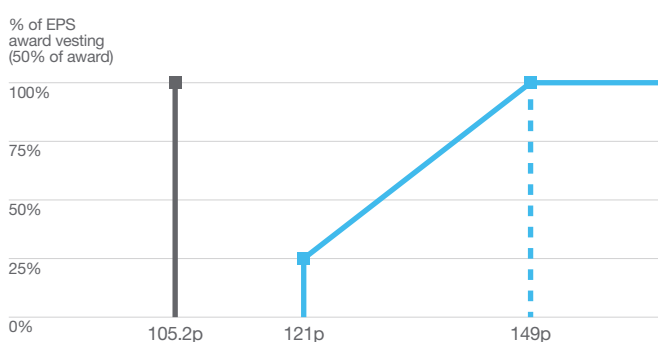
Consistent with past practice, it is envisaged that:

- Executive Directors will receive LTIP awards over shares worth up to 150% of salary in 2019;
- The vesting of 50% of the awards will be determined by the Company's Earnings Per Share (EPS) for 31 December 2021, as shown in chart (i) below. The EPS for 2018 is shown (grey line) for reference; and
- The vesting of the remaining 50% will be determined by the Company's Total Shareholder Return (TSR) performance from 1 January 2019 to 31 December 2021 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.

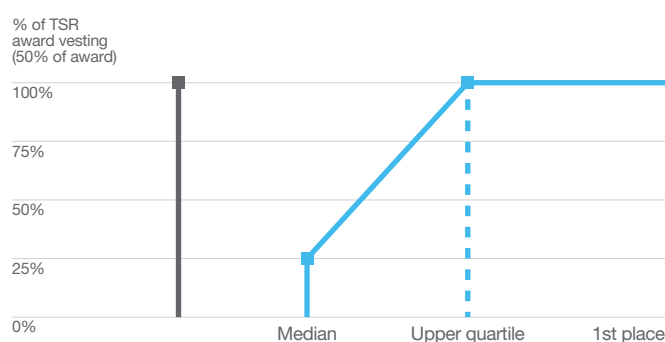
(i) EPS target range for 2019 award (50% of award)



■ Vesting schedule of 2019 award ■ 2018 EPS

EPS target (pence) for FY ended 31 December 2021 for the 2019 award

(ii) TSR target range for 2019 award (50% of award)



■ TSR performance range ■ Actual result in last three-year TSR cycle

TSR ranking at end of three-year performance period

The Remuneration Committee has considered carefully the EPS range for the 2019 award and believes the 121p to 149p range is stretching against market consensus and the actual 2018 EPS delivered.

Fees for the Non-Executive Directors

Non-Executive Director fee levels for 2019 are as set out below. Supplementary fees are paid in respect of certain additional duties.

Non-Executive Directors' fees

	2019 £000	2018 ¹ £000	% change
Chair	185	168	10.2%
Non-Executive Director	58	58	0%
Chair of Committee ²	19	19	0%
Senior Independent Director	19	19	0%
Employee Engagement Director ³	15	–	–

1 Fee changes took effect from 1 March 2018.

2 Supplementary fee payable to the Chairs of the Audit Committee and the Remuneration Committee.

3 The Board has agreed that a supplementary fee shall be paid to the Non-Executive Director who assumes responsibility for workforce engagement. This fee became payable from 7 March 2019.

Directors' remuneration report continued

Single total figure tables (audited)

The following tables set out the total remuneration paid to the Directors for the years ending 31 December 2018 and 31 December 2017. We consider key management personnel to be Clarkson PLC Directors.

Executive Directors

	Base salary £000		Taxable benefits ¹ £000		Pension ² £000		Performance- related bonus ³ £000		Total remuneration before LTIP £000		Long-term incentives £000		Total remuneration £000	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018 ⁴	2017 ⁵	2018	2017
Andi Case	550	550	15	14	74	74	2,119	3,036	2,758	3,674	–	369	2,758	4,043
Jeff Woyda	350	350	15	12	46	46	548	766	959	1,174	–	168	959	1,342
Peter M. Anker	369 ⁶	375 ⁶	15	17	7	7	245	350	636	749	–	–	636	749
Total	1,269	1,275	45	43	127	127	2,912	4,152	4,353	5,597	–	537	4,353	6,134

1 Taxable benefits comprises the gross value of any benefits paid to the Director, whether in cash or in kind, prior to UK income tax being charged.

Further details are provided on page 112. In addition, the following item has been included under taxable benefits:

– Participation by Jeff Woyda in the ShareSave Plan. Where the average share price over Q4 in the year of grant is higher than the option price, participation is included under taxable benefits. On this basis, participation in the 2018 invitation is included above. Further detail can be found on page 117.

2 Pension includes pension contributions and cash supplements where relevant. Further details are included on page 118.

3 Performance-related bonus represents the value of the total bonus, prior to any sums being deferred into shares. See pages 114 to 115 for further detail on the bonus outcome.

4 Further details regarding the vesting outcome are included on page 115.

5 In last year's report 2017 LTIP values disclosed (relating to awards granted in 2015 which vested in 2018 based on performance to 31 December 2017) were calculated by reference to the three-month average share price to 31 December 2017 of £28.96. The actual share price at vesting (16 April 2018) was £31.00, and 2017 LTIP values above have been restated to reflect both this share price and the value of cash dividends accrued over the period between grant and vesting.

6 Fixed salary of NOK 4,015,000. Translated to GBP at exchange rate of 10.8706 (2017: 10.7180).

Non-Executive Directors

	Fees £000	
	2018	2017
Peter Backhouse	76	74
Marie-Louise Clayton	76	67
James Hughes-Hallett	167	163
Dr Tim Miller ¹	47	–
James Morley ²	–	31
Birger Nergaard	57	56
Ed Warner	146	74
Total	569	465

1 Dr Tim Miller joined the Board on 22 May 2018.

2 James Morley retired on 12 May 2017.

Annual bonus targets (audited)

Consistent with the way in which it operated in prior years, the annual bonus for 2018 was based on the allocation of the following pool:

Executive Directors: bonus pool

Underlying profit before taxation and bonus	% of pre-bonus profit
If profit < £28.62m	0%
If profit > £28.62m then £0m – £57.23m	11%
If profit > £57.23m then £57.23m – £66.73m	16%
If profit > £66.73m then on profits > £66.73m	18%

This formula generates a pool, with the CEO entitled to 58% of the pool; the CFO & COO entitled to 12.5%-15% of the pool (dependent on delivery of his personal objectives); and the balance of 27% being available to meet discretionary awards to Peter M. Anker and other staff. The CFO & COO was awarded the full 15% of the pool following an assessment of his personal objectives.

As in a number of previous years, the Executive Directors have proposed not to receive their full bonus entitlement and, rather, waive a proportion of their bonuses to the benefit of the wider staff bonus plans. In 2018, each of the Executive Directors agreed to waive 30% of their entitlement. This is shown as follows:

Actual underlying profit before taxation	£45.3m
Actual underlying profit before taxation for bonus calculation after deducting the minority interest of pre-tax profit, adding back the cost of bonus	£47.4m
Actual executive bonus pool	£5.2m
% of executive bonus pool allocated to Executive Directors (after 30% voluntary sacrifice by Directors)	56%

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 to shares which vest 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.

The executive pool is an incentive scheme for the Executive Directors, separate from the bonus schemes paid to staff. However, in each of the last eight years, the Executive Directors have voluntarily waived part of their entitlement in favour of the staff pool. Under the staff bonus scheme, 10% of bonus is deferred into four-year bullet vesting restricted shares for all staff whose bonus exceeds a de minimis level. While unusual in the context of typical bonus arrangements for executive directors at UK-listed companies, it recognises that the CEO essentially serves two roles that: i) he is the senior executive responsible for Group strategy and management of the Group; and ii) he is also a leading broker with direct fee-earning responsibilities. The plan reflects this, in a listed company context, unusual mix of responsibilities and ensures he is appropriately rewarded for his actual contribution to the success of the Company.

Long-term incentive targets (audited)

Long-term incentives relate to awards granted on 15 April 2016 which vest in April 2019 based on performance over the three-year period to 31 December 2018. The performance conditions attached to these awards and actual performance against these conditions are as follows:

Long-term incentive awards: performance outcome

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	140p	190p	105.2p	0%
TSR relative to the constituents of the FTSE 250 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	Below median	0%
Total vesting (out of 100%)					

* The Company's TSR over the three-year performance period was 11.1% which was below the median (11.8%) of the comparator group.

The award details for the Executive Directors are as follows:

Long-term incentive awards: vesting outcome

Executive Directors	Number of options granted	Number of options to vest	Number of options to lapse	Estimated value of vested shares £000
Andi Case	36,601	–	36,601	–
Jeff Woyda	23,291	–	23,291	–
Peter M. Anker	23,291	–	23,291	–

Directors' remuneration report continued

Scheme interests (audited)

The table below sets out the scheme interests held by the Executive Directors.

Further details of share-based payments during the year are included in note 19 to the consolidated financial statements.

Executive share plan participation

Type of award	Date of grant	No of shares under award (01/01/18)	Granted during 2018	Vested during 2018	Lapsed during 2018	No of shares under award (31/12/18)	Face value ¹	% vesting at threshold ²	Performance period ends	Vesting date	Holding period ends
Andi Case											
Deferred Award ³	5 June 14	9,924	–	9,924	–	–	£258,421	N/A	N/A	5 June 18	N/A
Performance Award ⁴	17 Apr 15	11,208	–	11,208	–	11,208 ⁵	£251,620	25%	31 Dec 17	16 Apr 18	N/A
Deferred Award ³	17 Apr 15	15,233	–	–	–	15,233	£341,981	N/A	N/A	17 Apr 19	N/A
Performance Award ⁴	15 Apr 16	36,601	–	–	36,601	– ⁶	£824,987	25%	31 Dec 18	14 Apr 19	N/A
Deferred Award ³	15 Apr 16	15,506	–	–	–	15,506	£349,505	N/A	N/A	15 Apr 20	N/A
Performance Award ⁴	18 Apr 17	29,815	–	–	–	29,815	£824,981	25%	31 Dec 19	17 Apr 20	N/A
Deferred Award ³	18 Apr 17	10,618	–	–	–	10,618	£293,800	N/A	N/A	18 Apr 21	N/A
Performance Award ⁴	14 May 18	–	26,978	–	–	26,978	£824,987	25%	31 Dec 20	14 May 21	14 May 23
Deferred Award ³	14 May 18	–	9,928	–	–	9,928	£303,598	N/A	N/A	14 May 22	N/A
Jeff Woyda											
Deferred Award ³	5 June 14	2,117	–	2,117	–	–	£55,127	N/A	N/A	5 June 18	N/A
Performance Award ⁴	17 Apr 15	5,094	–	5,094	–	5,094 ⁵	£114,360	25%	31 Dec 17	16 Apr 18	N/A
Deferred Award ³	17 Apr 15	3,249	–	–	–	3,249	£72,940	N/A	N/A	17 Apr 19	N/A
Performance Award ⁴	15 Apr 16	23,291	–	–	23,291	– ⁶	£524,979	25%	31 Dec 18	14 Apr 19	N/A
Deferred Award ³	15 Apr 16	3,341	–	–	–	3,341	£75,306	N/A	N/A	15 Apr 20	N/A
Performance Award ⁴	18 Apr 17	18,973	–	–	–	18,973	£524,983	25%	31 Dec 19	17 Apr 20	N/A
Deferred Award ³	18 Apr 17	2,288	–	–	–	2,288	£63,309	N/A	N/A	18 Apr 21	N/A
Performance Award ⁴	14 May 18	–	17,168	–	–	17,168	£524,997	25%	31 Dec 20	14 May 21	14 May 23
Deferred Award ³	14 May 18	–	2,503	–	–	2,503	£76,542	N/A	N/A	14 May 22	N/A
Peter M. Anker											
Deferred Award ³	17 Apr 15	2,667	–	–	–	2,667	£59,874	N/A	N/A	17 Apr 19	N/A
Performance Award ⁴	15 Apr 16	23,291	–	–	23,291	– ⁶	£524,979	25%	31 Dec 18	14 Apr 19	N/A
Deferred Award ³	15 Apr 16	2,904	–	–	–	2,904	£65,456	N/A	N/A	15 Apr 20	N/A
Performance Award ⁴	18 Apr 17	18,973	–	–	–	18,973	£524,983	25%	31 Dec 19	17 Apr 20	N/A
Deferred Award ³	18 Apr 17	2,288	–	–	–	2,288	£63,309	N/A	N/A	18 Apr 21	N/A
Performance Award ⁴	14 May 18	–	17,168	–	–	17,168	£524,997	25%	31 Dec 20	14 May 21	14 May 23
Deferred Award ³	14 May 18	–	1,144	–	–	1,144	£34,984	N/A	N/A	14 May 22	N/A

1 Face value calculated using the share price used to determine the number of shares under the award as set out below. This share price was calculated using the average middle market quotation over the three-day period on the dates specified:

- Awards made on 5 June 2014: £26.04 (2-4 June 2014)
- Awards made on 17 April 2015: £22.45 (14-16 April 2015)
- Awards made on 15 April 2016: £22.54 (12-14 April 2016)
- Awards made on 18 April 2017: £27.67 (11-13 April 2017)
- Awards made on 14 May 2018: £30.58 (13-17 April 2018)

2 Assumes that either the TSR or EPS performance measure threshold is met in respect of one half of the Performance Award, and that the other half lapses.

3 Deferred Awards represent deferred bonus and are granted as restricted share awards (in the case of Andi Case and Jeff Woyda) or restricted stock units (in the case of Peter M. Anker). Further restricted share and restricted stock unit awards will be made to the Executive Directors in 2019 in respect of the deferral of 10% of their 2018 bonus.

4 Performance Awards are granted as nil-cost options, which lapse ten years after the date of grant to the extent not previously exercised. All Performance Awards are subject to performance measures (50% based on relative TSR measured over a three-year performance period and 50% based on EPS at the end of the performance period).

5 Vested during the year (16 April 2018), but option not yet exercised.

6 Although the performance period for these awards ended on 31 December 2018, the awards will formally lapse on 14 April 2019.

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

ShareSave participation

Type of award	Date of grant	Options held at 1 January 2018	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31 December 2018	Option price	Normal exercise period	Face value ¹
Andi Case									
ShareSave (option)	13 May 15	993	–	993	–	–	£18.12	1 Jul 18–31 Dec 18	£17,993
Jeff Woyda									
ShareSave (option)	13 May 15	993	–	993	–	–	£18.12	1 Jul 18–31 Dec 18	£17,993
ShareSave (option)	1 Oct 18	–	813	–	–	813	£22.12	1 Nov 21–30 Apr 22	£17,984
Peter M. Anker									
ShareSave (option)	2 Oct 17	799	–	–	–	799	£22.50	1 Nov 20–30 Apr 21	£17,978

¹ Face value calculated using the share price used to determine the number of shares under the award (i.e. the option price). The option price was calculated using the average middle market quotation over the three-day period on the dates specified, after the application of a 20% discount:

- Awards made on 13 May 2015: £18.12 (13-15 April 2015)
- Awards made on 2 October 2017: £22.50 (4-6 September 2017)
- Awards made on 1 October 2018: £22.12 (5-7 September 2018)

Directors' remuneration report continued

Directors' interests in shares

In order to further align the interests of the Executive Directors with those of shareholders, the Company has implemented share ownership guidelines which require Executive Directors to build a shareholding equivalent to 200% of salary. Until this is met they are required to retain 50% of any share award that vests (on a net of tax basis). The Executive Directors have all met the guideline levels.

The beneficial interests of the Executive Directors (and their connected persons) in the Company's shares are set out below:

Executive Directors' shareholdings (audited)

	No of ordinary shares		% of salary required to be held in shares		Unvested LTIPs (subject to performance conditions)		Vested and unexercised LTIPs (no longer subject to performance conditions)		Deferred bonus awards ¹ (subject to service conditions)		ShareSave options (not subject to performance conditions)	
	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17	31 Dec 18	31 Dec 17
Andi Case	506,241	500,000	200	200	56,793 ²	77,624	11,208	–	51,285	51,281	–	993
Jeff Woyda	77,112	75,000	200	200	36,141 ²	47,358	5,094	–	11,381	10,995	813	993
Peter M. Anker	107,500 ³	250,000 ³	200	200	36,141 ²	42,264	–	–	9,003	7,859	799	799

¹ Deferred bonus awards are granted as restricted share awards (in the case of Andi Case and Jeff Woyda) or restricted stock units (in the case of Peter M. Anker).

² Excludes award granted on 15 April 2016. This award was based on performance over a three-year period to 31 December 2018. It has already been determined that performance conditions have not been met, and awards granted on this date will formally lapse on 14 April 2019. Page 115 provides further detail on the vesting outcome.

³ Ordinary shares held by Langebru AS on behalf of Peter M. Anker and his connected persons.

The beneficial interests of the Non-Executive Directors (and their connected persons) in the Company's shares are set out below:

Non-Executive Directors' shareholdings (audited)

	31 December 2018	31 December 2017
Peter Backhouse	10,000	6,000
Marie-Louise Clayton	1,100	1,100
James Hughes-Hallett	2,163	2,163
Dr Tim Miller ¹	–	–
Birger Nergaard	105,869 ²	205,869 ²
Ed Warner	15,000	15,000

¹ Dr Tim Miller joined the Board on 22 May 2018.

² Ordinary shares held by Acane AS on behalf of Birger Nergaard and his connected persons.

A connected person of James Hughes-Hallett disposed of 663 shares in the Company on 3 January 2019. Other than this transaction, there have not been any further changes in the beneficial interests of the Directors in the share capital of the Company between 31 December 2018 and the date of this report.

