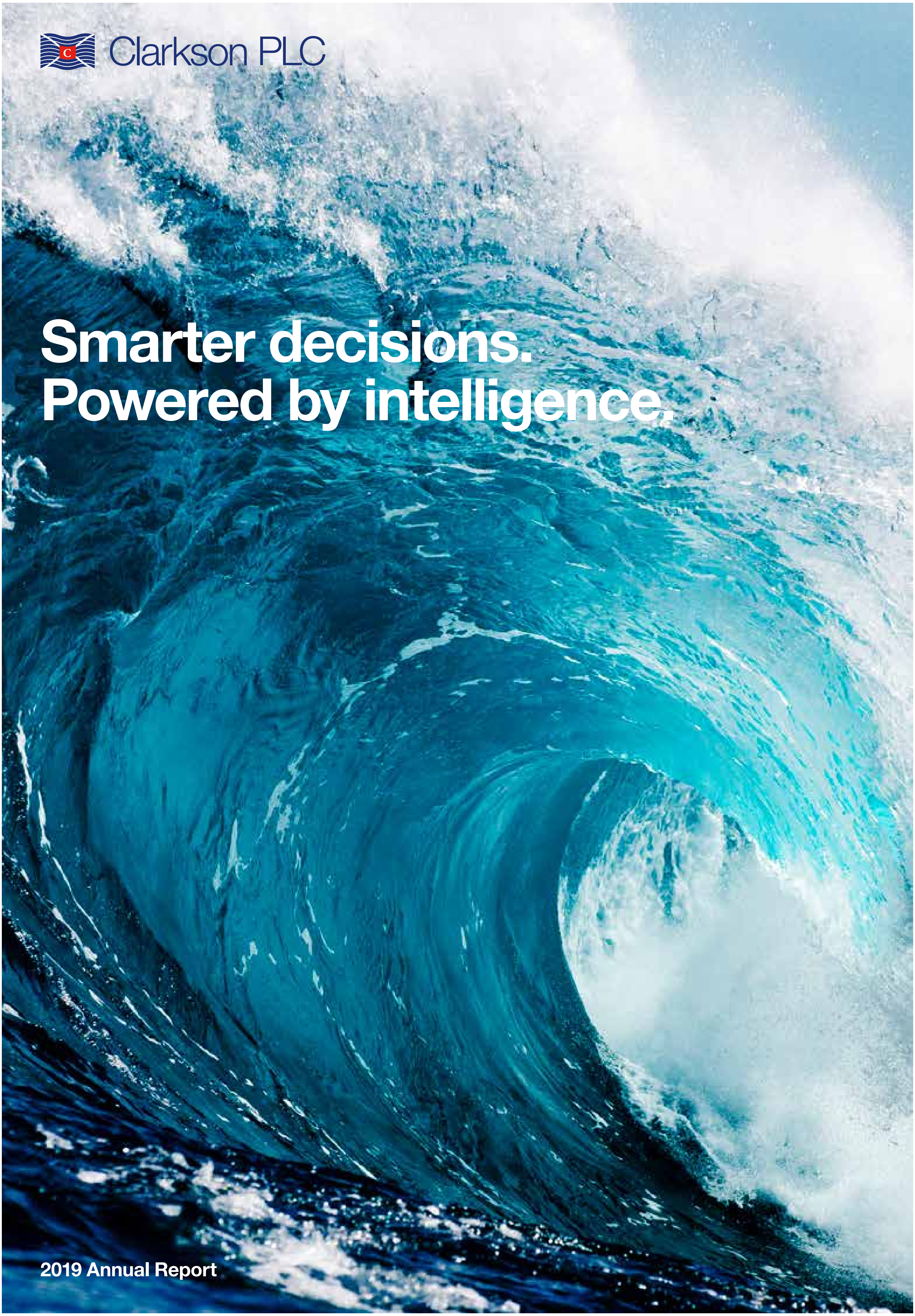
Clarkson PLC

Smarter decisions. Powered by intelligence.



2019 Annual Report

Contents

For more information please visit
www.clarksons.com

Financial highlights

Revenue

£363.0m

2018: £337.6m

Underlying profit before taxation

£49.3m

2018: £45.3m

Reported profit before taxation

£0.2m

2018: £42.9m

Dividend per share

78p

2018: 75p

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.

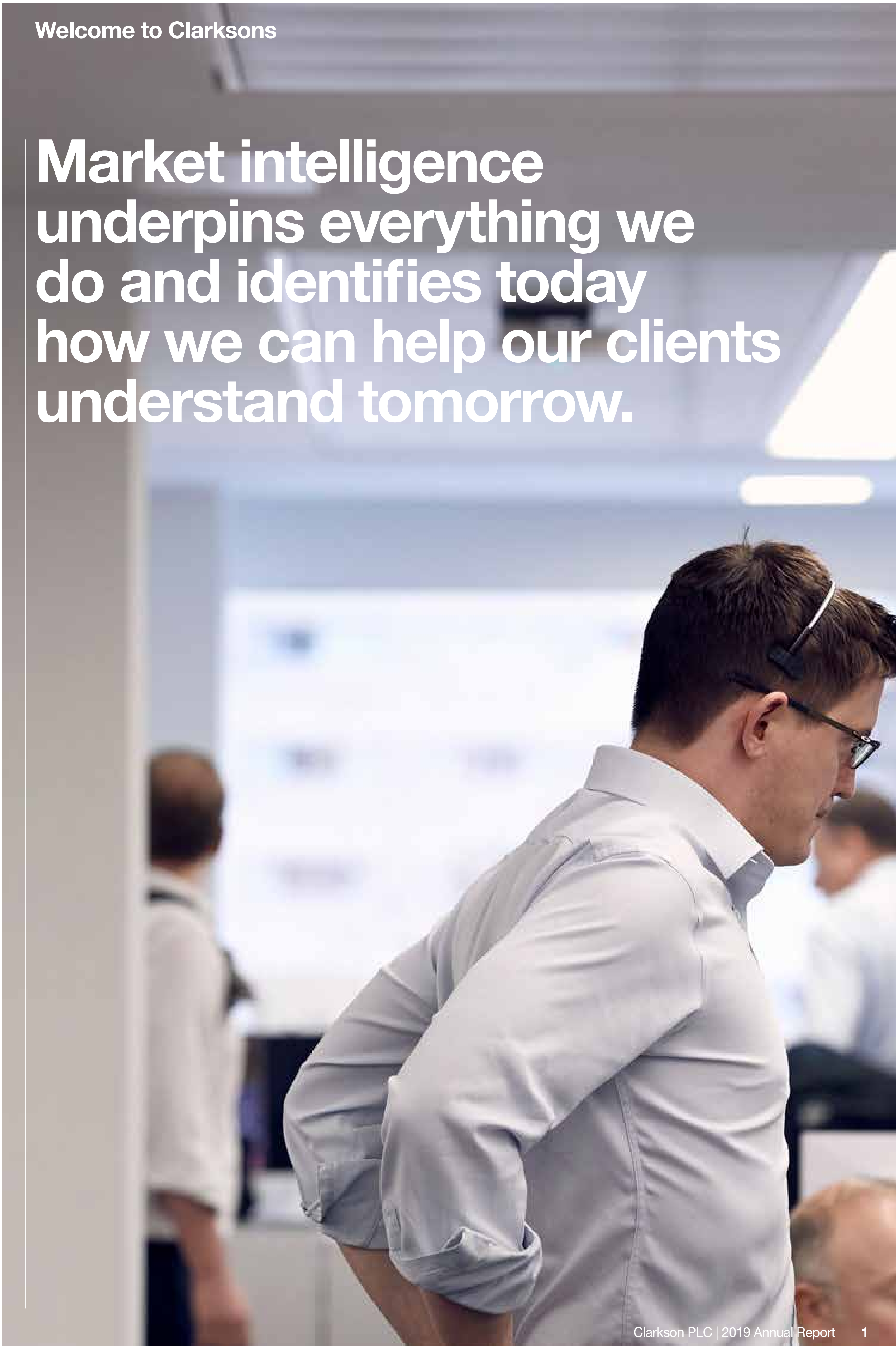
Alternative performance measures (APMs)
Clarksons uses APMs as key financial indicators to assess the underlying performance of the Group. Management considers the APMs used by the Group to better reflect business performance and provide useful information.