Pensions (audited)

Andi Case and Jeff Woyda receive a cash supplement (up to 15% of base salary) in lieu of pension (net of employer's NI), which is included in the single figure table on page 114 as pension. No contributions were paid into Group pension schemes on their behalf. Peter M. Anker's pension contribution was NOK 77,017 (2017: NOK 73,362).

Payments to past Directors (audited)

No payments were made during the year ended 31 December 2018 to any person who was not a Director of the Company at the time payment was made, but who had previously been a Director.

Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31 December 2018.

Details of service contracts and letters of appointment

Details of the current Executive Directors' service contracts are as follows:

Executive Directors: service contracts

	Date of contract	Unexpired term	Notice period
Andi Case	23 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:

Non-Executive Directors: appointment terms

	Date of initial appointment	Date current term commenced	Unexpired term at 31 December 2018	Notice period
Bill Thomas	13 February 2019	13 February 2019	N/A ¹	3 months
Peter Backhouse	12 September 2013	12 September 2016	9 months	3 months
Marie-Louise Clayton	1 January 2017	1 January 2017	12 months	3 months
James Hughes-Hallett	20 August 2014	20 August 2017	20 months	3 months
Dr Tim Miller	22 May 2018	22 May 2018	29 months	3 months
Birger Nergaard	2 February 2015	2 February 2018	25 months	3 months

¹ Bill Thomas joined the Board on 13 February 2019.

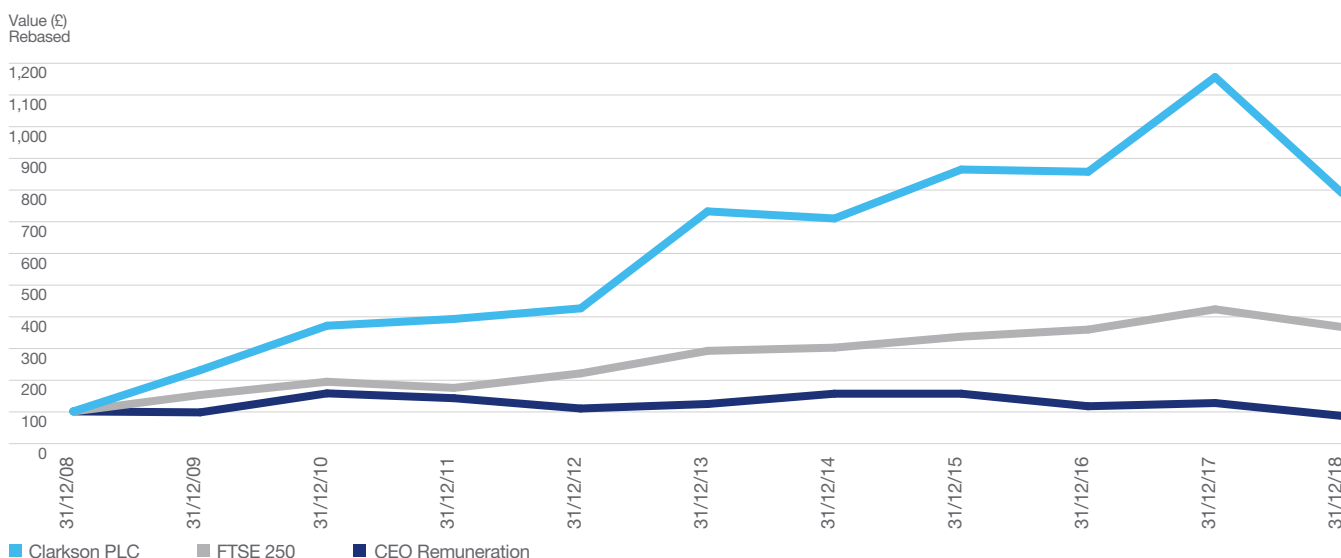
Non-Executive Directors are appointed by letter of appointment for a fixed term not exceeding three years, renewable on the agreement of both the Company and the Director. All appointments are subject to annual re-election by shareholders. Appointments can be terminated before the end of the three-year period on three months' notice.

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 compares the total shareholder return (that is, share price growth assuming reinvestment of any dividends) of £100 invested in the Company's shares and £100 invested in the FTSE 250 Index, which the Remuneration Committee considers appropriate for comparison purposes given the Company has been a member of this index over the period. The CEO's total remuneration, indexed from the same date, is also added for comparison.

Total shareholder return



Source: Datastream (Thomson Reuters)

Directors' remuneration report continued

Total remuneration table

The table below shows the total remuneration figure for the CEO for each of the last ten financial years:

CEO remuneration

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Single total figure of remuneration (£000)	2,758	4,043	3,706	4,958	4,970	3,944	3,486	4,523	4,991	3,104
Vested LTIP (as a % of maximum)	0%	30%	15%	70%	69%	50%	47%	98%	44%	50%

Percentage change in remuneration levels

The table below shows the percentage change in the salary, taxable benefits and annual bonus of the CEO between the 2017 and 2018 financial years, compared to the average for all employees:

CEO relative pay

	2017/18 % change
CEO	
Salary and taxable benefits	+0.2% ¹
Annual bonus	-30.2%
Average employee	
Salary and taxable benefits	+2.5%
Annual bonus	+2.0%

¹ The change in salary and taxable benefits is driven by an increase in the cost of life assurance.

Relative importance of spend on pay

The following table compares the total remuneration paid in respect of all employees of the Group in 2017 and 2018, underlying profit, and distributions made to shareholders in the same years:

Relative importance of spend on pay

	2018 £m	2017 £m	% change
Underlying profit for the year	34.6	38.2	-9.4%
Dividends	22.5	20.1	+11.9%
Employee remuneration costs, of which:	209.3	199.2	+5.1%
Executive Directors' total pay excluding LTIP (continuing)	4.4	5.6	-21.4%
Executive Directors' annual bonus (continuing)	2.9	4.2	-31.0%

External appointments

Jeff Woyda, CFO & COO, is a Non-Executive Director of the International Transport Intermediaries Club (ITIC). During the year, Jeff Woyda received and retained £13,200 remuneration for serving as a Non-Executive Director of ITIC.

External advisors

Following an external selection process, the Remuneration Committee appointed FIT Remuneration Consultants LLP (FIT) as its new advisors in October 2018. FIT provides no other services to the Remuneration Committee, charges for its services on its normal terms and are signatories to the Remuneration Consultants Group's Code of Conduct. The Remuneration Committee is satisfied that the quality of advice received during the year was sufficient and that the advice provided by FIT is objective and independent. The Remuneration Committee will review the effectiveness of its advisor on an annual basis going forward.

New Bridge Street (NBS), part of Aon PLC, previously advised the Remuneration Committee prior to that point. NBS is also a signatory to the Remuneration Consultants Group's Code of Conduct.

The fees paid by the Company to NBS during the financial year for advice to the Remuneration Committee and in relation to share plans were £53,614 (2017: £77,288) and the fees paid to FIT were £30,356. Fees were charged on normal terms.

Statement of shareholder voting at AGM

The following votes were received from shareholders at the last AGM at which the relevant resolutions were proposed:

Votes received

	Date of meeting	In favour	% cast	Against	% cast	Withheld
Remuneration Policy	12 May 2017	17,178,174	73.78	6,106,012	26.22	3,281
Remuneration report	10 May 2018	10,773,329	57.24	8,049,314	42.76	3,097,728

Details of the actions taken by the Board in response to the votes against the remuneration resolution registered at the 2018 AGM are included in the Remuneration Committee Chair's statement on pages 110 to 111.

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

Dr Tim Miller

Remuneration Committee Chair
8 March 2019

Directors' remuneration report continued

Appendix: Directors' Remuneration Policy

We include the main tables from the shareholder-approved Directors' Remuneration Policy. A full version of the Policy (which was approved by shareholders on 12 May 2017) can be found in the annual report for the year ended 31 December 2016 (available on our website at www.clarksons.com).

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Base salary	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – Normally reviewed annually – Paid monthly – Salaries are determined taking into account: <ul style="list-style-type: none"> – the experience, responsibility, effectiveness and market value of the executive – the pay and conditions in the workforce 	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – To provide a market standard suite of basic benefits in kind to ensure the Executive Directors' well-being 	<ul style="list-style-type: none"> – Taxable benefits may include: <ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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)	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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 recalibrated 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 	<ul style="list-style-type: none"> – In line with Clarkson's 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 	<ul style="list-style-type: none"> – Bonus is determined by Group performance measured over one year on the following basis: <ul style="list-style-type: none"> – 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 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	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – To provide a market competitive pension arrangement 	<ul style="list-style-type: none"> – Executive Directors participate in a Company defined contribution pension scheme and/or receive a cash allowance in lieu of pension contributions 	<ul style="list-style-type: none"> – Employer contributions are up to 15% of basic salary or an equivalent cash allowance net of employer's NI 	n/a
Non-Executive Directors	<ul style="list-style-type: none"> – To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees 	<ul style="list-style-type: none"> – Reviewed annually – Paid monthly – Fees are determined taking into account: <ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – 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	<ul style="list-style-type: none"> – To provide alignment between the longer-term interests of Directors and shareholders 	<ul style="list-style-type: none"> – 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 	<ul style="list-style-type: none"> – Chief Executive Officer: 200% of salary – Other Executive Directors: 200% of salary 	n/a

Directors' report

The Directors present their report for the year ended 31 December 2018. The Directors' report and the strategic report (pages 12 to 71) together constitute the management report for the purpose of Rule 4.1.8R of the Disclosure

Guidance and Transparency Rules. Other information relevant to the report, including information required pursuant to the Companies Act 2006 and UK Listing Rule 9.8.4, is incorporated below by reference.

Information incorporated by reference	Detail	Section	Location
As permitted by the Companies Act 2006, the following disclosures in the strategic report are incorporated into the Directors' report by reference:	An indication of likely future developments in the business of the Company and its subsidiary undertakings	Strategic report	Pages 14 to 23 and pages 38 to 59
	An indication of the activities of the Company and its subsidiary undertakings in the field of research and development	Strategic report	Pages 38 to 59
	Employment of disabled persons	Strategic report	Page 35
	Employee involvement	Strategic report	Pages 33 to 35
The Company is required to disclose certain information under Listing Rule 9.8.4R in the Directors' report or advise where such information is set out. The information can be found in the following sections of the 2018 annual report:	Details of long-term incentive schemes	Directors' remuneration report	Pages 110 to 118
	Any waiver of emoluments by a Director of the Company or any subsidiary undertaking	Directors' remuneration report	Pages 110 and 115
Directors	Detail	Section	Location
Directors	The names and biographical details of the Directors who served on the Board and Board Committees during the year, including changes that have occurred during the year and up to the date of this report, are shown in the corporate governance report and incorporated into the Directors' report by reference.	Corporate governance – Board of Directors	Pages 76 to 79
Appointment and retirement of Directors	The Company's Articles of Association, the Code, the Companies Act 2006 and related legislation govern the appointment and retirement of Directors. In accordance with the Code and the Company's Articles of Association, all Directors are subject to election by shareholders at the first AGM following their appointment, and subject to annual re-election thereafter. The 2019 Notice of AGM sets out the reasons why the Board believes each Director should be re-elected (or elected in the case of Bill Thomas and Dr Tim Miller).		
Directors' powers	Subject to relevant company law and the Company's Articles of Association, the Directors may exercise all powers of the Company. Further details regarding authorities in relation to the allotment of shares and the repurchase of shares are set out on the next page.		
Directors' insurance and indemnities	Directors' and officers' liability insurance has been maintained by the Company throughout 2018 and to the date of this report. No qualifying indemnity provisions are in place for the benefit of the Directors.		
Directors' interests	The interests of the Directors and their connected persons in the Company's shares are set out in the Directors' remuneration report.	Directors' remuneration report	Page 118

Shares	Detail	Section	Location										
Share capital	At 31 December 2018, the Company's issued share capital consisted of 30,325,058 ordinary shares of £0.25 each. Further details on the issued share capital, including any changes during the year, can be found in the notes to the financial statements.	Note 21 to the consolidated financial statements	Page 166										
Rights attaching to shares	<p>All ordinary shares have equal voting rights, including the right to one vote at a general meeting, to receive an equal proportion of any dividends declared and paid, and to an equal amount of any surplus assets distributed in the event of a winding-up.</p> <p>There are no restrictions on the transfer of the Company's ordinary shares or on the exercise of voting rights attached to them, other than:</p> <ul style="list-style-type: none"> — where the Company has exercised its right to suspend their voting rights or prohibit their transfer following the omission by their holders or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act 2006; — where the holder is precluded from exercising voting rights by the Financial Conduct Authority's Listing Rules or the City Code on Takeovers and Mergers; and — pursuant to the Company's share dealing rules where the Directors and designated employees require approval to deal in the Company's shares. <p>Throughout 2018, and to 2 February 2019, there were certain restrictions on the transfer of shares arising from the acquisition of RS Platou ASA. These restrictions are no longer in place.</p> <p>The Company is not aware of any further agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.</p>												
Authority to allot shares	The Company requests authority from shareholders for the Directors to allot shares on an annual basis, and a similar resolution will be proposed at the 2019 AGM. At the 2018 AGM, the Directors were authorised to allot shares up to an aggregate nominal amount of £2,519,432 or up to £5,038,863 in connection with a rights issue, and were empowered to allot equity securities for cash on a non pre-emptive basis up to an aggregate nominal amount of £377,915.												
Purchase of own shares	<p>At the 2018 AGM, the Company obtained shareholder approval to purchase up to 3,023,318 of its own ordinary shares of £0.25 each (representing 10% of its issued share capital). No shares were purchased under this authority during the year.</p> <p>At the 2019 AGM, the Directors will again seek authority to purchase the Company's own shares.</p>												
Employee share scheme rights	The Company has established an Employee Share Trust (EST) for the purpose of facilitating the operation of the Company's share plans. The EST waives any voting rights and dividends that may be declared in respect of such shares which have not been allocated for the settlement of awards made under the Company's share plans. Employees may direct the EST as to how to exercise voting rights over shares in which they have a beneficial interest.												
Substantial shareholders	<p>As of 31 December 2018, the Company had been notified under the Disclosure Guidance and Transparency Rules of the following holdings of voting rights in its issued share capital:</p> <table border="1"> <thead> <tr> <th>Shareholder</th> <th>% of total voting rights</th> </tr> </thead> <tbody> <tr> <td>Franklin Templeton Institutional, LLC</td> <td>10.99</td> </tr> <tr> <td>RS Platou Holding AS</td> <td>6.63</td> </tr> <tr> <td>Heronbridge Investment Management LLP</td> <td>5.01</td> </tr> <tr> <td>Kames Capital plc</td> <td>3.57</td> </tr> </tbody> </table> <p>The Company has not received any further notifications between 31 December 2018 and the date of this report.</p>	Shareholder	% of total voting rights	Franklin Templeton Institutional, LLC	10.99	RS Platou Holding AS	6.63	Heronbridge Investment Management LLP	5.01	Kames Capital plc	3.57		
Shareholder	% of total voting rights												
Franklin Templeton Institutional, LLC	10.99												
RS Platou Holding AS	6.63												
Heronbridge Investment Management LLP	5.01												
Kames Capital plc	3.57												

Directors' report continued

Significant agreements	Detail	Section	Location
	<p>The service contracts of the CEO and CFO & COO include provisions regarding a change of control of the Company. Further details are included in the Directors' Remuneration Policy, which is available in full in the 2016 annual report and can be accessed through the Company's website. There are no further agreements between any Group company and any of its employees or any Director of any Group company which provide for compensation to be paid to an employee or a Director for termination of employment or for loss of office as a consequence of a takeover of the Company.</p> <p>There are no significant agreements to which the Company is a party that take effect, alter or terminate upon a change of control following a takeover bid for the Company.</p>	2016 annual report	Pages 58 to 63
Dividend	Detail	Section	Location
	<p>The Directors recommend a final dividend of 51p per ordinary share for the year ended 31 December 2018. The interim dividend paid during the year was 24p which, together with the final dividend, will provide a total dividend of 75p per ordinary share for the year (2017: 73p). Subject to shareholder approval at the AGM, the final dividend will be paid on 31 May 2019 to shareholders on the register at the close of business on 17 May 2019.</p>		
External Auditor	Detail	Section	Location
	<p>Following a competitive tender process, the Board recommend that PricewaterhouseCoopers LLP be reappointed as the Company's Auditor with effect from the 2019 AGM, at which resolutions regarding PwC's reappointment and to authorise the Board to set their remuneration will be proposed.</p>	Audit Committee report	Pages 102 to 103
Articles of Association	Detail	Section	Location
	<p>The Company's Articles of Association were adopted at the 2015 AGM. Any amendments to the Articles of Association can only be made by a special resolution at a general meeting of shareholders. Shareholder approval to make minor amendments to the Articles of Association will be sought at the 2019 AGM. Further detail is set out in the Notice of Meeting.</p>		
Political donations	Detail	Section	Location
	<p>The Group did not make any political donations or incur any political expenditure in the UK or the EU during 2018.</p>		
Financial instruments	Detail	Section	Location
	<p>Our financial risk management objectives and policies in relation to the use of financial instruments can be found in the notes to the consolidated financial statements.</p>	Note 24 to the consolidated financial statements	Page 168
Emissions reporting	Detail	Section	Location
	<p>Details relating to required emissions reporting are set out within this Directors' report on page 128.</p>	Directors' report	Page 128

Corporate governance statement	Detail	Section	Location
	The corporate governance report is incorporated by reference into this Directors' report and includes details of our compliance with the 2016 UK Corporate Governance Code and how the Company has applied the main Principles. The corporate governance report also includes a description of the Board's Diversity Policy.	Corporate governance	Pages 72 to 123
Internal control and risk management systems	Detail	Section	Location
	A description of the main features of the Group's internal control and risk management systems in relation to the financial reporting process can be found in the strategic report.	Strategic report	Pages 64 to 71
Annual General Meeting	Detail	Section	Location
	The 2019 AGM will be held at 12pm on 9 May 2019 at Commodity Quay, St. Katharine Docks, London E1W 1BF. Details of the resolutions to be proposed are set out in a separate Notice of Meeting, which will be posted to those shareholders who receive hard copy documents and which will be available on the Group's website for those who have elected to receive documents electronically.	Corporate governance – relations with shareholders	Page 107
Events since the balance sheet date	Detail	Section	Location
	Since 31 December 2018, there have been no material items to report.		
Disclosure of information to the Auditor	Detail	Section	Location
	Each of the Directors who held office at the date of approval of this Directors' report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and each Director has taken all steps that ought to have been taken to make himself/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.		
Statutory details	Detail	Section	Location
Clarkson PLC	<p>The Company is a public company limited by shares, incorporated in the United Kingdom and registered in England and Wales with registered number 01190238. Its registered office is at Commodity Quay, S. Katharine Docks, London, E1W 1BF.</p> <p>The Company's shares are listed on the London Stock Exchange under the ticker CKN, and the Company is a member of the FTSE 250. It has no ultimate parent company, and details of the Company's substantial shareholders (as notified to the Company under the Disclosure Guidance and Transparency Rules) are set out on page 125.</p>	Directors' report	Page 125
Branches	A number of the Company's subsidiary undertakings maintain branches outside of the UK.	Note T to the Parent Company financial statements	Page 184 to 187

Directors' report continued

Emissions reporting

Introduction

Clarksons recognises that our global operations have an environmental impact and we are committed to monitoring and reducing our emissions over time. This is the sixth year that Clarksons is reporting its greenhouse gas (GHG) emissions as required by the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. Additionally, this is the fifth year we disclose our extended scope 3 emissions in line with reporting best practice, which includes data coverage of business travel (flights, rail, non-company cars and taxis) and building-related emissions (water, waste and paper).