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 41.

Other
Information related to employees, offices and countries where we operate, is at 31 December 2019 unless otherwise stated.

Market intelligence underpins everything we do and identifies today how we can help our clients understand tomorrow.



At a glance

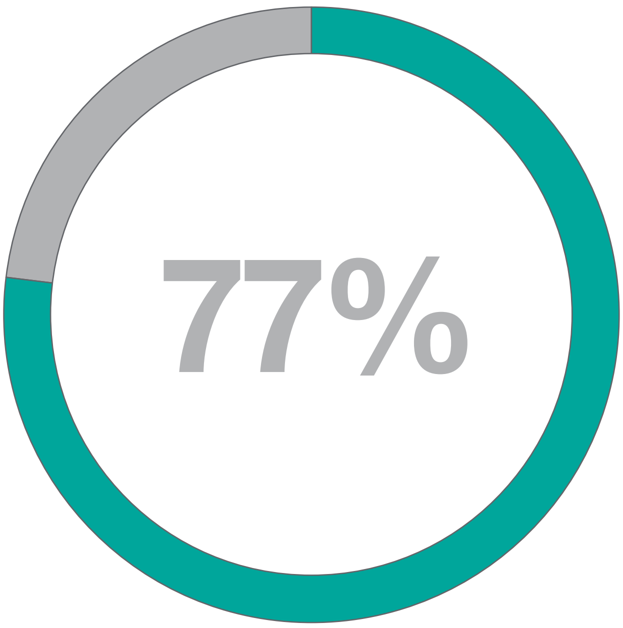
At the heart of global trade: providing 'best in class' services to all aspects of the shipping and offshore markets.

Countries with Clarksons' offices

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.

Share of revenue



Services

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

Number of employees

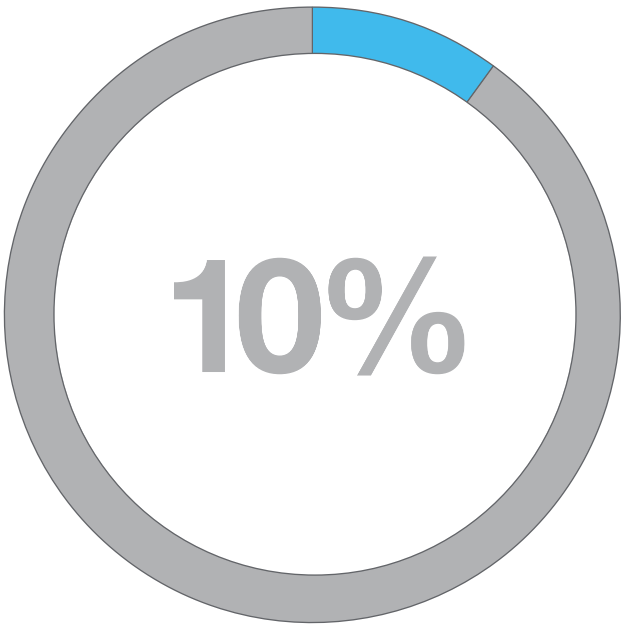
1,122

See more on pages 18 to 28

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.

Share of revenue



Services

- Securities
- Project finance
- Structured asset finance

Number of employees

124

See more on pages 29 to 31

Countries

22

Employees

1,598

Offices

52

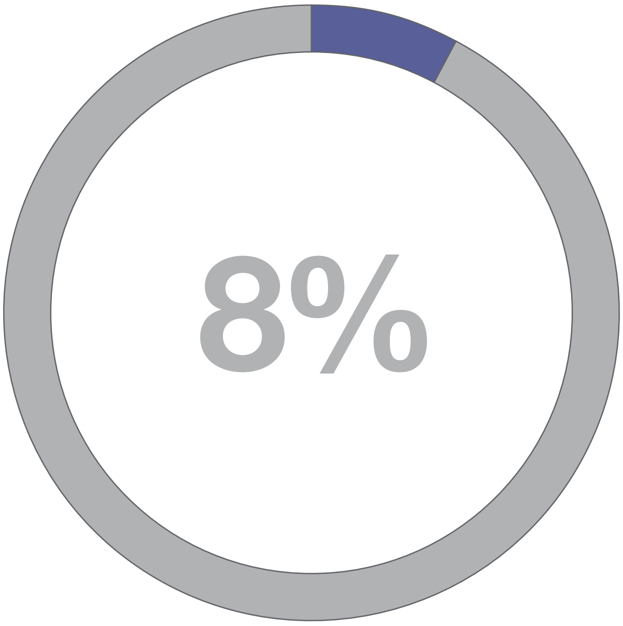
Years of history

168

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.

Share of revenue



Services

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

Number of employees

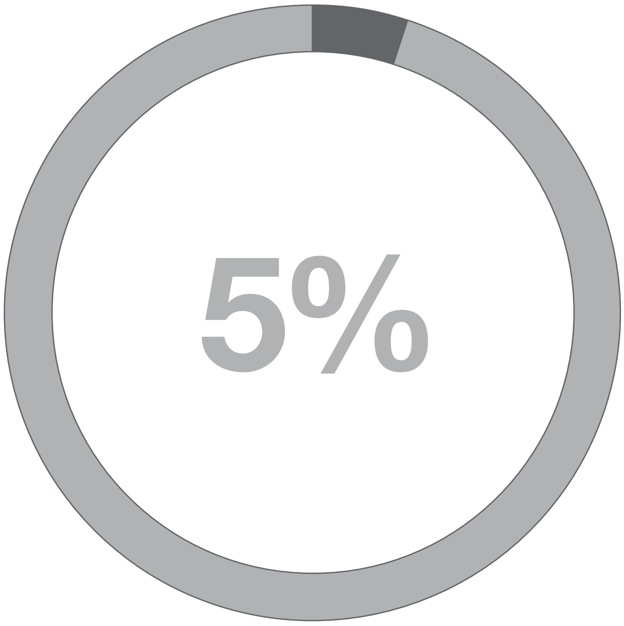
237

See more on pages 34 to 35

Research

Clarksons Research is the market leader in providing timely and authoritative information on all aspects of shipping. We provide data on over 160,000 vessels, 30,000 machinery models, 47,000 companies and 900 shipyards, as well as extensive trade and commercial data and around 200,000 time series.

Share of revenue



Services

- Digital
- Services
- Reports

Number of employees

115

See more on pages 36 to 37

Our purpose

Read more in
Our strategy
on pages 50 to 51

Read more in
the Business review
on pages 18 to 39

Read more in the Business review on pages 18 to 39

To enable smarter, cleaner global trade by empowering our clients and our people to make better informed decisions using our market-leading technology and intelligence; and in doing so, meet the demands of the world's rapidly evolving maritime, offshore, trade and energy markets.

Smarter decisions. Powered by intelligence.

Read more in Our markets on pages 44 to 49

Supporting our purpose

What we do

The world is evolving rapidly, with trade flows becoming increasingly complex and environmental concerns mounting. As a truly global organisation with deep expertise, we are well placed to understand and support our clients through this increasingly complex world.

Global trade carried on ships

85%

Cargo shipped per person per year

1.6 tonnes

Import growth into Asia since 2000

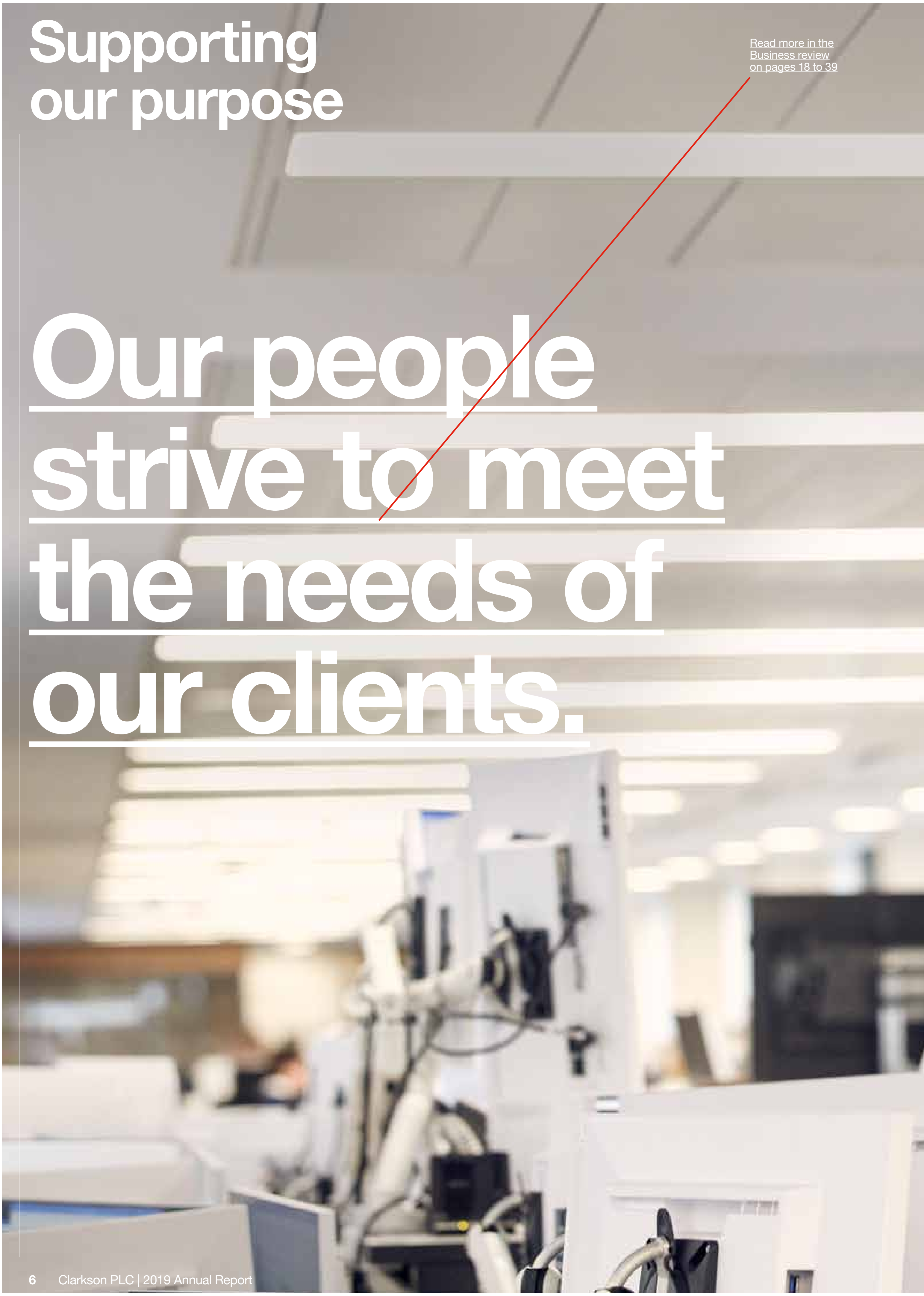
4.3bn tonnes

Read more in Our markets on pages 44 to 49

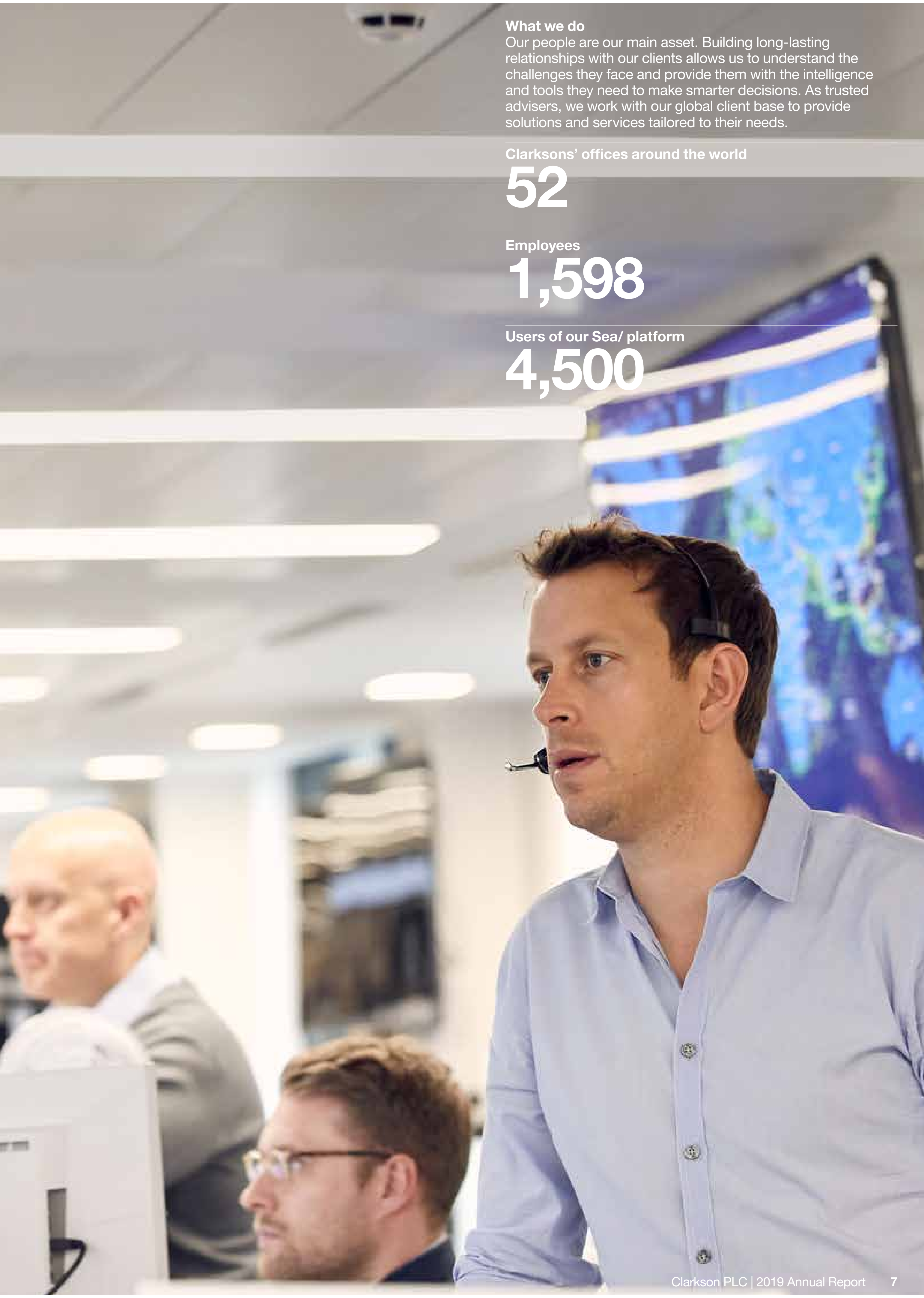
What we do has a global impact.