Clarksons reports all material emission sources for which we have operational control¹ across 21 global markets. Our new Seoul office which opened in December 2017 has been included in this year's reporting for the first time.

Performance summary

We are pleased to report our total emissions have decreased by 4% from 2017. This reduction is primarily driven by an electricity decrease which is due to the decarbonisation of electricity supply in 2018, particularly in the UK.

Following a decrease in headcount to 1,518 FTE globally, the emissions intensity of our business also reduced from 2.0 tCO₂e in 2017 to 1.8 tCO₂e per FTE in 2018, a reduction of 10%.

	2016	2017	2018	vs. '17	vs. '16
Scope 1	1,214	1,179	1,053	-27%	-29%
Natural gas	437	511	293	-43%	-33%
Other fuels	390	301	215	-92%	-94%
Refrigerants	132	0	45	N/A	-65%
Fleet	53	144	123	-15%	133%
Company cars	202	223	377	70%	87%
Scope 2	2,084	1,930	1,557	-19%	-25%
Electricity	2,084	1,930	1,557	-19%	-25%
Scope 3	7,016	7,459	7,499	1%	7%
Waste	74	81	117	44%	58%
Paper	85	91	75	-18%	-12%
Water	0	19	30	52%	N/A
Non-company cars	84	56	65	16%	-23%
Flights	6,648	7,140	6,834	-4%	3%
Rail	27	30	212	602%	701%
Public transport	80	41	47	17%	-40%
Electricity T&D	179	147	119	-19%	-34%
Total Emissions	10,313	10,568	10,108	-6%	-4%

¹ As we take an operational approach to defining our boundary, building emissions from employees working from home are excluded from our reporting.

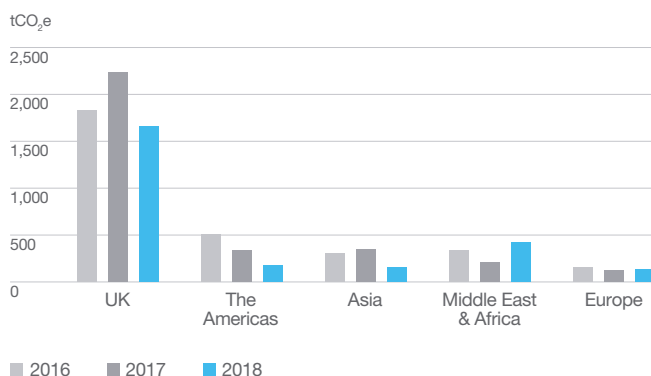
Electricity consumption remained broadly in line with last year, with a 2% reduction in total kWh consumption although electricity emissions decreased by 19% due to the ongoing decarbonisation of supply.

Flights have also decreased with a total distance of 26,835,500km travelled during 2018, down from 28,655,768km in 2017.

Regional overview

Our UK offices represent our largest source of emissions and we are pleased to see a significant decrease from last year. For other regions, emissions remain broadly flat overall, with reductions in America and Asia offset by increased emissions in Africa.

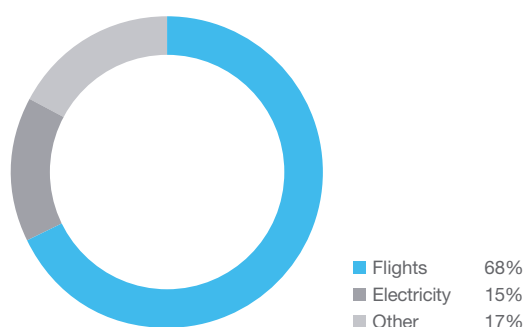
Emissions breakdown by region



Breakdown by emission source

As might be expected given the nature of our business, flights and electricity consumption account for the majority of total emissions (83% overall). This is followed by company cars (4%) and natural gas (3%), with emissions from all other sources comparatively immaterial.

Carbon footprint by emission source



Our initiatives and objectives in 2019

- Continue focus on staff engagement to improve data quality and coverage through intra-year performance management.
- Conduct energy audits at selected sites to identify energy savings opportunities and ensure compliance with ESOS.
- Identify options for increasing awareness of climate-related issues through our employee engagement forum.

Methodology

We continue to focus on the improvement of our data quality and coverage for all emission sources across our sites. To support an accurate representation and comparison of our environmental impact over time, we have selected 2016 as our baseline year.

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.

On behalf of the Board:

Rachel Spencer

Group Company Secretary
8 March 2019

Directors' responsibilities statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the consolidated Group and Parent Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Group financial statements, Article 4 of the IAS Regulation.

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.

Directors' confirmations

The Directors consider that 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 position and performance, business model and strategy.

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

- the consolidated Group 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 loss of the Parent Company; and
- 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.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Parent Company's Auditors are unaware; and
- they have 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 and Parent Company's Auditors are aware of that information.

On behalf of the Board:

Bill Thomas

Chair
8 March 2019

Independent Auditors' report to the members of Clarkson PLC

Report on the audit of the financial statements

Opinion

In our opinion, Clarkson PLC's Group financial statements and Parent Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 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 Group 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 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated and Parent Company cash flow statements, and 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 identified that our member firm in China had provided payroll services to a Chinese branch of a subsidiary of the Parent Company incorporated in Hong Kong which is prohibited by paragraph 5.167R(c) of the FRC Ethical Standard. The fees earned from this service in the year ended 31 December 2018 amounted to £14,000. The prohibited services have ceased. Neither the Chinese branch nor the subsidiary in Hong Kong were within the scope of our Group audit and hence no audit evidence was obtained in respect of the subsidiary for the purposes of our audit opinion on the financial statements. In addition, the fee is not material to either us or our member firm in China. Accordingly, we can confirm that in our view, we have not compromised our independence.

Other than the matter referred to above, and to the best of our knowledge and belief, we declare that no non-audit services prohibited by the FRC's Ethical Standard were provided to the Group or the Parent Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Parent Company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview



Materiality

- Overall Group materiality: £2.2m (2017: £2.5m), based on 5% of profit before taxation, adjusted for acquisition related costs.
- Overall Parent Company materiality: £2.0m (2017: £2.1m), based on 1% of total assets, reduced to an amount less than the overall Group materiality.

Audit scope

- We identified 60 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. This gave us coverage of approximately 88% of the Group's profit before taxation, adjusted for acquisition related costs (2017: 90% of the Group's profit before taxation, adjusted for acquisition related costs) and 94% (2017: 88%) of the Group's revenue. This, 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.

Key audit matters

- Risk of impairment of trade receivables.
- Revenue recognition.
- 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.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory licence requirements for the Group's Securities business, and income taxation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Inspecting correspondence with regulators and tax authorities;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluating management's controls designed to prevent and detect irregularities; and
- Testing journals with unusual account combinations and evaluating whether there was evidence of bias by the Directors in accounting estimates.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, 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.

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.

Independent Auditors' report to the members of Clarkson PLC continued

Key audit matter

Risk of impairment of trade receivables

Refer to page 99 (Audit Committee report), note 13 of the financial statements and note 2 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 £76.1m before provisions for impairment of £14.4m. 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, tariffs and freight rates. Accordingly, the Group experienced continued uncertainty over the collectability of trade receivables from specific customers.

In 2018, management applied the requirements of IFRS 9 'Financial Instruments' to determine the provision for expected credit losses. The determination as to whether a trade receivable is collectable and the measurement of expected credit loss 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 expected credit losses on a specific transaction or for a customer's balance overall.

For certain customers there is no net recognition of revenue where doubt exists as to the ability to collect any consideration at the time of invoicing.

We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved.

How our audit addressed the key audit matter

For customer balances where a specific provision for impairment was recognised, we selected a sample 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. These included customers in default, administration, legal disputes or those where no net revenue is recognised from the outset due to doubt regarding collectability of consideration 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.

The remaining trade receivables which were not specifically provided for were subject to management's determined expected credit loss calculation. In assessing the appropriateness of the expected credit loss provision, we examined and tested:

- i) management's supporting calculations which considered the amount of prior years' provision that had been utilised for bad debt write-offs during the year and also the history of current receivables reaching default or extended overdue positions;
- ii) prior year provision amounts released where a customer had paid, including for receivables greater than 12 months overdue; and
- iii) adjustments to reflect certain market conditions (both in terms of Clarksons' markets and territories where the receivables are due).

We tested the supporting information used by management to determine expected credit losses and the mathematical accuracy of application of this model to the year-end trade receivables.

Releases of the provision during the year are disclosed in note 13. This included some infrequent payments of overdue amounts from customers where a provision continues to be recognised at the outset 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

Revenue recognition

Refer to page 99 (Audit Committee report), notes 3 and 4 of the financial statements and note 2 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, may be 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 heightened 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 of the financial statements. There is therefore less judgement and risk of a material cut-off error in these streams.

How our audit addressed the key audit matter

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.

From the evidence obtained we found no material instances of revenue being recognised in the incorrect period.

Independent Auditors' report to the members of Clarkson PLC continued

Key audit matter

Carrying value of goodwill

Refer to page 99 (Audit Committee report), note 12 of the financial statements and note 2 for the Directors' disclosures of the related accounting policies, judgements and estimates for further information.

The goodwill balance of £287.0m is allocated across several 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 and intangible assets) to determine if there was an impairment.

Determining if an impairment charge is required for goodwill and intangible assets 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 and other acquired intangible assets may be overstated and that an impairment charge may be required.

In particular, we focused on the goodwill and intangible assets 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.

How our audit addressed the key audit matter

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 enlarged Group;
- Assessed the reasonableness of the discount rates 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. The discount rates were at the lower end of our expected range and sensitivities were performed to quantify the impact of moving these.

We also performed sensitivity analyses on the key drivers of the cash flow projections including assumed profits, short and long-term growth rates. 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 or intangible assets to be impaired, we considered the likelihood of such a movement in those key assumptions arising. We concluded that as the headroom had reduced on certain CGUs this year there were reasonably possible changes which would result in an impairment to those CGUs. We assessed the disclosures made in note 12 regarding the related assumptions and sensitivities and concluded these appropriately draw attention to the significant areas of estimation uncertainty.

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 they operate.

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 60 reporting units. These comprised operating business and centralised functions, two of which were significant due to their size. We scoped six reporting components (including the centralised function) for 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 88% of the Group's profit before taxation, adjusted for acquisition related costs and 94% of revenue. This, 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	£2.2m (2017: £2.5m).	£2.0m (2017: £2.1m).
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. In our view this represents an appropriate measure of underlying performance.	The Parent Company does not have trading activities. In our view a balance sheet benchmark represents an 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 £2.0m. 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 £110,000 (Group audit) (2017: £125,000) and £100,000 (Parent Company audit) (2017: £105,000) 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. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.
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.

Independent Auditors' report to the members of Clarkson PLC continued

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 2018 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 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 66 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 70 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 inquiries 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 129, 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 page 99 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 Companies Act 2006. (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 129, 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 Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- 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 10 years, covering the years ended 31 December 2009 to 31 December 2018.

John Waters

(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
8 March 2019

Consolidated income statement for the year ended 31 December

	Notes	2018			2017		
		Before acquisition related costs £m	Acquisition related costs (note 5) £m	After acquisition related costs £m	Before acquisition related costs £m	Acquisition related costs (note 5) £m	After acquisition related costs £m
Revenue	3, 4	337.6	–	337.6	324.0	–	324.0
Cost of sales		(12.9)	–	(12.9)	(9.7)	–	(9.7)
Trading profit		324.7	–	324.7	314.3	–	314.3
Administrative expenses		(279.7)	(2.4)	(282.1)	(264.8)	(4.5)	(269.3)
Operating profit	3, 4	45.0	(2.4)	42.6	49.5	(4.5)	45.0
Finance revenue	3	1.3	–	1.3	1.0	–	1.0
Finance costs	3	(1.3)	–	(1.3)	(0.3)	(0.3)	(0.6)
Other finance revenue – pensions	3	0.3	–	0.3	–	–	–
Profit before taxation		45.3	(2.4)	42.9	50.2	(4.8)	45.4
Taxation	6	(10.7)	0.5	(10.2)	(12.0)	1.0	(11.0)
Profit for the year		34.6	(1.9)	32.7	38.2	(3.8)	34.4
Attributable to:							
Equity holders of the Parent Company		31.7	(1.9)	29.8	35.2	(3.8)	31.4
Non-controlling interests		2.9	–	2.9	3.0	–	3.0
Profit for the year		34.6	(1.9)	32.7	38.2	(3.8)	34.4
Earnings per share							
Basic	7	105.2p		98.8p	116.8p		104.4p
Diluted	7	104.9p		98.6p	116.4p		104.0p

Consolidated statement of comprehensive income for the year ended 31 December

	Notes	2018 £m	2017 £m
Profit for the year		32.7	34.4
Other comprehensive income/(loss):			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gain on employee benefit schemes – net of tax	20	1.0	7.6
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign exchange differences on retranslation of foreign operations		4.0	(14.0)
(Losses)/gains on settled foreign currency hedges recycled to profit or loss – net of tax	22	(0.6)	2.8
(Losses)/gains on open foreign currency hedges – net of tax	22	(1.4)	3.2
Other comprehensive income/(loss)		3.0	(0.4)
Total comprehensive income for the year		35.7	34.0
Attributable to:			
Equity holders of the Parent Company		32.8	31.1
Non-controlling interests		2.9	2.9
Total comprehensive income for the year		35.7	34.0

Consolidated balance sheet as at 31 December

	Notes	2018 £m	2017 £m
Non-current assets			
Property, plant and equipment	9	27.0	29.7
Investment property	10	1.2	1.1
Intangible assets	11	293.4	289.6
Trade and other receivables	13	1.1	2.5
Investments	14	4.8	4.9
Employee benefits	20	18.2	16.7
Deferred tax asset	6	8.6	11.1
		354.3	355.6
Current assets			
Inventories	15	0.8	0.7
Trade and other receivables	13	77.0	60.2
Income tax receivable		1.2	1.3
Investments	14	9.7	5.8
Cash and cash equivalents	16	156.5	161.7
		245.2	229.7
Current liabilities			
Trade and other payables	17	(135.4)	(132.0)
Income tax payable		(8.0)	(8.2)
Provisions	18	(0.2)	(0.1)
		(143.6)	(140.3)
Net current assets		101.6	89.4
Non-current liabilities			
Trade and other payables	17	(10.5)	(10.6)
Provisions	18	(0.2)	(0.1)
Employee benefits	20	(4.2)	(4.4)
Deferred tax liability	6	(6.4)	(6.5)
		(21.3)	(21.6)
Net assets		434.6	423.4
Capital and reserves			
Share capital	21	7.6	7.6
Other reserves	22	237.1	234.7
Retained earnings		185.9	177.4
Equity attributable to shareholders of the Parent Company		430.6	419.7
Non-controlling interests		4.0	3.7
Total equity		434.6	423.4

The financial statements on pages 138 to 171 were approved by the Board on 8 March 2019, and signed on its behalf by:

Bill Thomas
Chair

Jeff Woyda
Chief Financial Officer & Chief Operating Officer

Registered number: 1190238

Consolidated statement of changes in equity

for the year ended 31 December

	Notes	Attributable to equity holders of the Parent Company				Non-controlling interests £m	Total equity £m
		Share capital £m	Other reserves £m	Retained earnings £m	Total £m		
Balance at 1 January 2018		7.6	234.7	177.4	419.7	3.7	423.4
Profit for the year		–	–	29.8	29.8	2.9	32.7
Other comprehensive income:							
Actuarial gain on employee benefit schemes – net of tax	20	–	–	1.0	1.0	–	1.0
Foreign exchange differences on retranslation of foreign operations	22	–	4.0	–	4.0	–	4.0
Losses on settled foreign currency hedges recycled to profit or loss – net of tax	22	–	(0.6)	–	(0.6)	–	(0.6)
Losses on open foreign currency hedges – net of tax	22	–	(1.4)	–	(1.4)	–	(1.4)
Total comprehensive income for the year		–	2.0	30.8	32.8	2.9	35.7
Transactions with owners:							
Share issues	22	–	1.6	–	1.6	–	1.6
Employee share schemes	22	–	(1.2)	0.9	(0.3)	–	(0.3)
Tax on other employee benefits	6	–	–	(0.6)	(0.6)	–	(0.6)
Tax on other items in equity	6	–	–	(0.1)	(0.1)	–	(0.1)
Dividend paid	8	–	–	(22.5)	(22.5)	(2.9)	(25.4)
Contributions from non-controlling interests		–	–	–	–	0.3	0.3
Total transactions with owners		–	0.4	(22.3)	(21.9)	(2.6)	(24.5)
Balance at 31 December 2018		7.6	237.1	185.9	430.6	4.0	434.6

	Notes	Attributable to equity holders of the Parent Company				Non-controlling interests £m	Total equity £m
		Share capital £m	Other reserves £m	Retained earnings £m	Total £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	20	–	–	7.6	7.6	–	7.6
Foreign exchange differences on retranslation of foreign operations	22	–	(13.9)	–	(13.9)	(0.1)	(14.0)
Gains on settled foreign currency hedges recycled to profit or loss – net of tax	22	–	2.8	–	2.8	–	2.8
Gains on open foreign currency hedges – net of tax	22	–	3.2	–	3.2	–	3.2
Total comprehensive (loss)/income for the year		–	(7.9)	39.0	31.1	2.9	34.0
Transactions with owners:							
Employee share schemes	22	–	2.5	1.4	3.9	–	3.9
Tax on other employee benefits	6	–	–	1.0	1.0	–	1.0
Tax on other items in equity	6	–	–	0.3	0.3	–	0.3
Dividend paid	8	–	–	(20.1)	(20.1)	(2.4)	(22.5)
Total transactions with owners		–	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

Consolidated cash flow statement

for the year ended 31 December

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
Profit before taxation		42.9	45.4
Adjustments for:			
Foreign exchange differences	3	(1.9)	7.3
Depreciation of property, plant and equipment and investment property	3, 9, 10	5.2	5.0
Share-based payment expense	19	1.4	1.4
Gain on sale of property, plant and equipment		–	(0.1)
Amortisation of intangibles	3, 11	1.7	3.6
Difference between pension contributions paid and amount recognised in the income statement		(0.2)	(0.9)
Finance revenue	3	(1.3)	(1.0)
Finance costs	3	1.3	0.6
Other finance revenue – pensions	3	(0.3)	–
Increase in inventories	15	(0.1)	–
Increase in trade and other receivables		(16.5)	(7.2)
(Decrease)/increase in bonus accrual		(3.4)	4.6
Increase/(decrease) in trade and other payables		2.0	(3.9)
Increase in provisions	18	0.2	0.1
Cash generated from operations		31.0	54.9
Income tax paid		(8.3)	(6.9)
Net cash flow from operating activities		22.7	48.0
Cash flows from investing activities			
Interest received		0.9	0.6
Purchase of property, plant and equipment	9	(2.2)	(5.3)
Purchase of intangible assets	11	(3.9)	(1.5)
Proceeds from sale of investments	14	1.7	0.1
Proceeds from sale of property, plant and equipment		0.1	0.2
Purchase of investments		(8.0)	(0.9)
Transfer from current investments (funds on deposit)		3.8	24.1
Acquisition of subsidiaries, including settlement of deferred consideration		–	(24.7)
Dividends received from investments	3	0.2	0.3
Net cash flow from investing activities		(7.4)	(7.1)
Cash flows from financing activities			
Interest paid and other charges		(0.8)	(0.3)
Dividend paid	8	(22.5)	(20.1)
Dividend paid to non-controlling interests		(2.9)	(2.4)
Proceeds from shares issued		1.6	–
Contributions from non-controlling interests		0.3	–
ESOP shares acquired		–	(0.5)
Net cash flow from financing activities		(24.3)	(23.3)
Net (decrease)/increase in cash and cash equivalents		(9.0)	17.6
Cash and cash equivalents at 1 January		161.7	154.0
Net foreign exchange differences		3.8	(9.9)
Cash and cash equivalents at 31 December	16	156.5	161.7

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 2018 were authorised for issue in accordance with a resolution of the Directors on 8 March 2019. 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 2018. Additional accounting policies for the Parent Company are set out in note A.

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 year before exceptional items (if applicable) and acquisition related costs; this is referred to as 'underlying profit'. When there are items which are non-recurring in nature and considered to be material in size, these are shown as 'exceptional items'. The column 'acquisition related costs' includes the amortisation of acquired intangible assets and the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on acquisitions. In 2017, acquisition related costs also included interest on the loan note obligations. These notes form an integral part of the financial statements on pages 138 to 171.

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 and fair value through other comprehensive income.

The Group has considerable financial resources available and a strong balance sheet, as explained in the financial review on pages 60 to 63. 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 at least the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Except where noted, the accounting policies set out in this note have been applied consistently to all periods presented in these consolidated financial statements. In 2018, IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have been applied. No adjustments or restatements have been required to be made as a result of first time application of these new standards.

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 intra-group transactions, balances, income and expenses are eliminated on consolidation, however for the purposes of segmental reporting, internal recharges are included within the appropriate segments.

2.2 Changes in accounting policy and disclosures

New and amended standards adopted by the Group

Further to the specific new standards set out below, there were no other new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2018, that had a material impact on the Group or Parent Company.

— IFRS 9 'Financial Instruments' was 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 has applied IFRS 9 in the current year and prospectively, and the updated IFRS 7 disclosure requirements from their effective date. In accordance with the transition provisions in IFRS 9, comparative figures have not been restated. No material adjustments were identified on transition to IFRS 9, the adjustments being reclassifications only. Upon initial recognition, £219.0m of financial assets previously classified as loans and receivables were reclassified as at amortised cost and £5.2m of available-for-sale financial assets were reclassified as £1.4m of fair value through profit or loss assets and £3.8m of fair value through other comprehensive income assets.

The implementation of IFRS 9 did not have a material impact on the Group's financial statements. The Group assessed the impact of the new standard on its hedging arrangements, investments valuation and provisioning for trade receivables.

— IFRS 15 'Revenue from Contracts with Customers' was 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 has applied IFRS 15 from its effective date and in accordance with the transitional provisions in IFRS 15, comparative figures have not been restated. There were no adjustments required on transition other than the reclassification of accrued income and deferred income to contract assets and contract liabilities respectively.

— 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 are satisfied over time. All other revenue streams in that segment satisfied are at a point in time. For the other business segments, the performance obligations are satisfied at a point in time except for periodical supplies in the research segment. Based on our assessment of the adoption of IFRS 15, there was no material impact on the Group's financial statements.

New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2018 and not early adopted.

— 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.

IFRS 16 requires lessees to adopt a uniform approach to the presentation of leases. In future, assets must be recognised for the right of use received and liabilities must be recognised for the discounted payment obligations entered into for all leases. The Group will make use of the relief options provided for leases of low-value assets and short-term leases (shorter than 12 months).

For leases that have been classified to date as operating leases in accordance with IAS 17, the lease liability will be recognised at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate will be used. The right of use asset will generally be measured at the amount of the lease liability plus initial direct costs. Advance payments and liabilities from the previous financial year will also be accounted for.

As a result, the following will be the opening balance adjustment on transition:

Right of use asset	£52.2m
Lease liability	(£62.0m)
Other payables (non-current)	£8.4m
Prepayments	(£0.9m)
Deferred tax asset	£0.3m
Equity	£2.0m

In contrast to the presentation to date of operating lease expenses within operating profit, in future, depreciation charges on right of use assets and the interest expense from unwinding of the discount on the lease liabilities will be recognised. The overall quantum of amounts charged to the income statement is not expected to be materially different in the early years of adoption, however, as the income statement charge is based on the unwinding of the lease liability discount, this charge will reduce in future years.

In regards to the cash flow impact, other than presentational differences between operating cash flows and financing cash flows, it is not expected to have any impact on net cash flows.

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

- IFRS 14, 'Regulatory deferral accounts', effective from 1 January 2016*
- Amendment to IFRS 3, 'Business combinations', effective from 1 January 2019*
- Amendment to IFRS 9, 'Financial instruments on prepayment features with negative compensation', effective from 1 January 2019
- Amendments to IAS 19, 'Employee benefits, plan amendment, curtailment or settlement', effective from 1 January 2019*
- Amendments to IAS 28, 'Long-term interests in associates and joint ventures', effective from 1 January 2019
- Amendment to IAS 1 and IAS 8 regarding the definition of materiality, effective from 1 January 2019*
- Annual improvements (2015 – 2017), effective from 1 January 2019*
- IFRIC 23, 'Uncertainty over income tax treatments', effective from 1 January 2019

* subject to EU endorsement

2.3 Critical accounting judgements and estimates

The following are the critical accounting judgements, apart from those involving estimations (dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgements

Revenue recognition

The application of IFRS 15 'Revenue from Contracts with Customers' requires the Group to assess its revenue streams, including whether the recognition of revenue should be at a 'point in time' or 'over time'. Where revenue is at a point in time, a judgement is also required as to at what point this is. Within broking, the Group previously recorded revenue at the point when the underlying parties to the transaction completed their respective obligations. For IFRS 15, the Group has defined and determined its performance obligation, which continues to be the successful satisfaction of the negotiated contract between counterparties and therefore recognises revenue at this point in time. This is a critical judgement, since if the performance obligation was deemed to be satisfied at an earlier point or over time, the revenue recognition would differ.

In addition, for certain clients, the Group considers there is uncertainty at the time of invoicing as to whether the clients are capable of settling their invoices due to Clarksons. The Group continues to trade with such clients which are deemed to be key market participants or preferred counterparties for certain transactions. At the point of revenue recognition, these amounts are invoiced but provisions are made which directly offset against revenue, on the basis consideration is not certain. See note 2.19 for further details.

Alternative performance measures

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

Notes to the consolidated financial statements continued

2 Statement of accounting policies continued

Estimation uncertainty

The assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Impairment of 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 of expected credit losses to arise on trade receivables at the balance sheet date. Determining the amount of the provision includes analysis of specific customers' creditworthiness which may be impaired as indicated by the age of the invoice, the existence of any disputes, recent historical payment patterns and any known information regarding the client's financial position. In a limited number of circumstances, where doubt exists as to the ability to collect payment, a provision is made at the time of invoicing (see revenue judgements above). For clients where a specific provision is not recognised, management is required to estimate expected credit losses in accordance with IFRS 9 'Financial Instruments'. This estimate takes into account the Group's history of bad debt write-offs and extended unpaid invoices for each of its segments and also views on market conditions both for certain business lines and territories. Determining the amount of a provision for impairment is inherently challenging and in a given year there is a risk this estimate may materially change in the following year, either due to successful, unforeseen collections or sudden collapses of clients). This is therefore deemed to be a critical accounting estimate. See note 13 for further details.

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. As determining such assumptions is inherently uncertain and subject to future factors, there is the potential these may differ in subsequent periods and therefore materially change the conclusions reached. In light of this, consideration is made each year as to whether sensitivity disclosures are required for reasonably possible changes to assumptions used in this estimate. See note 12 for further details.

2.4 Property, plant and equipment

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

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

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

Freehold and long leasehold properties	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.

2.5 Investment properties

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

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

Investment properties	60 years
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In addition to historical cost accounting, the Directors have also presented, through additional narrative, the fair value of the investment properties in note 10.

2.6 Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

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

All transaction costs are expensed in the income statement as incurred.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in the income statement. 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.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Costs incurred on development projects, relating to the introduction or design of new systems or improvement of the existing systems, are only capitalised as intangible assets if capitalisation criteria under IAS 38 'Intangible Assets' are met, that is, where the related expenditure is separately identifiable, the costs are measurable and management is satisfied as to the ultimate technical and commercial viability of the project such that it will generate future economic benefits based on all relevant available information. Capitalised development costs are amortised from the date the system is available for use over their expected useful lives (not exceeding five years). Other costs linked to development projects that do not meet the above criteria such as data population, research expenditure and staff training costs are recognised as an expense as 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 the 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.

2.8 Impairment of non-financial assets

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

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

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

Goodwill

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

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

2.9 Investments and other financial assets Classification

Financial assets within the scope of IFRS 9 'Financial Instruments' are classified as financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI) and financial assets at amortised cost.

The Group determines the classification of its financial assets on initial recognition, taking into account the purpose for which the financial assets were acquired.

Notes to the consolidated financial statements continued

2 Statement of accounting policies continued

Financial assets at fair value through profit or loss (FVPL)

These assets are measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss in finance revenue or finance costs.

Financial assets at fair value through other comprehensive income (FVOCI)

The asset is measured at fair value. For investments in equity instruments, dividends are recognised when the entity's right to receive payment is established, it is probable the economic benefits will flow to the entity and the amount can be measured reliably. Dividends are recognised in the income statement unless they clearly represent recovery of a part of the cost of the investment, in which case they are included in other comprehensive income. Changes in fair value are recognised in other comprehensive income and are never recycled to the income statement, even if the asset is sold or impaired.

Loans and receivables (under IAS 39 for comparative only)

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.

Recognition and measurement

Fair value

The fair value of investments in equity instruments 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. 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.

2.10 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

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 provision is determined with reference to specific analysis of increased credit loss risk clients and lifetime expected credit losses applied to all other trade receivables (the simplified approach). The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectable.

Assets carried at amortised cost (under IAS 39 for comparative only)

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.

2.11 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.

2.12 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.

2.13 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 (determined with reference to IFRS 9 'Financial Instruments') 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. The Group designates the hedged risk as movements in the spot rate, with changes in the forward rate recognised in other comprehensive income.

On transition to IFRS 9 'Financial Instruments', the Group has applied the new standard and updated its hedging documentation accordingly.

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.

2.14 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.

2.15 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.

2.16 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.

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 revenue/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 revenue/cost is included in employee benefit income/expense in the income statement.

2.17 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. See note 7 for further details.

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.

Notes to the consolidated financial statements continued

2 Statement of accounting policies continued

2.18 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.

2.19 Revenue recognition

Revenue is recognised in accordance with satisfaction of performance obligations of contracts.

Broking

Shipbroking and offshore revenue consists of commission receivable and is predominantly recognised at a point in time. As set out in note 2.2, the point in time is deemed to be when the underlying parties to the transaction have completed their respective obligations and successfully fulfilled the contract between them as brokered and overseen by Clarksons.

The transaction price is fixed and determined with reference to the contracted commission rate for the broker. Broking revenue contracts vary, with certain contracts having a single performance obligation and others, such as newbuilds, containing multiple performance obligations. In the case of single performance obligation contracts, the transaction is allocated wholly against that performance obligation. In the case of multiple performance obligation contracts, the transaction price is allocated with reference to the agreed stages of completion in the underlying contract. The price for such stages is agreed between the underlying counterparties and Clarksons' commission is derived as a percentage of this. The stage of completion is deemed a reasonable proxy for the allocation of the total consideration transaction price to performance obligations in the contract.

Time charter commission revenue is recognised over time in line with the period of time for which vessel is being chartered, which is deemed to be the most faithful representation of the service provided over the period of the contract. The transaction price is apportioned evenly over the life of the charter per the contract.

Futures broking commissions are recognised when the services have been performed.

Financial

Revenue consists of commissions and fees receivable from financial services activities. Fees from investment banking activities, syndication and other financial solutions are recognised at a point in time, on a success basis, when certain criteria in applicable agreements have been met. Financial revenue usually involves a single performance obligation (being successful execution of the relevant financial services activity). The transaction price is allocated wholly to the point in time when this performance obligation is satisfied. The transaction price usually is determined as a fixed percentage of the underlying financial services transaction.

Support

Port service income is recognised at a point in time on vessel load or discharge completion date and store rent on an over time basis. Agency income is recognised at a point in time when vessels arrive in port. Revenue from the sale of goods is recognised when the goods are physically despatched to the customer and title passes.

Research

Revenue comprises both fees for one off projects, which are recognised as and when services are performed, and sales of shipping publications and other information, which is recognised when the research products are delivered. Subscriptions to periodicals and other information are recognised over time, which is determined with reference to the subscription period and therefore the most faithful representation of how the client consumes the benefit. The transaction price is agreed in the contract and either recognised wholly at a point in time, or in the case of subscriptions, it is spread evenly over the subscription period.

Contract assets/liabilities

Except for research, which is generally invoiced in advance, invoicing typically aligns with the timing that performance obligations are satisfied. Payment terms are set out in note 17.

At the year-end, there may be amounts where invoices have not been raised but performance obligations are deemed satisfied. These are recognised as contract assets (2017: accrued income) and mainly arise in broking and financial. In research, amounts invoiced ahead of performance obligations being satisfied are included as contract liabilities (2017: deferred income).

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

Notes to the consolidated financial statements continued

3 Revenue and expenses

	2018 £m	2017 £m
Revenue		
Revenue from contracts with customers	337.3	323.6
Revenue from other sources: Rental income	0.3	0.4
	337.6	324.0

Revenue is disaggregated further in note 4, which is the level at which it is analysed within the business. Further information on the timing of transfer of goods and services for revenue streams is included in note 2. The forward order book comprises contracts where the Group's performance obligations are not satisfied and accordingly, no revenue is recognised. The Directors' best estimate of the deliverable forward order book for 2019 is US\$107m/£84m (2017 for 2018: US\$93m/£69m).