Supporting our purpose

Read more in the Business review on pages 18 to 39



Our people strive to meet the needs of our clients.



What we do

Our people are our main asset. Building long-lasting relationships with our clients allows us to understand the challenges they face and provide them with the intelligence and tools they need to make smarter decisions. As trusted advisers, we work with our global client base to provide solutions and services tailored to their needs.

Clarksons' offices around the world

52

Employees

1,598

Users of our Sea/ platform

4,500

Supporting our purpose

What we do

We provide real-time information to our clients to enable them to make smarter and cleaner decisions. Our intelligence covers shipping, trade, ports, infrastructure, emissions, offshore and energy. It supports our clients in making fully informed business decisions across their freight and asset owning strategies.

Port calls recorded by Sea/net in 2019

3.8 million

Views of Shipping Intelligence Network in 2019

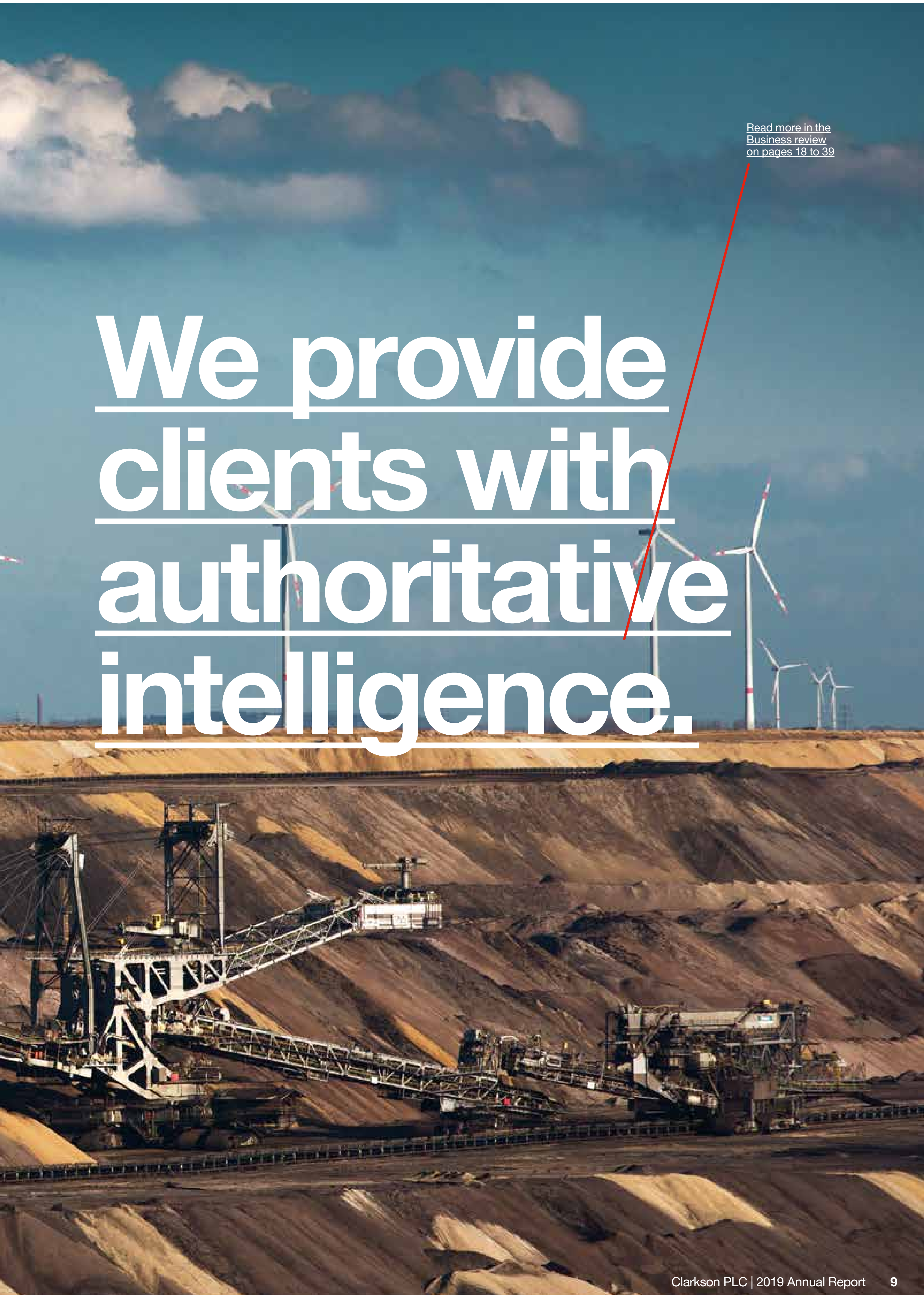
5 million

Users of our Research portal

10,000

Read more in the Business review on pages 18 to 39

We provide clients with authoritative intelligence.



2019 has been a year of good performance, continued progress and consolidation of our leading market position.

Sir Bill Thomas
Chair

Overview

2019 has been a year of good operating and financial performance, continued strategic progress and consolidation of our leading market position. I am pleased to report to shareholders that our underlying results were in line with market expectations. During the year our broking business, which is a market leader in nearly all its verticals, once again delivered an increased profit and expanded geographically. The strong performance in Broking was offset by weakness in our Financial business, where profits were impacted by the lack of activity in capital markets. However, we were pleased to record solid growth in our Support and Research businesses.

Clarksons is playing an increasingly important role as an agent for change in the sustainability agenda within shipping, as the industry strives for a lower sulphur and lower carbon future powered by cleaner energy. We have also invested in renewables across Broking, Financial and Support, all powered by dedicated market intelligence and research. Regulatory changes are driving changes to fleet and shipping behaviours, with IMO 2020 being the most recent example. Further greenhouse gas and emissions targets in 2030 and 2050 provide a favourable long-term backdrop to our business as fleets evolve from low sulphur oil to other means of powering ships. In order to reach the 2050 targets, we estimate that most of the world's shipping fleet will need to be replaced. Rates of scrappage will increase as the fleet evolves within the framework of these regulatory changes, improving the supply/demand dynamics.

We have continued to invest in technology during the year. Our recently launched **Sea/** products are complementary to our existing business, providing brokers and clients alike with improved tools for trade. We are beginning to see adoption of the **Sea/** platform by charterers, owners, traders and brokers as we seek to increase efficiency and reduce risk for the entire industry.

Results

Underlying profit before taxation was £49.3m (2018: £45.3m). Reported profit before taxation was £0.2m (2018: £42.9m) due to a non-cash impairment charge arising from the acquisition of RS Platou ASA. Underlying earnings per share was 118.8p (2018: 105.2p). Reported basic loss per share was 42.4p (2018: earnings per share 98.8p).

As explained in the financial review, free cash resources as at 31 December 2019 were £68.7m (2018: £57.0m).