	2018 £m	2017 £m
Finance revenue		
Bank interest income	0.8	0.7
Dividend income*	0.2	–
Income from available for-sale financial assets*	–	0.3
Other finance revenue	0.3	–
	1.3	1.0

* Re-classified under IFRS 9.

	2018 £m	2017 £m
Finance costs		
Loan note interest	–	0.3
Other finance costs	1.3	0.3
	1.3	0.6

	2018 £m	2017 £m
Other finance revenue – pensions		
Net benefit income	0.3	–

Operating profit

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

	2018 £m	2017 £m
Depreciation	5.2	5.0
Amortisation of intangible assets	1.7	3.6
Operating lease expense – land and buildings	12.2	12.4
Operating sublease income – land and buildings	(0.3)	(0.4)
Net foreign exchange (gains)/losses	(1.9)	7.3
Research and development	8.0	5.5

	2018 £000	2017 £000
Auditors' remuneration		
Fees payable to the Company's Auditors for the audit of the Company's and Group financial statements	238	235
Fees payable to the Company's Auditors and their associates for other services:		
The auditing of financial statements of subsidiaries of the Company	280	309
Audit-related assurance services	64	84
Other services	14	59
	596	687

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

	2018 £m	2017 £m
Employee compensation and benefits expense		
Wages and salaries	186.3	177.8
Social security costs	16.5	15.9
Expense of share-based payments	1.4	1.4
Other pension costs	5.1	4.1
	209.3	199.2

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 114.

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

	2018	2017
Broking	1,103	1,040
Financial	110	114
Support	234	175
Research	117	106
	1,564	1,435

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 and Egypt.

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 recharges are included within the appropriate segments.

The Group is not reliant on any major customer that is more than 10% of Group revenue.

Notes to the consolidated financial statements continued

4 Segmental information continued

Business segments

	Revenue		Results	
	2018 £m	2017 £m	2018 £m	2017 £m
Broking	251.7	238.9	44.0	43.9
Financial	46.1	52.0	8.0	10.1
Support	23.9	18.5	2.3	2.1
Research	15.9	14.6	5.0	4.8
Segment revenue/underlying profit	337.6	324.0	59.3	60.9
Head office costs			(14.3)	(11.4)
Operating profit before acquisition related costs			45.0	49.5
Acquisition related costs			(2.4)	(4.5)
Operating profit after acquisition related costs			42.6	45.0
Finance revenue			1.3	1.0
Finance costs			(1.3)	(0.6)
Other finance revenue – pensions			0.3	–
Profit before taxation			42.9	45.4
Taxation			(10.2)	(11.0)
Profit for the year			32.7	34.4

Business segments

	Assets		Liabilities	
	2018 £m	2017 £m	2018 £m	2017 £m
Broking	373.7	361.0	93.8	89.5
Financial	159.3	162.6	15.5	19.4
Support	23.9	19.2	8.9	5.3
Research	12.1	6.2	6.8	5.9
Segment assets/liabilities	569.0	549.0	125.0	120.1
Unallocated assets/liabilities	30.5	36.3	39.9	41.8
	599.5	585.3	164.9	161.9

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 trade and other payables.

Business segments

	Non-current asset additions				Depreciation		Amortisation	
	Property, plant and equipment	Intangible assets	Property, plant and equipment	Intangible assets	2018	2017	2018	2017
	2018 £m	2018 £m	2017 £m	2017 £m	£m	£m	£m	£m
Broking	1.5	3.9	3.7	1.5	4.3	4.2	1.6	3.5
Financial	0.1	–	0.3	–	0.3	0.3	0.1	0.1
Support	0.6	–	1.3	–	0.6	0.5	–	–
	2.2	3.9	5.3	1.5	5.2	5.0	1.7	3.6

Geographical segments – by origin of invoice

	Revenue	
	2018 £m	2017 £m
Europe, Middle East and Africa*	259.6	248.8
Americas	22.7	26.6
Asia Pacific	55.3	48.6
	337.6	324.0

Geographical segments – by location of assets

	Non-current assets**	
	2018 £m	2017 £m
Europe, Middle East and Africa*	303.6	304.1
Americas	2.9	2.9
Asia Pacific	21.0	20.8
	327.5	327.8

* Includes revenue for the UK of £158.1m (2017: £137.7m) and non-current assets for the UK of £88.7m (2017: £88.1m).

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

5 Acquisition related costs

Included in acquisition related costs are cash and share-based payment charges of £0.2m (2017: £0.3m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £0.5m (2017: £0.6m) 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 £1.7m (2017: £3.6m) relating to amortisation of intangibles acquired as part of the Platou and other prior acquisitions. In 2017, interest on the loan notes issued as part of the Platou acquisition totalled £0.3m.

6 Taxation

Tax charged in the consolidated income statement is as follows:

	2018 £m	2017 £m
Current tax		
Tax on profits for the year	8.7	10.2
Adjustments in respect of prior years	(0.5)	1.2
	8.2	11.4
Deferred tax		
Origination and reversal of temporary differences	2.0	(2.4)
Impact of change in tax rates	–	2.0
	2.0	(0.4)
Total tax charge in the income statement	10.2	11.0

Notes to the consolidated financial statements continued

6 Taxation continued

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

	2018 £m	2017 £m
Current tax		
Employee benefits – on pension benefits	–	(0.1)
– other employee benefits	(0.3)	(0.5)
Other items in equity	0.1	(0.3)
	(0.2)	(0.9)
Deferred tax		
Employee benefits – on pension benefits	0.2	1.6
– other employee benefits	0.9	(0.5)
Foreign currency contracts	(0.5)	1.4
	0.6	2.5
Total tax charge in the statement of changes in equity	0.4	1.6

Reconciliation of tax charge

The tax charge in the income statement for the year is higher (2017: higher) than the average standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are reconciled below:

	2018 £m	2017 £m
Profit before taxation	42.9	45.4
Profit at UK average standard rate of corporation tax of 19.00% (2017: 19.25%)	8.2	8.7
Effects of:		
Expenses not deductible for tax purposes	1.6	1.5
Non-taxable income	(0.1)	–
Lower tax rates on overseas earnings	(1.2)	(0.5)
Tax losses not recognised	0.7	0.7
Adjustments relating to prior year	–	(0.8)
Adjustments relating to changes in tax rates	–	2.0
Other adjustments	1.0	(0.6)
Total tax charge in the income statement	10.2	11.0

Deferred tax

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

	2018 £m	2017 £m
Employee benefits – on pension benefits	0.1	–
– other employee benefits	1.6	0.4
Tax losses recognised	0.1	0.4
In relation to earnings of overseas subsidiaries	–	(0.2)
Intangible assets recognised on acquisition	(0.4)	(0.8)
Other temporary differences	0.6	(0.2)
Deferred tax charge/(credit) in the income statement	2.0	(0.4)

Deferred tax included in the balance sheet is as follows:

	2018 £m	2017 £m
Deferred tax asset		
Employee benefits – on pension benefits	0.7	0.8
– other employee benefits	6.4	8.7
Tax losses	0.3	0.4
Foreign currency contracts	0.2	–
Other temporary differences	1.0	1.2
	8.6	11.1
Deferred tax liability		
Employee benefits – on pension benefits	(3.1)	(2.8)
In relation to earnings of overseas subsidiaries	(1.1)	(1.1)
Foreign currency contracts	–	(0.2)
Intangible assets recognised on acquisition	(0.2)	(0.6)
Other temporary differences	(2.0)	(1.8)
	(6.4)	(6.5)

Included in the above are deferred tax assets of £3.5m (2017: £3.6m) and deferred tax liabilities of £0.2m (2017: £0.4m) which are due within one year. Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

All deferred tax movements arise from the origination and reversal of temporary differences. The Group did not recognise a deferred tax asset of £3.5m (2017: £4.7m) in respect of unused tax losses, which predominantly have either no expiry date or expiry dates of ten years or more.

7 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:

	2018 £m	2017 £m
Underlying profit for the year attributable to ordinary equity holders of the Parent Company	31.7	35.2
Reported profit for the year attributable to ordinary equity holders of the Parent Company	29.8	31.4

	2018	2017
Weighted average number of ordinary shares (excluding share purchase trusts' shares) – basic	30,139,502	30,072,387
Dilutive effect of share options	36,011	69,266
Dilutive effect of acquisition related shares	45,020	29,092
Weighted average number of ordinary shares (excluding share purchase trusts' shares) – diluted	30,220,533	30,170,745

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 129,075 (2017: 150,944).

Notes to the consolidated financial statements continued

8 Dividends

	2018 £m	2017 £m
Declared and paid during the year:		
Final dividend for 2017 of 50p per share (2016: 43p per share)	15.2	13.1
Interim dividend for 2018 of 24p per share (2017: 23p per share)	7.3	7.0
Dividend paid	22.5	20.1
Proposed for approval at the AGM (not recognised as a liability at 31 December):		
Final dividend for 2018 proposed of 51p per share (2017: 50p per share)	15.5	15.2

9 Property, plant and equipment

31 December 2018

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost					
At 1 January 2018	7.5	18.6	20.8	1.2	48.1
Additions	0.1	0.1	1.6	0.4	2.2
Disposals	–	–	(0.6)	(0.2)	(0.8)
Reclassifications	–	(0.5)	0.5	–	–
Foreign exchange differences	0.3	0.1	0.4	–	0.8
At 31 December 2018	7.9	18.3	22.7	1.4	50.3
Accumulated depreciation					
At 1 January 2018	1.2	4.5	12.1	0.6	18.4
Charged during the year	0.3	1.5	3.2	0.2	5.2
Disposals	–	–	(0.6)	(0.2)	(0.8)
Foreign exchange differences	0.1	0.1	0.2	0.1	0.5
At 31 December 2018	1.6	6.1	14.9	0.7	23.3
Net book value at 31 December 2018	6.3	12.2	7.8	0.7	27.0

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

10 Investment property

	2018 £m	2017 £m
Cost		
At 1 January	2.0	2.0
Foreign exchange differences	0.1	–
At 31 December	2.1	2.0
Accumulated depreciation		
At 1 January	0.9	0.8
Charged during the year	–	0.1
At 31 December	0.9	0.9
Net book value at 31 December	1.2	1.1

The fair value of the investment properties at 31 December 2018 was £2.4m (2017: £2.3m). 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.

11 Intangible assets

31 December 2018

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2018	297.9	32.3	330.2
Additions	–	3.9	3.9
Foreign exchange differences	1.5	0.3	1.8
At 31 December 2018	299.4	36.5	335.9
Accumulated amortisation and impairment			
At 1 January 2018	12.4	28.2	40.6
Charged during the year	–	1.7	1.7
Foreign exchange differences	–	0.2	0.2
At 31 December 2018	12.4	30.1	42.5
Net book value at 31 December 2018	287.0	6.4	293.4

The additions in the year relate to development costs. Also included within other intangible assets is £1.5m of development costs from previous years. These assets will be amortised based on their estimated useful life, which will not exceed five years, when ready for use. Also included within intangible assets is £0.6m relating to customer relationships, £0.3m relating to forward order book and £0.1m relating to trade name which were identified and recognised as part of a previous acquisition. These intangible assets have a remaining amortisation period of one year.

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.

Notes to the consolidated financial statements continued

11 Intangible assets continued

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. These assets will be amortised based on their estimated useful life, which will not exceed five years, when ready for use. Also included within other intangible assets is £1.4m relating to customer relationships, £1.0m relating to forward order book and £0.2m relating to 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.

12 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:

	2018 £m	2017 £m
Dry cargo chartering	12.0	12.0
Container chartering	1.8	1.8
Tankers chartering	11.3	11.3
Specialised products chartering	12.2	12.2
Gas chartering	2.7	2.7
Sale and purchase broking	49.1	48.9
Offshore broking	80.8	79.8
Securities	110.9	110.6
Port and agency services	2.9	2.9
Research services	3.3	3.3
	287.0	285.5

The movement in the aggregate carrying value is analysed in more detail in note 11.

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 9.8% (2017: 8.7%), port and agency services is 9.8% (2017: 8.7%), research services is 9.8% (2017: 8.7%) and for securities is 9.4% (2017: 8.5%). 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 assume a level of revenue and profits which 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% (2017: 1.7%) across all CGUs.

The results of the Directors' review of goodwill indicate remaining headroom for all CGUs. After sensitivity analyses for reasonable possible changes in assumptions, the following observations on headroom for offshore broking and securities are evident.

Offshore broking

The value in use exceeds the carrying value by 16%. The impairment review of offshore broking is sensitive to a change in the key assumptions used; most notably the projected cash flows in perpetuity and the pre-tax discount rate. The value in use exceeds the carrying amount unless the assumptions are changed as follows:

- A decrease in the projected operating cash flows of 17% in perpetuity.
- An increase in the pre-tax discount rate of 1.2%.

Securities

The value in use exceeds the carrying value by 13%. The impairment review of securities is sensitive to a change in the key assumptions used; most notably the projected cash flows in perpetuity and the pre-tax discount rate. The value in use exceeds the carrying amount unless the assumptions are changed as follows:

- A decrease in the projected operating cash flows of 16% in perpetuity.
- An increase in the pre-tax discount rate of 1.1%.

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.

13 Trade and other receivables

	2018 £m	2017 £m
Non-current		
Other receivables	1.1	1.6
Foreign currency contracts	–	0.9
	1.1	2.5
Current		
Trade receivables	61.7	44.5
Other receivables	5.1	5.7
Foreign currency contracts	–	0.4
Prepayments	6.3	4.8
Accrued income*	–	4.8
Contract assets*	3.9	–
	77.0	60.2

* See note 2 for the impact of the change in accounting policy following the adoption of IFRS 15 on the classification of contract assets.

Trade receivables are non-interest bearing and are generally on terms payable within 90 days. As at 31 December 2018, the allowance for impairment of trade receivables was £14.4m (2017: £13.3m). The allowance is based on experience and ongoing market information about the credit-worthiness of specific counterparties and expected credit losses in respect of the remaining balances.

The Group has unconditional rights to consideration in respect of trade receivables, except for those relating to research revenue, where £0.8m (2017: £0.5m) relates to amounts invoiced in respect of subscriptions where revenue is recognised over time and the right to payment is conditional on satisfying this performance obligation. These amounts are deferred as revenue and included within the contract liability balance. See note 17.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of invoices over a period of 36 months before 1 January 2018 and the corresponding historical credit losses experienced within this period. These are then adjusted to reflect current and forward-looking information.

Notes to the consolidated financial statements continued

13 Trade and other receivables continued

The following table shows the exposure to credit risk and expected credit losses of trade receivables as at 31 December 2018:

	Expected loss rate	Gross carrying amount £m	Loss allowance £m
0 – 3 months	3.6%	55.5	2.0
3 – 12 months	33.3%	12.3	4.1
Over 12 months	100.0%	8.3	8.3
		76.1	14.4

Movements in the loss allowance for trade receivables were as follows:

	2018 £m	2017 £m
At 1 January	13.3	15.5
Release of loss allowance	(6.3)	(6.5)
Receivables written off during the year as uncollectible	(1.8)	(1.4)
Increase in loss allowance	8.3	7.0
Foreign exchange differences	0.9	(1.3)
At 31 December	14.4	13.3

There were no material changes in the loss allowance on transition to IFRS 9 from IAS 39. Included within the movements in the loss allowance were amounts which were provided at the time of invoicing for which no revenue has been recognised, because collectability was not considered probable. See note 2. The other classes within trade and other receivables do not include any impaired items.

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

	2018 £m	2017 £m
Neither past due nor impaired	53.5	38.4
Past due not impaired > 90 days	8.2	6.1
	61.7	44.5

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

	2018 £m	2017 £m
US dollar	50.2	33.3
Sterling	6.1	5.6
Norwegian krone	3.2	4.1
Other currencies	2.2	1.5
	61.7	44.5

14 Investments

	2018 £m	2017 £m
Non-current		
Available-for-sale financial assets	–	4.9
Financial assets at fair value through profit or loss	1.0	–
Financial assets at fair value through other comprehensive income	3.8	–
	4.8	4.9
Current		
Funds on deposit	1.7	5.5
Available-for-sale financial assets	–	0.3
Financial assets at fair value through profit or loss	8.0	–
	9.7	5.8

See note 2 for the impact of the change in accounting policy following the adoption of IFRS 9 on the classification of financial assets.

The Group held deposits totalling £1.7m (2017: £5.5m) with maturity periods greater than three months. The financial asset at fair value through other comprehensive income represents an investment in Cargometrics Technologies LLC.

15 Inventories

	2018 £m	2017 £m
Finished goods	0.8	0.7

The cost of inventories recognised as an expense and included in cost of sales amounted to £6.7m (2017: £5.7m).

16 Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	154.0	159.6
Short-term deposits	2.5	2.1
	156.5	161.7

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 £156.5m (2017: £161.7m).

Included in cash at bank and in hand is £1.9m (2017: £2.3m) of restricted funds relating to employee taxes and other commitments.

17 Trade and other payables

	2018 £m	2017 £m
Current		
Trade payables	12.1	13.7
Other payables	7.4	7.4
Other tax and social security	5.9	3.8
Foreign currency contracts	0.7	–
Accruals	103.8	102.4
Deferred income*	0.1	4.7
Contract liabilities*	5.4	–
	135.4	132.0
Non-current		
Other payables	9.9	10.6
Foreign currency contracts	0.6	–
	10.5	10.6

* See note 2 for the impact of the change in accounting policy following the adoption of IFRS 15 on the classification of contract liabilities.

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.

18 Provisions

	2018 £m	2017 £m
Current		
At 1 January	0.1	–
Arising during the year	0.1	0.1
At 31 December	0.2	0.1
Non-current		
At 1 January	0.1	0.1
Arising during the year	0.1	–
At 31 December	0.2	0.1

Provisions have been recognised for the dilapidation of various leasehold premises which will be utilised on cessation of the lease between two and four years. A provision is also recognised on certain employee benefits.

Notes to the consolidated financial statements continued

19 Share-based payment plans

	2018 £m	2017 £m
Expense arising from equity-settled share-based payment transactions	1.4	1.4

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2018 or 2017.

Share options

Long-term incentive awards

Details of the long-term incentive awards are included in the Directors' remuneration report on page 123. Awards made to the Directors are given in the Directors' remuneration report on page 116. 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 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 2018	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31 December 2018	Exercisable at 31 December 2018	Weighted average contractual life Years
Long term incentive awards ¹	167,246	61,314	(83,183)	–	145,377	16,302	8.53
2015 ShareSave ²	95,865	–	(2,401)	(93,464)	–	–	–
2016 ShareSave ³	57,538	–	(6,444)	(442)	50,652	–	1.33
2017 ShareSave ⁴	99,459	–	(12,374)	(31)	87,054	–	2.25
2018 ShareSave ⁵	–	164,002	(1,668)	–	162,334	–	3.33
	420,108	225,316	(106,070)	(93,937)	445,417	16,302	

The weighted average share price at the date of exercise was £24.13 for the 2015 ShareSave options, £27.60 for the 2016 ShareSave options and £27.60 for the 2017 ShareSave options.

There is one exercise price for each type of share option award, as follows: ¹ £nil, ² £18.12, ³ £17.19, ⁴ £22.50, ⁵ £22.12.

	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.

Significant inputs

The inputs into the models used to value options granted in the period fell within the following ranges:

	2018	2017
Share price at date of grant (£)	25.05–27.75	27.95–29.26
Exercise price (£)	0.00–22.12	0.00–22.50
Expected term (years)	3.0–3.3	3.0–3.3
Risk-free interest rate (%)	0.9–0.9	0.1–0.6
Expected dividend yield (%)	0.0–3.0	0.0–2.3
Expected volatility (%)	35.3–36.1	34.2–36.3

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, 243,581 shares (2017: 342,909 shares) at a weighted average price of £30.57 (2017: £27.91) were awarded to employees in settlement of 2017 (2016) cash bonuses. There was no expense in 2018 nor 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 2018 charge in relation to such awards is £0.4m (2017: £0.4m).

20 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 final salary 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.

During the period, the impact of having to equalise benefits in relation to inequalities in the calculations of Guaranteed Minimum Pensions was quantified and was not material at £0.1m.

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. During the year, the largest two schemes de-risked by replacing their equity holdings with less volatile investments.

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.

Notes to the consolidated financial statements continued

20 Employee benefits continued

Life expectancy

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

Other pension arrangements

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

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

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

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

Recognised in the balance sheet

	2018 £m	2017 £m
Fair value of schemes' assets	188.8	202.7
Present value of funded defined benefit obligations	(168.0)	(185.1)
	20.8	17.6
Effect of asset ceiling in relation to the Plowrights scheme	(6.8)	(5.3)
Net benefit asset recognised in the balance sheet	14.0	12.3

The net benefit asset disclosed above is the combined total of the three schemes. The Clarkson PLC scheme has a surplus of £18.2m (2017: £16.7m), the Plowrights scheme has a surplus of £nil (2017: £nil) and the Stewarts scheme has a deficit of £4.2m (2017: £4.4m). As there is no right of set-off between the schemes, the benefit asset of £18.2m (2017: £16.7m) is disclosed separately on the balance sheet from the benefit liability of £4.2m (2017: £4.4m).

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 and, in the event of wind up, excess surplus is refundable to the Group. There are no such future economic benefits in respect of the Plowright Scheme and therefore the surplus of £6.8m (2017: £5.3m) cannot be recognised.

A deferred tax asset on the benefit liability amounting to £0.7m (2017: £0.8m) and a deferred tax liability on the benefit asset of £3.1m (2017: £2.8m) is shown in note 6.

Recognised in the income statement

	2018 £m	2017 £m
Recognised in other finance revenue – pensions:		
Expected return on schemes' assets	4.9	5.1
Interest cost on benefit obligation and asset ceiling	(4.6)	(5.1)
Recognised in administrative expenses:		
Past service cost	(0.1)	–
Scheme administrative expenses	(0.3)	(0.1)
Net benefit charge recognised in the income statement	(0.1)	(0.1)

Recognised in the statement of comprehensive income

	2018 £m	2017 £m
Actual return on schemes' assets	(2.1)	14.9
Less: expected return on schemes' assets	(4.9)	(5.1)
Actuarial (loss)/gain on schemes' assets	(7.0)	9.8
Actuarial gain on defined benefit obligations	9.6	0.4
Actuarial gain recognised in the statement of comprehensive income	2.6	10.2
Tax charge on actuarial gain	(0.5)	(1.7)
Effect of asset ceiling in relation to the Plowrights scheme	(1.4)	(1.1)
Tax credit on asset ceiling	0.3	0.2
Net actuarial gain on employee benefit obligations	1.0	7.6
Cumulative amount of actuarial gains recognised in the statement of comprehensive income	4.0	1.4

Schemes' assets

	%	2018 £m	%	2017 £m
Equities*	2.7	5.2	12.5	25.5
Government bonds*	43.1	81.2	34.3	69.5
Corporate bonds*	28.9	54.6	26.0	52.6
Property	0.2	0.5	0.2	0.4
Investment funds*	24.2	45.6	24.1	48.8
Cash and other assets	0.9	1.7	2.9	5.9
	100.0	188.8	100.0	202.7

* 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 2018

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £m	Total £m
At 1 January 2018	(185.1)	202.7	17.6	(5.3)	12.3
Expected return on assets	–	4.9	4.9	–	4.9
Interest costs	(4.5)	–	(4.5)	(0.1)	(4.6)
Employer contributions	–	0.6	0.6	–	0.6
Administrative expenses	–	(0.3)	(0.3)	–	(0.3)
Past service cost	(0.1)	–	(0.1)	–	(0.1)
Benefits paid	12.1	(12.1)	–	–	–
Actuarial gain/(loss)	9.6	(7.0)	2.6	(1.4)	1.2
At 31 December 2018	(168.0)	188.8	20.8	(6.8)	14.0

31 December 2017

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £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)
Employer 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

The Group expects, based on the valuations and funding requirements including expenses, to contribute £0.5m to its defined benefit pension schemes in 2019 (2017 for 2018: £0.5m).

The principal weighted average valuation assumptions are as follows:

	2018 %	2017 %
Rate of increase in pensions in payment	3.2	3.1
Price inflation (RPI)	3.3	3.2
Price inflation (CPI)	2.3	2.2
Discount rate for scheme liabilities	2.9	2.5

Notes to the consolidated financial statements continued

20 Employee benefits continued

The mortality assumptions used to assess the defined benefit obligation at 31 December 2018 and 2017 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 2017 (31 December 2017: model published in 2016). Examples of the assumed future life expectancy are given in the table below:

		Additional years	
		2018	2017
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	22.0–23.1	22.0–23.1
	– female	24.0–24.2	24.0–24.2
Pensioners retiring in 20 years' time	– male	23.4–24.4	23.5–24.5
	– female	25.5–25.7	25.5–25.7

Experience adjustments

	2018 £m	2017 £m
Experience (loss)/gain on schemes' assets	(6.9)	9.8
Gain on schemes' liabilities due to changes in demographic assumptions	1.2	0.3
Gain on schemes' liabilities due to changes in financial assumptions	8.4	0.1
Loss on asset ceiling	(1.5)	(1.1)
Actuarial gain	1.2	9.1
Income tax on actuarial gain	(0.2)	(1.5)
Actuarial gain – net of tax	1.0	7.6

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 during the year. The sensitivities have been calculated using the same methodology as the main calculations. The weighted average duration of the defined obligation is 16 years.

	2018		2017	
	Change in assumption	Change in defined benefit obligation	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	+0.25%	-4.0%	+0.25%	-4.0%
	-0.25%	+4.3%	-0.25%	+4.3%
Price inflation (RPI)	+0.25%	+3.5%	+0.25%	+3.4%
	-0.25%	-3.3%	-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 3.8% (2017: 3.9%).

21 Share capital

Ordinary shares of 25p each, issued and fully paid:

	Number of shares	2018 £m	Number of shares	2017 £m
At 1 January	30,233,179	7.6	30,233,179	7.6
Additions	91,879	–	–	–
At 31 December	30,325,058	7.6	30,233,179	7.6

During the year, the Company issued 91,879 shares in relation to the 2015 ShareSave scheme. The difference between the exercise price of £18.12 and the nominal value of £0.25 was taken to the share premium account, see note 22.

Shares held by employee trusts

The trustees have waived their right to dividends on the unallocated shares held in the employee share trust.

22 Other reserves

31 December 2018

	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 2018	29.1	(1.2)	3.2	2.0	1.0	177.5	23.1	234.7
Total comprehensive (loss)/income	-	-	-	-	(2.0)	-	4.0	2.0
Share issues	1.6	-	-	-	-	-	-	1.6
Employee share schemes:								
Share-based payments expense	-	-	1.4	-	-	-	-	1.4
Transfer to profit and loss on vesting	-	0.1	(1.0)	-	-	-	-	(0.9)
Net ESOP shares acquired	-	(1.7)	-	-	-	-	-	(1.7)
Total employee share schemes	-	(1.6)	0.4	-	-	-	-	(1.2)
At 31 December 2018	30.7	(2.8)	3.6	2.0	(1.0)	177.5	27.1	237.1

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

Nature and purpose of other reserves

ESOP reserve

The ESOP reserve in the Group represents 117,446 shares (2017: 62,796 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 2018 was £2.2m (2017: £1.8m). At 31 December 2018 none of these shares were under option (2017: none). During the year the share purchase trusts acquired 350,000 shares at a weighted average price of £30.38 (2017: 262,000 shares at £27.62), offset with shares utilised to settle employee incentives, see note 19 for further details of share incentive schemes. For the purposes of the cash flow statement, the above are netted within the movements in bonus accrual.

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 19.

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. Realised hedges are recycled to the statement of comprehensive income. Movements are net of tax. Further details on hedging are shown in note 24.

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.

Notes to the consolidated financial statements continued

23 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:

	2018 £m	2017 £m
Within one year	12.2	11.6
After one year but not more than five years	37.0	37.1
After five years	34.4	44.9
	83.6	93.6

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 2018 is £0.5m (2017: £0.6m).

Contingencies

The Group has given no financial commitments to suppliers (2017: none).

The Group has given no guarantees (2017: 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.

24 Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables. 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 2018 and 2017, 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 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 13; 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.

Trade receivables are written off when there is no reasonable expectation of recovery, such as the commencement of legal proceedings, financial difficulties of the counterparty, or a significant time period has elapsed since the debt was due. Impairment losses on trade receivables are presented within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

With respect to credit risk arising from cash and cash equivalents and deposits held as current investments, these are considered low risk as 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 2018

	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Trade and other payables	19.5	–	9.9	29.4
Gross settled foreign currency contracts:				
Outflow	9.8	21.3	15.4	46.5
Inflow	(9.5)	(20.9)	(14.8)	(45.2)
	19.8	0.4	10.5	30.7

31 December 2017

	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

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 exchange rates. The following table demonstrates the sensitivity to a reasonably possible change in this rate, with all other variables held constant, of the Group's profit before taxation and equity.

	Strengthening/ (weakening) in rate	Effect on profit before taxation £m	Effect on equity £m
2018	5%	2.0	–
	(5%)	(1.8)	–
2017	5%	2.0	0.2
	(5%)	(1.8)	(0.2)

Derivative financial instruments

It is the Group's policy to cover or hedge a proportion of its future transactional US dollar revenues in the UK with foreign currency contracts. The strategy is to protect the Group against a significant weakening of the US dollar. See note 4 for total revenues generated in the UK which are predominantly US dollar denominated. The Group considers the hedge to be effective if each forward contract is settled with the bank and the US dollars sold represent collections from previous months' invoicing. Should the hedging ratio be greater than one (that is, contracted sales are greater than US dollar revenues) then the hedge is deemed to be ineffective. Where these are designated and documented as hedging instruments in the context of IFRS 9 and are demonstrated to be effective, mark-to-market gains and losses are recognised directly in equity (see note 22). These are transferred to the income statement, within revenue, upon receipt of cash and conversion to sterling of the underlying item being hedged. All of the contracts settled during the year were effective. There were no contracts deemed ineffective during the year.

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

	Assets		Liabilities	
	2018 £m	2017 £m	2018 £m	2017 £m
Foreign currency contracts	–	1.3	1.3	–

At 31 December 2018 the Group had forward contracts of US\$40m due for settlement in 2019 at an average rate of US\$1.32/£1 and US\$20m due for settlement in 2020 at an average rate of US\$1.35/£1 (2017: US\$35m due for settlement in 2018 at an average rate of US\$1.34/£1 and US\$25m due for settlement in 2019 at an average rate of US\$1.31/£1).

Notes to the consolidated financial statements continued

24 Financial risk management objectives and policies continued

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 2018 and 31 December 2017. 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.

25 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 1		Level 2		Level 3	
	2018 £m	2017 £m	2018 £m	2017 £m	2018 £m	2017 £m
Assets						
Investments at fair value through profit or loss (FVPL)	0.5	–	8.5	–	–	–
Investments at fair value through other comprehensive income (FVOCI)	–	–	–	–	3.8	–
Foreign currency contracts	–	–	–	1.3	–	–
	0.5	–	8.5	1.3	3.8	–
Liabilities						
Other payables	1.3	–	–	–	–	–
Foreign currency contracts	–	–	1.3	–	–	–
	1.3	–	1.3	–	–	–

FVPL investments are valued based on quoted prices in an active market (Level 1) or based on quoted prices for similar assets (Level 2), FVOCI investments are categorised as level 3 as the shares are not listed on an exchange and there were no recent observable arm's length transactions in the shares. 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. Other payables relates to short sales of equity investments and are valued using quoted prices in an active market.

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

Financial assets

	2018							2017
	Fair value through profit or loss £m	Fair value through other comprehensive income £m	Amortised cost £m	Total £m	Hedging instruments £m	Available -for-sale £m	Loans and receivables £m	Total £m
Other receivables	–	–	6.2	6.2	–	–	7.3	7.3
Investments	9.0	3.8	1.7	14.5	–	5.2	5.5	10.7
Trade receivables	–	–	61.7	61.7	–	–	44.5	44.5
Foreign currency contracts	–	–	–	–	1.3	–	–	1.3
Cash and cash equivalents	–	–	156.5	156.5	–	–	161.7	161.7
	9.0	3.8	226.1	238.9	1.3	5.2	219.0	225.5

Financial liabilities

	2018						2017
	Hedging instruments £m	Fair value through profit or loss £m	Amortised cost £m	Total £m	Amortised cost £m	Total £m	
Trade payables	–	–	12.1	12.1	13.7	13.7	
Other payables	–	1.3	16.0	17.3	18.0	18.0	
Foreign currency contracts	1.3	–	–	1.3	–	–	
	1.3	1.3	28.1	30.7	31.7	31.7	

See note 2 for the impact of the change in accounting policy following the adoption of IFRS 9 on the classification of financial assets and financial liabilities.

The carrying value of current and non-current financial assets and liabilities is deemed to equate to the fair value at 31 December 2018 and 2017.

Net losses on financial assets at fair value through profit or loss amounted to £1.0m. There were no gains or losses recognised for financial assets at fair value through other comprehensive income. Net gains on financial liabilities at fair value through profit or loss amounted to £1.1m. Gains/(losses) on trade receivables (measured at amortised cost) are shown in note 13.

26 Related party transactions

As in 2017, 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.

	2018 £m	2017 £m
Short-term employee benefits	4.8	5.9
Post-employment benefits	0.1	0.1
Share-based payments	0.5	0.7
	5.4	6.7

Full remuneration details are provided in the Directors' remuneration report on pages 108 to 123.

Parent Company balance sheet

as at 31 December

	Notes	2018 £m	2017 £m
Non-current assets			
Property, plant and equipment	C	14.7	16.5
Investment property	D	0.3	0.3
Investments in subsidiaries	E	291.1	291.1
Employee benefits	M	18.2	16.7
Deferred tax asset	F	1.7	2.1
		326.0	326.7
Current assets			
Trade and other receivables	G	18.9	42.1
Income tax receivable		–	3.8
Investments	H	0.5	5.5
Cash and cash equivalents	I	0.1	0.1
		19.5	51.5
Current liabilities			
Trade and other payables	J	(15.1)	(21.7)
		(15.1)	(21.7)
Net current assets			
		4.4	29.8
Non-current liabilities			
Trade and other payables	J	(7.6)	(8.3)
Deferred tax liability	K	(3.7)	(3.2)
		(11.3)	(11.5)
Net assets			
		319.1	345.0
Capital and reserves			
Share capital	N	7.6	7.6
Other reserves	O	212.4	210.9
Retained earnings		99.1	126.5
Total equity			
		319.1	345.0

The Company's loss for the year was £6.9m (2017: profit of £26.4m).