Dividend

Clarksons is increasing its dividend for the 17th consecutive year in line with its progressive dividend policy. The Board is recommending a final dividend of 53p (2018: 51p). Combined with the interim dividend of 25p (2018: 24p), the resulting full year dividend is up 4% to 78p (2018: 75p). The dividend will be payable on 29 May 2020 to shareholders on the register at 15 May 2020, subject to shareholder approval.

Clarksons is committed to its progressive dividend policy, whilst at the same time growing the business with organic and occasionally inorganic investments to grow the profitability. Clarksons has a strong balance sheet and has a business model which generates free cash flow with high cash conversion rates. Dividends will remain an important priority in the years ahead.

People

Over the past year I have spent a great deal of time meeting and getting to know many of the Clarksons global team. I have been very impressed with the quality of people I have met and by the progressive, supportive and inclusive culture. Training, recruiting and providing our people with industry leading tools for trade remains a key pillar of the success of Clarksons. We have again grown the business, hiring a number of highly experienced colleagues to serve our growing and highly valued client base, investing in offices in Tokyo, Seoul, Connecticut, Copenhagen and most recently Madrid, as well as expanding our offering in the renewables space as we work towards a cleaner energy future.

I thank all our colleagues in the Clarksons team for their continued hard work and dedication.

Board

The Board evolution continued in 2019 and into early 2020. I joined the Board as Non-Executive Chair in February last year. At the same time, Ed Warner, who was Acting Chair, stepped down from the Board having served beyond his scheduled departure date to provide stewardship during the search for a new Chair. Peter Anker retired from full-time employment on his 62nd birthday in July 2019, and stepped down from the Board in April. On behalf of the Clarksons team, I would like to thank Ed and Peter for their contribution during their years on the Board.

It was with great sadness that we learned that, following a long illness, James Hughes-Hallett CMG, independent Non-Executive Director and former Chair of the Company, passed away on 12 October 2019. James joined the Board in August 2014 and served as Chair from January 2015 until March 2018 when, due to illness, he relinquished this role but continued his duties as a Non-Executive Director and member of the Audit and Risk, Nomination and Remuneration Committees. James' extensive expertise in maritime and global trade was invaluable to Clarksons' operation and strategy.

The Board will remember James for his great leadership and commitment. Even whilst suffering from his illness, James remained dedicated to Clarksons, continuing to serve on the Board as a Non-Executive Director and Committee member, and we remain indebted for the guidance he provided.

We were delighted to welcome Heike Truol to the Board in January 2020 as an independent Non-Executive Director. Heike brings a deep knowledge of dry bulk shipping to the Board, particularly from the customer perspective. Heike's previous experience and skills will complement that of the rest of the Board – she is an experienced adviser and her background in strategic planning will be invaluable.

Shareholder engagement

Having now completed my first year as Chair, I am delighted to have personally met so many of our major shareholders in what has been a year of engagement following the voting results at the last AGM held in May 2019.

I consider the Remuneration Policy to be put to shareholders at the upcoming AGM to be of such importance to the shareholders and the business that I, together with Dr Tim Miller (our Remuneration Committee Chair) and Peter Backhouse (our Senior Independent Director), have led a major engagement process with shareholders who collectively hold 49% of our shareholder register. We have listened to their views and discussed why the Remuneration Policy for Clarksons is appropriate. Having come in fresh to Clarksons in February 2019, and having learnt what I now know about the Company, its management and context, I firmly believe in the remuneration proposal which will be put to the vote in May.

While Clarksons' Remuneration Policy does not conform to current market norms, our executives each have binding contracts of employment. Seeking to update the Policy in the short term would require those contracts to be broken. The Board believes that this is not in the best interests of the Company's stakeholders and that such action would create a significant risk in terms of executive continuity. There is also a serious cultural consideration-Clarksons' reputation is built in part on its history of honouring contracts, it does not break them. When new Executive Directors are appointed or, in the fullness of time, when succession takes place, the Board has committed to make appointments more consistent with market norms, and this legacy remuneration issue will disappear.

Voting against the re-election of remuneration committee members is, I believe, a new principal risk. The Board is keen that shareholders are aware of this risk exposure, and appreciate the considered and independent approach put into consultation. We hope that shareholders understand the explanation given within the 'comply or explain' framework and support the Board's recommendation. I believe it is in the best interests of Clarksons and its stakeholders to do so.

Outlook

The Board considers the medium-term macro environment for shipping to be favourable as the demand/supply dynamics improve and as sustainability-driven regulatory changes such as IMO 2020 move apace. Clarksons benefits from a leading position across its markets, with a truly global footprint, market-leading technology and diversity across sectors and offerings. All these elements make the Group resilient.

Clarksons started 2020 with a stronger forward order book than in 2019; however, since the beginning of the year, the outbreak of the COVID-19 virus in Asia has contributed to significantly reduced short-term freight rates. The extent of its geographical reach and duration will determine by how much global GDP may be challenged, although it does already seem clear that the Company's performance will be impacted in the first half of 2020. The Board remains confident in the medium-term outlook for the shipping, offshore and renewables markets and the Group.

Sir Bill Thomas
Chair
6 March 2020

Clarksons' culture

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

Almost half of our global employees have been with the Group 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.

Clarksons is a people business and its greatest strength is the spirit of teamwork and collaboration that lies at the heart of its culture.

Sir Bill Thomas
Chair

I am delighted to report a strong underlying performance from our market-leading teams.

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

I am delighted to report a strong underlying performance from Clarksons in a year which has seen volatility, both good and bad, in freight rates, asset values and volumes, caused by a range of natural disasters, trade wars, changing regulation, sanctions and geo-political uncertainty. However, as expected, overall demand/supply dynamics improved with better fleet utilisation, continued low levels of shipbuilding activity and a further growth in seaborne trade. The strength of Clarksons' market-leading teams and the 'best in class' service provided across the global business, combined with confidence in the underlying fundamentals, has enabled the Board to recommend an increase in the final dividend, representing a 17th consecutive year of dividend growth for shareholders.

As we have previously highlighted, shipping in common with many industries, is embarking on significant change to combat environmental challenges. Recent years have seen important developments, including IMO 2020, first agreed in 2016 and enforced from 1 January 2020, introducing a global low sulphur emissions cap. In 2018, the IMO also agreed milestone targets to reduce CO_2 emissions, including a 40% reduction by 2030 and a 50% reduction by 2050. Some industry players are targeting even more ambitious net zero carbon strategies. Although shipping currently produces around 2.4% of global CO_2 emissions, it remains by far the most carbon efficient means of transport. As an industry, efforts towards cleaner emissions are starting to have significant impact and we estimate that overall CO_2 output has been reduced by about 14% since 2008, through measures such as slow steaming and the use of more fuel efficient vessels, despite moving 35% more cargo. Even with this progress however, further accelerated decarbonisation strategies will be needed in the coming decades to hit the targets.

There will be further industry-wide changes as the sustainability agenda becomes more urgent and emission policy is set for 2030 and 2050. We are well positioned to continue to help and advise our clients to navigate these changes at every stage of the shipping lifecycle. This year we have further invested in expanding our strong renewables capability by growing our dedicated renewables broking, investment banking and UK support teams, and also enhancing our research and the quality of our offshore wind and emissions data.