The financial statements on pages 172 to 187 were approved by the Board on 8 March 2019, and signed on its behalf by:

Bill Thomas
Chair

Jeff Woyda
Chief Financial Officer & Chief Operating Officer

Registered number: 1190238

Parent Company statement of changes in equity

for the year ended 31 December

	Notes	Attributable to equity holders of the Parent Company			Total equity £m
		Share capital £m	Other reserves £m	Retained earnings £m	
Balance at 1 January 2018		7.6	210.9	126.5	345.0
Loss for the year		–	–	(6.9)	(6.9)
Other comprehensive loss:					
Actuarial gain on employee benefit schemes – net of tax	M	–	–	1.0	1.0
Total comprehensive loss for the year		–	–	(5.9)	(5.9)
Transactions with owners:					
Share issues		–	1.6	–	1.6
Employee share schemes		–	(0.1)	1.0	0.9
Dividend paid		–	–	(22.5)	(22.5)
Total transactions with owners		–	1.5	(21.5)	(20.0)
Balance at 31 December 2018		7.6	212.4	99.1	319.1

	Notes	Attributable to equity holders of the Parent Company			Total equity £m
		Share capital £m	Other reserves £m	Retained earnings £m	
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)
Total transactions with owners		–	0.3	(18.2)	(17.9)
Balance at 31 December 2017		7.6	210.9	126.5	345.0

Parent Company cash flow statement for the year ended 31 December

	Notes	2018 £m	2017 £m
Cash flows from operating activities			
(Loss)/profit before taxation		(8.1)	25.5
Adjustments for:			
Foreign exchange differences		(0.1)	0.1
Depreciation of property, plant and equipment and investment property	C, D	2.3	2.3
Share-based payment expense		0.5	0.7
Difference between pension contributions paid and amount recognised in the income statement		0.1	(0.6)
Loss on disposal of investments		–	1.0
Impairment of investment in subsidiaries		–	4.1
Finance revenue		(0.9)	(35.1)
Finance costs		–	0.3
Other finance revenue – pensions		(0.4)	(0.2)
Decrease/(increase) in trade and other receivables		14.0	(10.1)
Decrease in bonus accrual		(1.9)	(3.5)
Increase/(decrease) in trade and other payables		4.5	(0.2)
Cash generated/(utilised) from operations		10.0	(15.7)
Income tax received		5.5	1.0
Net cash flow from operating activities		15.5	(14.7)
Cash flows from investing activities			
Interest received		0.2	0.2
Purchase of property, plant and equipment	C	(0.5)	(1.0)
Transfer from current investments (funds on deposit)		5.0	24.0
Acquisition of subsidiaries, including settlement of deferred consideration		–	(23.9)
Dividends received from investments		0.7	34.9
Net cash flow from investing activities		5.4	34.2
Cash flows from financing activities			
Dividend paid		(22.5)	(20.1)
Proceeds from shares issued		1.6	–
Net cash flow from financing activities		(20.9)	(20.1)
Net decrease in cash and cash equivalents		–	(0.6)
Cash and cash equivalents at 1 January		0.1	0.7
Net foreign exchange differences		–	–
Cash and cash equivalents at 31 December	I	0.1	0.1

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:

Adoption of IFRS 9 'Financial Instruments'

Upon initial recognition, £46.3m of financial assets previously classified as loans and receivables were reclassified as at amortised cost. There were no other material adjustments identified on transition.

Impact of future adoption of IFRS 16 'Leases'

Upon initial recognition on 1 January 2019, the opening balance adjustment will be as follows:

Right of use asset	£24.1m
Lease liability	(£32.0m)
Other payables (non-current)	£7.6m
Prepayments	(£0.9m)
Deferred tax asset	£0.2m
Equity	£1.0m

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 loss for the Parent Company for the year was £6.9m (2017: profit of £26.4m).

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.

Share-based payment transactions

The fair value of the compensation given to subsidiaries in respect of share-based payments is recognised as a capital contribution over the vesting period, reduced by any payments received from subsidiaries.

B Dividends

	2018 £m	2017 £m
Declared and paid during the year:		
Final dividend for 2017 of 50p per share (2016: 43p per share)	15.2	13.1
Interim dividend for 2018 of 24p per share (2017: 23p per share)	7.3	7.0
Dividend paid	22.5	20.1
Proposed for approval at the AGM (not recognised as a liability at 31 December):		
Final dividend for 2018 proposed of 51p per share (2017: 50p per share)	15.5	15.2

C Property, plant and equipment

31 December 2018

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2018	1.9	14.4	6.5	22.8
Additions	–	–	0.5	0.5
At 31 December 2018	1.9	14.4	7.0	23.3
Accumulated depreciation				
At 1 January 2018	0.4	2.5	3.4	6.3
Charged during the year	–	1.0	1.3	2.3
At 31 December 2018	0.4	3.5	4.7	8.6
Net book value at 31 December 2018	1.5	10.9	2.3	14.7

Notes to the Parent Company financial statements continued

C Property, plant and equipment continued

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

D Investment property

	2018 £m	2017 £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 2018 was £1.0m (2017: £0.9m). 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.

E Investments in subsidiaries

	2018 £m	2017 £m
Cost		
At 1 January	291.1	296.2
Disposals	–	(1.0)
Impairment	–	(4.1)
At 31 December	291.1	291.1

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.

F Deferred tax asset

	2018 £m	2017 £m
Employee benefits – other employee benefits	1.7	2.1

Included in the above are deferred tax assets of £1.3m (2017: £0.4m) 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.

G Trade and other receivables

	2018 £m	2017 £m
Prepayments and accrued income	1.6	1.4
Owed by Group companies	17.3	40.7
	18.9	42.1

The Company has no trade receivables (2017: none).

As at 31 December 2018, the Company calculated the expected credit loss of amounts owed by Group companies to be £0.1m (2017: £nil). Further details of related party receivables are included in note S.

H Investments

	2018 £m	2017 £m
Funds on deposit	0.5	5.5

The Company held £0.5m (2017: £5.5m) in a deposit with a 95-day notice period. This deposit is held with an A-rated financial institution.

I Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	0.1	0.1

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 (2017: £0.1m).

J Trade and other payables

	2018 £m	2017 £m
Current		
Owed to Group companies	1.8	7.7
Accruals	12.1	14.0
Deferred income	1.2	–
	15.1	21.7
Non-current		
Other payables	7.6	8.3

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

	2018 £m	2017 £m
Employee benefits – on pension benefit asset	3.1	2.8
Other temporary differences	0.6	0.4
	3.7	3.2

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

	2018 £m	2017 £m
Expense arising from equity-settled share-based payment transactions	0.5	0.7

For more information on the Parent Company share-based payment plans, see note 19 of the consolidated financial statements.

Notes to the Parent Company financial statements continued

M Employee benefits

The Company operates two final salary 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.

During the period, the impact of having to equalise benefits in relation to inequalities in the calculations of Guaranteed Minimum Pensions was quantified and was not material at £0.1m.

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. During the year, the two schemes de-risked by replacing their equity holdings with less volatile investments.

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

	2018 £m	2017 £m
Fair value of schemes' assets	178.5	191.1
Present value of funded defined benefit obligations	(153.5)	(169.1)
	25.0	22.0
Effect of asset ceiling in relation to the Plowrights scheme	(6.8)	(5.3)
Net benefit asset recognised in the balance sheet	18.2	16.7

The net benefit asset disclosed above is the combined total of the two schemes. The Clarkson PLC scheme has a surplus of £18.2m (2017: £16.7m) and the Plowrights scheme has a surplus of £nil (2017: £nil).

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 and, in the event of wind up, excess surplus is refundable to the Group. There are no such future economic benefits in respect of the Plowright Scheme and therefore the surplus of £6.8m (2017: £5.3m) cannot be recognised.

A deferred tax liability on the benefit asset of £3.1m (2017: £2.8m) is shown in note K.

Recognised in the income statement

	2018 £m	2017 £m
Recognised in other finance revenue – pensions:		
Expected return on schemes' assets	4.6	4.9
Interest cost on benefit obligation and asset ceiling	(4.2)	(4.7)
Recognised in administrative expenses:		
Past service cost	(0.1)	–
Scheme administrative expenses	(0.2)	(0.1)
Net benefit credit recognised in the income statement	0.1	0.1

Recognised in the statement of comprehensive income

	2018 £m	2017 £m
Actual return on schemes' assets	(1.4)	14.3
Less: expected return on schemes' assets	(4.6)	(4.9)
Actuarial (loss)/gain on schemes' assets	(6.0)	9.4
Actuarial gain on defined benefit obligations	8.6	0.7
Actuarial gain recognised in the statement of comprehensive income	2.6	10.1
Tax charge on actuarial gain	(0.5)	(1.7)
Asset ceiling in relation to the Plowrights scheme	(1.4)	(1.1)
Tax credit on asset ceiling	0.3	0.2
Net actuarial gain on employee benefit obligations	1.0	7.5
Cumulative amount of actuarial gains recognised in the statement of comprehensive income	4.5	1.9

Schemes' assets

	%	2018 £m	%	2017 £m
Equities*	–	–	10.5	20.1
Government bonds*	45.0	80.3	35.9	68.5
Corporate bonds*	29.6	52.8	26.3	50.3
Investment funds*	24.5	43.8	24.4	46.6
Cash and other assets	0.9	1.6	2.9	5.6
	100.0	178.5	100.0	191.1

* 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 2018

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £m	Total £m
At 1 January 2018	(169.1)	191.1	22.0	(5.3)	16.7
Expected return on assets	–	4.6	4.6	–	4.6
Interest costs	(4.1)	–	(4.1)	(0.1)	(4.2)
Employer contributions	–	0.2	0.2	–	0.2
Administrative expenses	–	(0.2)	(0.2)	–	(0.2)
Past service cost	(0.1)	–	(0.1)	–	(0.1)
Benefits paid	11.2	(11.2)	–	–	–
Actuarial gain/(loss)	8.6	(6.0)	2.6	(1.4)	1.2
At 31 December 2018	(153.5)	178.5	25.0	(6.8)	18.2

Notes to the Parent Company financial statements continued

M Employee benefits continued

31 December 2017

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £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)
Employer 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

The Company expects, based on the valuations and funding requirements including expenses, to contribute £0.1m to its defined benefit pension schemes in 2019 (2017 for 2018: £0.1m).

The principal valuation assumptions are as follows:

	2018 %	2017 %
Rate of increase in pensions in payment	3.0	2.9
Price inflation (RPI)	3.3	3.2
Price inflation (CPI)	2.3	2.2
Discount rate for scheme liabilities	2.9	2.5

The mortality assumptions used to assess the defined benefit obligation at 31 December 2018 and 2017 is based on the 'SAPS Light' 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 2017 (31 December 2017: model published in 2016). Examples of the assumed future life expectancy are given in the table below:

	Additional years	
	2018	2017
Post-retirement life expectancy on retirement at age 65:		
Pensioners retiring in the year – male	23.1	23.1
– female	24.2	24.2
Pensioners retiring in 20 years' time – male	24.4	24.5
– female	25.7	25.7

Experience adjustments

	2018 £m	2017 £m
Experience (loss)/gain on schemes' assets	(5.8)	9.4
Gain on schemes' liabilities due to changes in demographic assumptions	1.0	0.2
Gain on schemes' liabilities due to changes in financial assumptions	7.5	0.5
Loss on asset ceiling	(1.5)	(1.1)
Actuarial gain	1.2	9.0
Income tax on actuarial gain	(0.2)	(1.5)
Actuarial gain – net of tax	1.0	7.5

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 during the year. The sensitivities have been calculated using the same methodology as the main calculations. The weighted average duration of the defined obligation is 16 years.

	2018		2017	
	Change in assumption	Change in defined benefit obligation	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	+0.25%	-4.0%	+0.25%	-3.9%
	-0.25%	+4.2%	-0.25%	+4.2%
Price inflation (RPI)	+0.25%	+3.8%	+0.25%	+3.7%
	-0.25%	-3.6%	-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 3.7% (2017: 3.8%).

N Share capital

	Number	2018 £m	Number	2017 £m
Ordinary shares of 25p each, issued and fully paid:				
At 1 January	30,233,179	7.6	30,233,179	7.6
Additions	91,879	-	-	-
At 31 December	30,325,058	7.6	30,233,179	7.6

During the year, the Company issued 91,879 shares in relation to the 2015 ShareSave scheme. The difference between the exercise price of £18.12 and the nominal value of £0.25 was taken to the share premium account, see note O.

O Other reserves

31 December 2018

	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Merger reserve £m	Total £m
At 1 January 2018	29.1	2.3	2.0	177.5	210.9
Share issues	1.6	-	-	-	1.6
Employee share schemes:					
Share-based payments expense	-	1.0	-	-	1.0
Transfer to profit and loss on vesting	-	(1.1)	-	-	(1.1)
Total employee share schemes	-	(0.1)	-	-	(0.1)
At 31 December 2018	30.7	2.2	2.0	177.5	212.4

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

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.

Notes to the Parent Company financial statements continued

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:

	2018 £m	2017 £m
Within one year	4.8	4.7
After one year but not more than five years	19.1	18.9
After five years	26.3	31.9
	50.2	55.5

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 2018 is £0.2m (2017: £0.4m).

Contingencies

The Company has given no financial commitments to suppliers (2017: none).

The Company has given no guarantees (2017: 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 other payables. The Company has various financial assets such as current asset investments, loans to Group companies and cash and cash equivalents, 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 2018

	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Trade and other payables	–	–	7.6	7.6

31 December 2017

	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

Capital management

For information on the Parent Company capital management objectives, policies and processes, see note 24 of the consolidated financial statements.

R Financial instruments

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

Financial assets

	2018		2017	
	Amortised cost £m	Total £m	Loans and receivables £m	Total £m
Owed by Group companies	17.3	17.3	40.7	40.7
Investments	0.5	0.5	5.5	5.5
Cash and cash equivalents	0.1	0.1	0.1	0.1
	17.9	17.9	46.3	46.3

Financial liabilities

	2018		2017	
	Amortised cost £m	Total £m	Amortised cost £m	Total £m
Other payables	7.6	7.6	8.3	8.3
Owed to Group companies	1.8	1.8	7.7	7.7
	9.4	9.4	16.0	16.0

See note A for the impact of the change in accounting policy following the adoption of IFRS 9 on the classification of financial assets and financial liabilities.

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:

	2018 £m	2017 £m
Management fees charged	3.1	3.1
Rent receivable	5.1	4.3
Dividends received	0.7	34.9

Balances with subsidiaries at 31 December were as follows:

	2018 £m	2017 £m
Amounts owed by related parties	17.3	40.7
Amounts owed to related parties	(1.8)	(7.7)
Deferred income	(1.2)	–

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.

Notes to the Parent Company financial statements continued

T Subsidiaries

The Parent Company had the following subsidiaries at 31 December 2018:

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 Russia.

***** Also has a branch in China.

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 Real Estate Investment Management AS	**	Management of companies and funds that invest in private companies investing in real estate and associated businesses	Indirect	****34
Clarksons Platou Securities AS	**	Equity and fixed income sales and trading, research and 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 and 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

* Commodity Quay, St. Katharine Docks, London E1W 1BF, UK.
 ** Munkedamsveien 62C, 0270 Oslo, Norway.

*** Also has branches in Singapore and Switzerland.
 **** Controlled.

Notes to the Parent Company financial statements continued

T Subsidiaries continued

Company	Registered address	Principal activity	Direct or indirect	% of equity shares
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
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
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

* Commodity Quay, St. Katharine Docks, London E1W 1BF, UK.

** Munkedamsveien 62C, 0270 Oslo, Norway.

Company	Registered address	Principal activity	Direct or indirect	% of equity shares
RS Platou Houston Inc	1999 Bryan Street, Suite 900, Dallas, TX 75201, USA	Non-trading	Indirect	100
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
Clarksons Platou Securities (Canada) Inc	44 Chipman Hill, Suite 1000, Saint John, New Brunswick E2L 2A9, Canada	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

No exemptions have been taken in respect of dormant subsidiaries from preparing and filing individual statutory accounts under s394A of CA06.

* Commodity Quay, St. Katharine Docks, London E1W 1BF, UK.

** Munkedamsveien 62C, 0270 Oslo, Norway.

Glossary

Acting Chair	Ed Warner, OBE, acted as Non-Executive Chair whilst James Hughes-Hallett recovered from an illness for the period 26 March 2018 to 13 February 2019. Bill Thomas was appointed Chair on 13 February 2019.	Code	The UK Corporate Governance Code (April 2016).
Aframax	A tanker size range defined by Clarksons as between 85-125,000 dwt.	Crude oil	Unrefined oil.
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.	Disclosure Guidance and Transparency Rules (DTR)	Regulations which apply to most larger companies on the London Stock Exchange, which implement a number of EU Directives on transparency, market abuse, accounting and audit. The Disclosure Guidance and Transparency Rules are supplementary to the Listing Rules.
AIS	Automatic Identification System. A tracking system using transponders and GPS information to monitor live ship positions.	Dry (market)	Generic term for the bulk market.
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.	Dry cargo carrier	A ship carrying general cargoes or sometimes bulk cargo.
Board	The Board of Directors of Clarkson PLC.	DRR Regulations	Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.
Bulk cargo	Unpackaged cargoes such as coal, ore and grain.	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.
Bunkers	A ship's fuel.	E&P	Exploration and Production.
Capesize (cape)	Bulk ship size range defined by Clarksons as 100,000 dwt or larger.	EPC	Engineering, procurement and construction.
Cbm	Cubic metres. Used as a measurement of cargo capacity for ships such as gas carriers.	EPS	Earnings per share.
CEO	Chief Executive Officer, Andi Case.	Executive Directors	Andi Case (CEO), Jeff Woyda (CFO & COO) and Peter M. Anker (President of Broking and Investment Banking).
CFO & COO	Chief Financial Officer & Chief Operating Officer, Jeff Woyda.	External audit	An independent opinion of the Group and Company's financial statements by an external firm; PricewaterhouseCoopers LLP.
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.	Fair value	Fair value is defined as an amount at which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction.
Chair	Bill Thomas, appointed 13 February 2019. Prior to Bill's appointment, James Hughes-Hallett chaired the Board. Ed Warner assumed the role of Acting Chair for the period 26 March 2018 to 13 February 2019 whilst James Hughes-Hallett was temporarily absent from the Board due to illness.	FFA	Forward Freight Agreement. A cash contract for differences requiring no physical delivery based on freight rates on standardised trade routes.
Charterer	Cargo owner or another person/company who hires a ship.	Financial Conduct Authority (FCA)	The FCA regulates the financial services industry in the UK.
Charter party	Transport contract between shipowner and shipper of 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.
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.	Freight rate	The agreed charge for the carriage of cargo expressed per tonne of cargo (also Worldscales in the tanker market) or as a lump sum.
Clean products	Refined oil products such as naphtha.	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.
Company	Clarkson PLC as a standalone entity, registered in England and Wales under company number 1190238.		
Containership	A cargo ship specifically equipped with cell guides for the carriage of containerised cargo.		

FTSE 250	The share index consisting of the 101st to 350th largest companies listed on the London Stock Exchange main market. Clarkson PLC has been a member of the FTSE 250 since 2015.	OPEC	Organisation of the Petroleum Exporting Countries.
FTSE SmallCap	The share index consisting of the 351st to the 619th largest companies listed on the London Stock Exchange main market.	OSV	Offshore Support Vessels. Such as AHTSs and PSVs. Ships engaged in providing support to offshore rigs and oil platforms.
Group	Clarkson PLC and its subsidiary undertakings.	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.
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.	Parent Company	Clarkson PLC as a standalone entity, registered in England and Wales under company number 1190238.
Handymax	Bulk carrier size range defined by Clarksons as 40-65,000 dwt. Includes supramax and ultramax vessels.	Product tanker	Tanker that carries refined oil products.
IFRSs	International Financial Reporting Standards. A set of international accounting standards stating how particular types of transactions and other events should be reported in financial statements.	PSV	Platform Supply Vessel. Used in supporting offshore rigs and platforms by delivering materials to them from onshore.
IMO	International Maritime Organisation. A United Nations agency devoted to shipping.	S&P	Standard & Poor's 500 Index. An American stock market index based on the market capitalisations of 500 large companies having common stock listed on the NYSE, NASDAQ or the Cboe BZX Exchange.
Independent Non-Executive Directors	A Director of the Board, not part of the executive management of the Company, who is free from any business or other relationship that could materially conflict with their ability to exercise independent judgement.	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.
Kamsarmax	A sub-sector of the wider panamax bulk carrier fleet, defined as vessels with a maximum LOA of 229m so able to load at the Port of Kamsar in Guinea. Typically refers to vessels in the 80-89,999 dwt size range.	Senior Independent Director (SID)	Peter Backhouse, who became the SID on 5 November 2013.
KPIs	Key performance indicators.	SBP	Share-based payments.
Listing Rules	Set of regulations overseen by the UK Listing Authority (UKLA), which apply to any company listed on the London Stock Exchange.	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.
Liquidity risk	The risk of the Group being unable to meet its cash and collateral obligations without incurring large losses.	Spot market	Short-term contracts for voyage, trip or short-term time charters, normally no longer than three months in duration.
LNG	Liquefied Natural Gas.	Suezmax	A tanker size range defined by Clarksons as 125-200,000 dwt.
LPG	Liquefied Petroleum Gas.	Supramax	A sub-sector of the wider handymax bulk carrier fleet defined by Clarksons as 50-60,000 dwt.
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.		
LSE	London Stock Exchange.		
MR	Medium Range. A product tanker of around 45-55,000 dwt.		
MT	Metric tonne (see tonne).		

Glossary continued

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).
TSR	Total Shareholder Return.
UK Listing Authority	The Financial Conduct Authority as competent authority for the purposes of Part IV of the UK Financial Services and Markets Act 2000.
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

	2018*	2017*	2016*	2015*	2014*
	£m	£m	£m	£m	£m
Revenue	337.6	324.0	306.1	301.8	237.9
Cost of sales	(12.9)	(9.7)	(8.9)	(10.3)	(13.3)
Trading profit	324.7	314.3	297.2	291.5	224.6
Administrative expenses	(279.7)	(264.8)	(253.0)	(242.0)	(191.3)
Operating profit	45.0	49.5	44.2	49.5	33.3
Profit before taxation	45.3	50.2	44.8	50.5	33.8
Taxation	(10.7)	(12.0)	(11.2)	(12.6)	(8.7)
Profit for the year	34.6	38.2	33.6	37.9	25.1

* Before exceptional items and acquisition related costs.

Cash flow

	2018	2017	2016	2015	2014
	£m	£m	£m	£m	£m
Net cash inflow from operating activities	22.7	48.0	45.6	24.7	37.8

Balance sheet

	2018	2017	2016	2015	2014
	£m	£m	£m	£m	£m
Non-current assets	354.3	355.6	357.9	310.7	65.7
Inventories	0.8	0.7	0.7	0.9	1.4
Trade and other receivables (including income tax receivable)	78.2	61.5	59.0	63.0	44.2
Current asset investments	9.7	5.8	29.8	5.7	25.3
Cash and cash equivalents	156.5	161.7	154.0	168.4	152.9
Current liabilities	(143.6)	(140.3)	(172.4)	(168.5)	(108.1)
Non-current liabilities	(21.3)	(21.6)	(22.3)	(39.3)	(14.1)
Net assets	434.6	423.4	406.7	340.9	167.3

Statistics

	2018	2017	2016	2015	2014
	Pence	Pence	Pence	Pence	Pence
Earnings per share – basic*	105.2	116.8	105.2	121.9	134.2
Dividend per share	75.0	73.0	65.0	62.0	60.0

* Before exceptional items and acquisition related costs.

Principal trading offices

United Kingdom

London

Registered office
Commodity Quay
St. Katharine Docks
London
E1W 1BF
Contact: Andi Case
+44 20 7334 0000

Ipswich

Maritime House
19a St. Helen's Street
Ipswich
IP4 1HE
Contact: David Rumsey
+44 1473 297 300

Ledbury

Homend House
15 The Homend
Ledbury
HR8 1BN
Contact: Shaun Sturge
+44 1531 634 561

Aberdeen

303 King Street
Aberdeen
AB24 5AP
Contact: Innes Cameron
+44 1224 211 500

271 King Street

Aberdeen
AB24 5AN
Contact: Sean Maclean
+44 1224 620 944

City Wharf

Shiprow
Aberdeen
AB11 5BY
Contact: Paul Love
+44 1224 256 600

Belfast

Hurst House
15-19 Corporation Square
Belfast
BT1 3AJ
Contact: Michael Ewings
+44 2890 242 242

Australia

Melbourne

Level 2
112 Wellington Parade
East Melbourne
VIC 3002
Contact: Matthew Russell
+61 3 9867 6800

Perth

Level 9
16 St. George's Terrace
Perth
WA 6000
Contact: Mark Rowland
+61 8 6210 8700

Brazil

16th Floor Manhattan Tower
Avenida Rio Branco 89
Suite 1601
Rio de Janeiro 20.040-004
Contact: Jens Behrendt
+55 21 3923 8803

Hong Kong

3209-3214 Sun Hung Kai
Centre
30 Harbour Road
Wanchai
Contact: Martin Rowe
+852 2866 3111

China

Room 2203-2204
Shanghai Huadian Tower
839 Guozhan Road
Pudong New Area
Shanghai 200126
Contact: Cheng Yu Wang
+86 21 6103 0100

Egypt

Alexandria

2nd Floor
5 Vector Basseli Street
Al Azarita
Alexandria
Contact: Ayman Sharkas
+20 3 488 9001

Cairo

2nd Floor
2 El Hegaz Street
Roxi
Heliopolis
Cairo
Contact: Mohamed Refaat
Metawei
+20 2 2454 0509

Germany

5th Floor
Johannisbollwerk 20
20459 Hamburg
Contact: Jan Aldag
+49 40 3197 66 110

Greece

62 Kifissias Avenue
Marousi 15125
Contact: Savvas Athanasiadis
+30 210 458 6700

India

507-508 The Address
1 Golf Course Road
Sector 56
Gurgaon
122011 Haryana
Contact: Amit Mehta
+91 124 420 5000

Italy

Piazza R. Rossetti 3A
16129 Genoa
Contact: Massimo Dentice
Tel: +39 0 10 55401

Japan

2nd Floor Azabu KF Building
1-9-7 Azabu Juban
Minato-Ku
Tokyo 106-0045
Contact: Christian Skovhøj
+81 3 5573 8014

Korea

44F Three IFC
10 Gukjegeumyung-ro
Yeongdeungpo-gu
Seoul 07326
Contact: Jae Sung Choi
+82 10 2076 9510

Morocco

8 Rue Ali Abderrazzak
3eme étage
Casablanca 20100
Contact: Hassan Benjelloun
+212 522 493970

The Netherlands

De Coopvaert
6th Floor
Blaak 522
3011 TA Rotterdam
Contact: Hans Brinkhorst
+31 10 7422 833

Norway

62C Munkedamsveien
0270 Oslo
Contact: Peter M. Anker
+47 2311 2000

Singapore

12 Marina View
29-01 Asia Square Tower 2
018961
Contact: Giles Lane
+65 6339 0036

South Africa

PO Box 5890
Rivonia
Johannesburg 2128
Contact: Simon Lester
+27 11 803 0008

Sweden

Uppsala Castle
75237 Uppsala
Contact: Torbjörn Helmfrid
+46 18 502 075

Switzerland

1 Rue de la Fontaine
1204 Geneva
Contact: Joe Green
+41 22 308 9900

United Arab Emirates

14th Floor Gold Tower
Jumeirah Lakes Towers
PO Box 102929
Dubai
Contact: Essam Bella
+971 4 450 9400

USA

Houston

Suites 1525 and 1550
1333 West Loop South
Houston
Texas 77027
Contact: Roger Horton
+1 713 235 7400

New York

21st Floor East
280 Park Avenue
New York
NY 10017
Contact: Omar Nokta
+1 212 317 7080
Contact: Philipp Bau
+1 212 314 0970

Shareholder information

Key dates

Event	Date
AGM	12pm, 9 May 2019
Ex-dividend date for 2018 final dividend	16 May 2019
Record date for 2018 final dividend	17 May 2019
Payment of 2018 final dividend	31 May 2019
2019 interim results	12 August 2019
Ex-dividend date for 2019 interim dividend	5 September 2019
Record date for 2019 interim dividend	6 September 2019
Payment of 2019 interim dividend	20 September 2019

Website

You can access a range of information about Clarksons at our website (www.clarksons.com) including:

- Annual and interim financial reports, as well as trading updates
- Share price information
- Shareholder information, including AGM voting results, our financial highlights and FAQs
- News releases (current and historical)

Manage your shareholding online

Many of our shareholders prefer to manage their shareholding online by registering via the Investor Centre portal maintained by our registrar, Computershare, at www.investorcentre.co.uk. By registering for Investor Centre, you can:

- View your shareholding in real time
- Update your address details
- Get your dividends paid directly into your bank account
- View dividend payments and tax information
- Set up electronic communications (see below)

We encourage our shareholders to receive their shareholder communications and documents electronically and via our website, which is both quicker and helps us to reduce our impact on the environment. Registering for electronic communications is straightforward, and can be done online via the Investor Centre portal (details above). Once you have signed up to receive electronic communications, you will receive an email to let you know when shareholder documents have become available on our website, including our annual report.

Annual General Meeting

Our AGM will be held at 12pm on Thursday 9 May 2019 at the Company's London office at Commodity Quay, St. Katharine Docks, London E1W 1BF.

Details of each resolution to be considered at the Meeting and voting instructions are included in the Notice of Meeting, which is available on our website at www.clarksons.com. The voting results of the 2019 AGM will be available on our website shortly after the meeting.



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Shareholder security

In recent years, many companies have become aware that their shareholders have received unsolicited telephone calls or correspondence concerning investment matters. These are typically from overseas-based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are often referred to as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

If you receive any unsolicited investment advice:

- Obtain the correct name of the person and firm
- Review the Financial Services Register by visiting www.fca.org.uk/register to check if the person and firm contacting you are authorised by the FCA or call the FCA's Consumer Helpline on 0800 111 6768
- Search the list of unauthorised firms to avoid at www.fca.org.uk/scams
- Report the matter to the FCA using the share fraud reporting form at www.fca.org.uk/consumers/report-scam-unauthorised-firm or by calling the Consumer Helpline on 0800 111 6768

Useful contacts

Group Company Secretary

Shareholders may contact the Group Company Secretary:

- By email: Company.Secretary@clarksons.com
- In writing:
Rachel Spencer, Group Company Secretary,
Clarkson PLC, Commodity Quay, St. Katharine Docks,
London E1W 1BF
- By telephone: +44 (0)20 7334 0000

Registrar

For any queries regarding your shareholding, including share transfers, lost share certificates, dividends and changes in personal details, please contact our registrar, Computershare:

- In writing:
Computershare Investor Services PLC, PO Box 82,
The Pavilions, Bridgwater Road, Bristol BS99 7NH
- By telephone: +44 (0)370 707 1055

Advisors

Auditor

PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

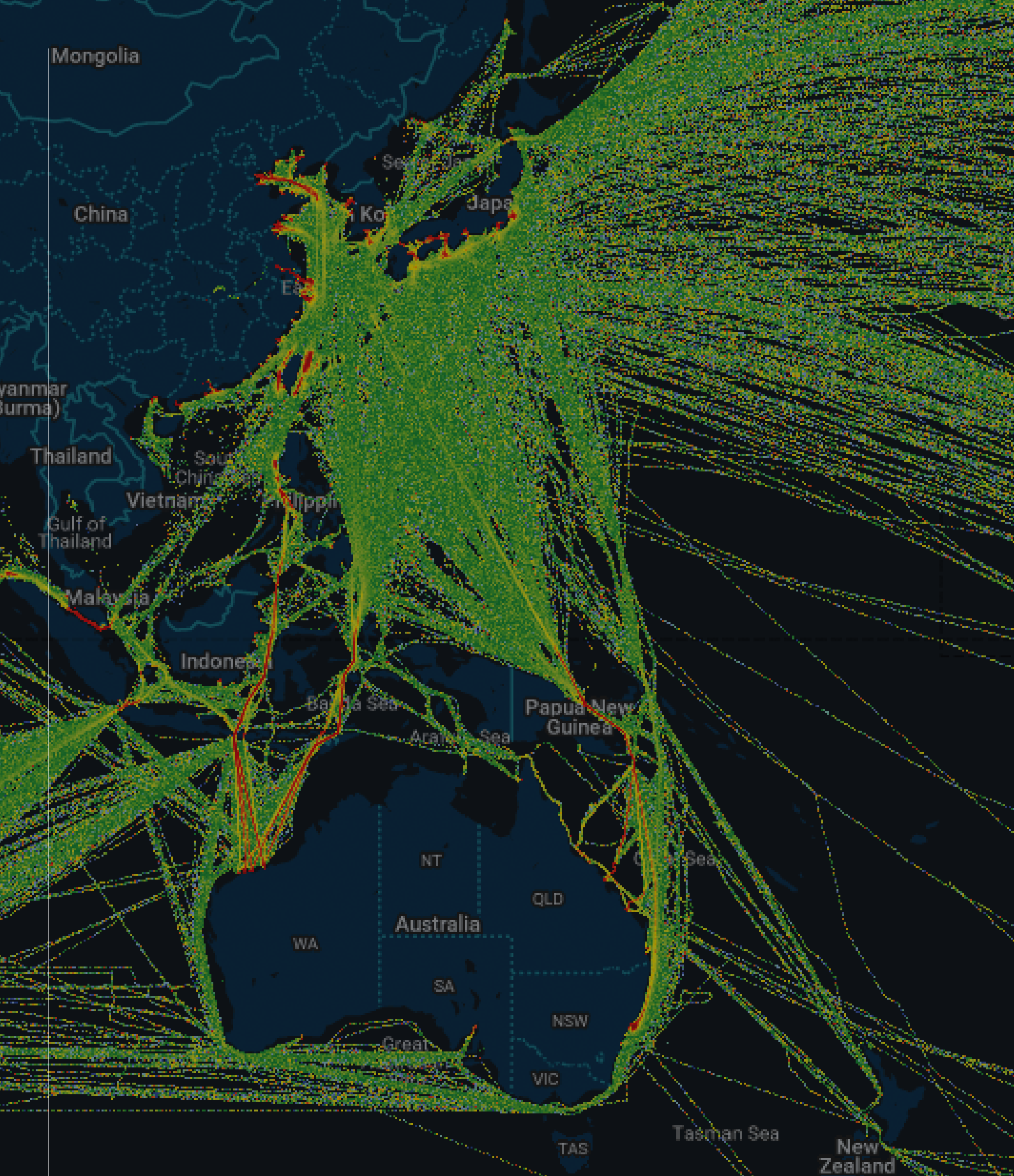
Solicitors

Freshfields Bruckhaus Deringer LLP
65 Fleet Street
London EC4Y 1HT

Joint corporate brokers

Panmure Gordon & Co
1 New Change
London EC4M 9AF

Liberum
25 Ropemaker Street
London EC2Y 9LY



Clarkson PLC
Commodity Quay
St. Katharine Docks
London E1W 1BF
United Kingdom
+44 20 7334 0000

www.clarksons.com