We are already seeing an increase in ships powered by alternative fuels and an increasing focus on reducing greenhouse gases. Clarksons is proud to have not only played a part in ordering many such vessels and successfully concluding and continuing to work on such initiatives, but also to be leading the way as an agent for change with our clients in a variety of ways towards a cleaner energy future. At this time of innovation and change, there any many challenges and opportunities, not least in financing. As the industry adopts new designs and technologies, there needs to be a sensible and pragmatic transition in order for global trade to flow and the more than 12 billion tonnes of seaborne trade to reach its destination.

In 2019, as we moved towards IMO 2020 coming in to force, strategies to deal with this new regulation were executed and there was an increase in ships leaving the water for scrubber fitting. This, together with US sanctions, contributed to an increase in tanker rates in the latter part of the year as supply became constrained. We anticipate continued market disruption with big spreads in fuel prices in the short to medium term as the industry recalibrates to the new requirements.

We continue to drive innovation across the industry, with our market-leading technology bringing transformative digital solutions to the chartering process. Our **Sea/** suite of products is enabling users to make better decisions more efficiently, with less risk and more control. The software, delivered by our wholly owned SaaS provider Maritech Services Limited, has been designed to help manage increasing complexity and regulation across our industry. We continue to believe that technology is a valuable additional service which will complement our world class broking teams. Many but not all of our products have now been commercially launched and our software is now being used by all categories of participant in the shipping and offshore markets. With the launch of additional modules later this year, we expect to see an acceleration of this uptake.

Turning to our performance by division, the broking teams delivered an exceptional performance in the year, despite a mixed macroeconomic backdrop. The tanker and gas markets performed very strongly, with mixed fortunes across the year in the dry cargo markets. In addition, we began to see some recovery in the offshore markets, with margins starting to lift as a result of increased activity.

Although the market dynamics provided a favourable environment for the broking teams, the Financial division saw another challenging year overall. Macroeconomic uncertainty continued to fuel negative sentiment in the global shipping and offshore capital markets, with transactions at a low level despite a promising pipeline. Newbuilding activity, other than dual fuel projects, remained at low levels during 2019, although we anticipate the introduction of IMO 2020 and the shift to a cleaner energy future will lead to earlier scrapping of ships and changes across entire vessel fleets that will require future financing.

The Research team again delivered a strong performance, with increases to both revenue and profitability. The team expanded its digital capabilities and grew its client base, cementing its position as the leading provider of authoritative intelligence and data to shipping, trade, energy and offshore markets. The team's increased volumes of annuity revenue and retention of clients has been driven by a focus on excellent client service and the provision of unparalleled market insights to enable better and more informed decision-making.

The Support division has seen profitable growth during the year, new office openings and the launch of Gibbs Safety and Survival, a specialist division focusing on the supply of personal protective equipment and safety and survival equipment. An uptick in activity across the offshore and renewables industry has seen positive momentum building for the Support division.

I welcome this opportunity to thank everyone at Clarksons for their hard work during the year. Our people are our core asset, successfully growing our business and making it possible for Clarksons to deliver value to our shareholders. During the year we expanded our global footprint and invested in expertise across the business, including our very successful wet FFA team, who have gone from a standing start to becoming a market leader within the year. We have also opened new offices in Copenhagen and Connecticut, successfully rolled out our offices in Tokyo and Seoul, and since the year-end acquired Martankers which has created a base for the Group in Spain.

On behalf of everyone at Clarksons, I would like to highlight the invaluable role that James Hughes-Hallett played in guiding the Company and providing great leadership and expertise throughout. He will be greatly missed by all those who knew him.

I would also like to congratulate Sir Bill Thomas on his knighthood for his services to politics and charity. Sir Bill has made a significant contribution as Chair in his first year at Clarksons and I thank him for his stewardship and guidance. I am also delighted that Heike Truol has joined the Board as a Non-Executive Director. Heike brings a deep knowledge of dry bulk shipping to the Board, particularly from a client perspective, and I look forward to working with her.

As highlighted in the interim results issued on 12 August 2019, we undertook a review of impairments to goodwill on the balance sheet relating to the acquisition of RS Platou ASA. The outcome of that review is a non-cash impairment charge of £47.5m relating to the carrying value of RS Platou ASA. The impairment charge does not affect our cash balances or distributable reserves. Whilst the offshore oil and shipping capital markets are in a difficult stage of their respective cycles, the strategic rationale of the acquisition of RS Platou remains sound as the funding environment for new build ships from banks remains limited and as the offshore markets improve and as the offshore wind markets continue their growth.

The global backdrop remains mixed, with continuing trade wars, the impact of the COVID-19 outbreak, and the changing pressures on global GDP impacting freight rates in most markets. Oxford Economics has forecast that if COVID-19 becomes a pandemic in Asia, global GDP will take a 0.5% hit, whilst if this becomes a global pandemic, the negative impact on global GDP will be 1.5%. The current outbreak has adversely affected the freight rate environment, with the ClarkSea Index down 32% since the first week of 2020. Despite the challenges that this presents in the immediate future, the macro environment has been broadly supportive of positive forward momentum, and we start 2020 with a strong forward order book of US$113m. Capital markets, however, also remain challenged as investors continue to sit on the sidelines.

2019 has been a strong year for Clarksons and global demand for shipping continues apace, irrespective of the pricing dynamics within specific markets. As a business, we have been signalling for some time the favourable industry supply/demand dynamics, with new builds at historic lows and an increasing number of ships being scrapped, in part to meet new regulatory requirements. We have invested across the business in teams and technology and we are confident that we are best positioned to help our clients navigate the complexities of the shipping and offshore markets, with a particular focus on the evolution of the industry towards a low carbon, low sulphur future, as we go into 2020.

The outlook for the coming year is however likely to be affected by the current COVID-19 outbreak, which we anticipate will impact our first half performance. Nevertheless, we continue to believe the fundamentals of the shipping industry are improving and we remain confident in the medium-term outlook.

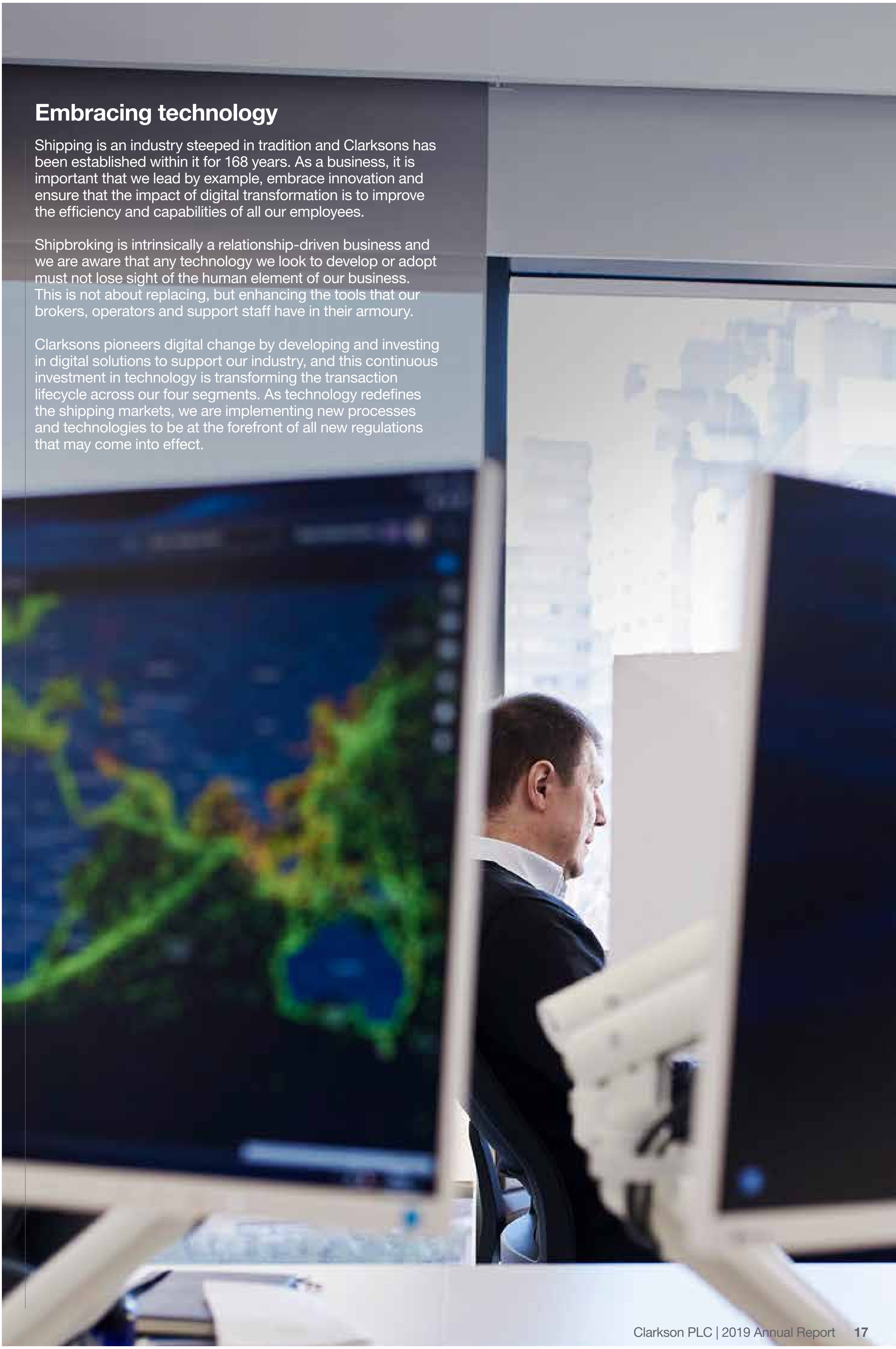
Andi Case
Chief Executive Officer
6 March 2020

Embracing technology

Shipping is an industry steeped in tradition and Clarksons has been established within it for 168 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 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.

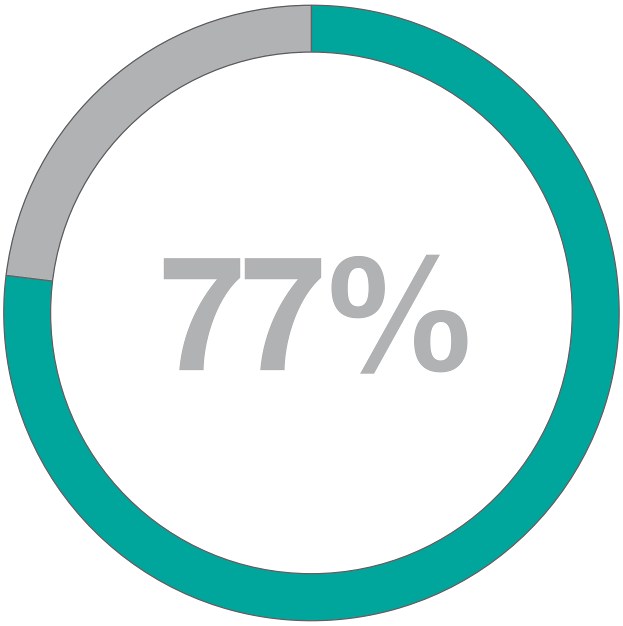
Clarksons pioneers digital change by developing and investing in digital solutions to support our industry, and this continuous investment in technology is transforming the transaction lifecycle across our four segments. As technology redefines the shipping markets, we are implementing new processes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



Broking

Despite a challenging start to the year, performance in the second half was encouraging across both our asset and chartering activities.

Share of revenue



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

Number of employees

1,122

Revenue

£283.0m

2018: £251.7m

Segment underlying profit

£55.5m

2018: £44.0m

Forward order book for 2020

US$113m*

2018: US$107m*

Dry cargo

The Baltic Dry Index (BDI) matched last year's seven-year high of 1,353. Capesize earnings performed 11% better year-on-year, which partly offset the earnings decline in the smaller size sectors. The third quarter of 2019 marked the highest quarterly earnings since 2010, following a weak first half which was riddled by trade disruptions.

Iron ore volumes were undercut due to the Vale dam rupture in Brazil but partially recovered during the second half of the year. The sub-Cape sectors suffered under the US-China trade dispute with weak US soybean cargoes, which was compounded by softer Chinese soybean demand due to African Swine Fever (ASF). Strong coal and construction demand from emerging Southeast Asian countries supported the sub-Cape market, but the declining trend in Europe's coal demand, as the Continent increasingly turns to gas and renewables for power generation, compromised seaborne trade growth.

Shipowners responded to the weak earnings environment during the first half of the year by postponing new build deliveries and sending ships to drydocks to install sulphur emission cleaning systems (scrubbers) in preparation for the IMO 2020 bunker fuel sulphur limit restriction, effective from 1 January 2020. Thereby the active tonnage has remained tight and demolition remained limited.

While the focus for shipping has been on preparations for the IMO 2020 regulations, longer-term planning has also been affected, with a more cautious approach to investment in new generation eco-friendly vessels. New build orders reduced by 45% year-on-year, which resulted in the order book being 10% of the fleet, all of which is scheduled to deliver over the next three years.

Fleet growth in the short term poses downward pressure on earnings, but the supply balance will recalibrate as shipowners adjust to the market through cancellation or postponement of new builds and demolition of older uneconomical tonnage. Growing pressure on greenhouse gas emissions and shipping's carbon footprint will reduce fleet growth with higher costs to comply, charterers having responsibility toward deployment of compliant vessels and lower eco speeds.

Seaborne trade growth should expand as iron ore volumes recover, world economic growth improves, and China continues with monetary stimulus and investment in emerging regional and African economies. Upside potential for seaborne trade exists if Europe also reverts to infrastructure related stimuli.

The outbreak of COVID-19 in China is expected to weigh on world economic growth. To counter such a downturn, many countries might be forced to increase monetary stimulus.

Nevertheless, fleet growth will continue to challenge seaborne demand, whilst fragile geopolitics and combating COVID-19 will affect seaborne trade and market volatility.

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

Containers

Containership market conditions overall saw further progress in 2019, although improvements were heavily weighted towards earnings at the larger end of the charter market. The container freight market, meanwhile, proved challenging for operators, with spot box freight rates generally finding it hard to make headway. The key Shanghai Containerised Freight Index (SCFI) averaged 811 points across the full year, down by 3% on 2018, though rising in the final quarter. Despite this backdrop, containership charter rates improved through most of 2019, following a downward trend in the second half of 2018, with the 'basket' containership charter rate index up by 19% between the start and the end of the year, although the full year index average was down 6% year-on-year. Nevertheless, the trend was clearly upwards, and sentiment saw a marked improvement. Charter rates in the larger sizes again saw the greatest gains, up over 60% during 2019, with improvements for the smaller ships significantly more limited. The one-year charter rate for a 6,800 20-foot Equivalent Units (TEU) containership, for example, increased from US$11,000/day at the end of 2018 to an average of US$25,000/day in December 2019.

In terms of fundamentals, global seaborne box trade growth proved soft in 2019; clear headwinds from the world economy, including the US-China trade dispute and disruptions in developing economies, had a notable impact. Box trade growth is estimated to have reached just under 2% in both TEU and TEU-mile terms. On the supply side, capacity growth appeared to become more manageable. Total fleet capacity expansion stood at 4.0% across 2019 (compared to 5.6% in full year 2018) and is expected to slow with the order book historically limited at around 11% of fleet capacity. Boxship contracting remained fairly subdued in 2019 at 0.79m TEU. Despite this, with demand side impetus limited, the headline fundamentals suggested limited rebalancing. However, factors related to the introduction of the IMO 2020 global sulphur cap have provided support to vessel earnings, with boxship time out of service for scrubber retrofit estimated to have reduced available active capacity on average across 2019 by 1.5% (and by 2.3% in sizes 8,000 TEU and above). Moreover, average container service speeds dropped by circa 2% in 2019, further absorbing capacity.

As of the end of 2019, whilst headline fundamentals going forward appear relatively balanced, the vessel scrubber retrofit schedule and other impacts related to the IMO 2020 regulations look likely to continue to support gains in vessel earnings for larger charter market vessels in particular, although for the sector as a whole significant risks to demand from the world economy clearly remain and still need to be tracked closely. The ability of container shipping lines to absorb the cost of low sulphur, IMO 2020 compliant fuel through box freight levels is also set to be an increasingly telling factor behind trends in the box shipping industry.

Dry cargo

The third quarter of 2019 marked the highest quarterly earnings since 2010.

Containers

Container service speeds dropped by circa 2% in 2019.

Broking continued

Tankers

The tanker market strengthened considerably in 2019, driven by a combination of geopolitical developments, IMO 2020 related reductions in trading fleet supply, strong growth in crude imports into China and strong growth in crude exports from the United States.

Clarksons' published annual average earnings for Very Large Crude Carriers (VLCCs) on the main Middle East to Far East route increased by 126% versus the 2018 average, to levels above the long-run averages recorded since 1990. Meanwhile Clarksons' average annual earnings for Suezmaxes and Aframaxes increased by 92% and 62% respectively versus 2018 levels, both also surpassing the long-run average levels.

In the products tanker sector, Clarksons' annual average earnings for Long Range 2 (LR2) tankers and Long Range 1 (LR1) tankers trading in clean products on the key Middle East to Far East route increased by 100% and 80% respectively versus 2018 average levels. Clarksons' average earnings for Middle Range tankers (MR) in 2019 increased by 57% versus 2018 levels. Products tanker earnings were slightly below the long-run average levels.

Geopolitical developments had a strong influence on the market. In particular, changes to US sanctions policy in May and again in September led to reductions in the VLCC trading fleet. The changes announced in September precipitated an extreme spike in tanker earnings. The spike was ultimately short-lived, however both crude and products tanker earnings were sustained at high levels throughout the fourth quarter driven by factors such as continued growth in oil demand and refining capacity; record levels of Chinese crude imports and US crude exports; the restoration of higher levels of Russian crude exports following disruption over the summer; and typical seasonal factors such as bad weather.

The crude tanker fleet grew by 6.4% in 2019. However, the size of the trading fleet was reduced by the removal of Iranian tonnage; the temporary removal of vessels from service in order to retrofit exhaust gas scrubbers in preparation for IMO 2020; increased numbers of vessels being employed in floating storage as stocks of IMO 2020 compliant fuel were built up; and by the additional sanctions imposed in late September.

The products tanker fleet grew by an estimated 4.6% in 2019. However, the clean products trading fleet was similarly reduced by a significant number of LR2s switching to crude oil or dirty products trade. This meant that, although the total LR2 fleet grew by an estimated 7.2% in 2019, the clean trading LR2 fleet increased by just 0.5%.

Earnings remained at high levels at the beginning of 2020, however the return of tonnage that had been affected by sanctions in late September, together with several factors that are expected to be short-term headwinds to earnings including the effects of the COVID-19 virus; disruption to crude exports from Libya; and refinery maintenance in the Middle East, led to much softer earnings in many of the crude and products tanker markets by early February.

Tankers
The tanker market strengthened considerably in 2019.

Specialised products
Sector seaborne trade volumes increased by 3.1%.

Gas
The VLGC segment led the recovery, with the benchmark spot freight AG-Japan rising 67% on the 2018 level.

Looking ahead in 2020, fleet growth in both the crude and products tanker segments is expected to be lower than in 2019, while the trading fleet is expected to remain constrained by the combination of further scrubber retrofitting, floating storage, and the absence of Iranian vessels in the market. Crude tanker demand growth is expected to be driven by higher levels of crude exports from the US, Brazil, Norway and the start-up of exports from Guyana. Meanwhile a combination of continued demand growth, higher run rates at recently built refineries in Asia, and further new refining capacity are all expected to lead to higher crude imports into Asia, assuming that the worst effects of COVID-19 are confined to the first half of the year.

In the products tanker sector, China is expected to see higher levels of products exports following the rapid growth in refining capacity and fresh quotas for products exports. Upgrades and increases in refining capacity in the Middle East may also lead to increased shipments from that region once refinery maintenance in the early part of the year is concluded. It is also possible that IMO 2020 may lead to higher refinery run rates and additional volumes of crude oil and oil products trade as refiners, traders and bunker suppliers adjust to the switch to lower sulphur bunker fuels. The current geopolitical backdrop also continues to provide the potential to create further volatility in the tanker market.

Specialised products

The majority of 2019 proved to be challenging for the Specialised Products sector. The earnings environment remained under pressure for much of the year with freight rates suppressed by an oversupply of tonnage, added to by an influx of part capable IMO product carriers due to a weak products market. However, fundamentals began to change in the latter stages of the year with the products sector picking up due to seasonality factors and the IMO 2020 effect. As a result, chemical tanker earnings improved as products tonnage exited the sector due to the more robust returns for trading clean petroleum products (CPP). On top of these market developments, geopolitical factors and the switch to IMO 2020 compliant fuel led to a rise in benchmark chemical freight levels as owners looked to recoup their additional costs.

The Clarksons Platou Bulk Chemicals Index recorded an 11% increase from January to December 2019 and was on average 4% higher than 2018. Although slightly later than was expected, the elevated levels reflected market opinion that the fourth quarter of 2019 would be a period of increased optimism for the chemical markets. This was chiefly due to the reinvigorated products market, with traders looking to capitalise on the supply disconnect of compliant IMO 2020 fuels outside of the main bunkering hubs and take advantage of any arbitrage opportunities. We witnessed a similar rise in the edible oils freight rates, with the Edible Oils Index recording a 10% rise during the year.

Due to ongoing weak returns, deal liquidity in the time charter market was low for much of the year and the short-termism that characterised 2018 was evident once again.

Overall seaborne trade volumes continued to grow in 2019 with a 3.1% year-on-year increase expected, or a total of 332.5m tonnes. This shows that the key macro megatrends of world population growth, urbanisation and rising social mobility rates remain the key drivers for Specialised Products seaborne trade growth. Most of this increase was recorded in the organic chemicals sector, which has been fuelled by increasing production levels in both the US and the Middle East. This has been supported by sustained increases in import demand in the key end user markets of China and India, both of which recorded a 7% increase on an annualised basis. The US-China trade dispute continues to cause some concern amongst participants although, before the year-end, some positive signs of a deal being reached were seen. That said, this trade lane still accounts for less than 1% of total seaborne trade and thus there has been little direct impact.

Meanwhile, we expect average trading distances for chemical carriers in 2019 to have increased by 0.5% when compared to the previous year. This shows that more vessels are required to meet the same volume obligation.

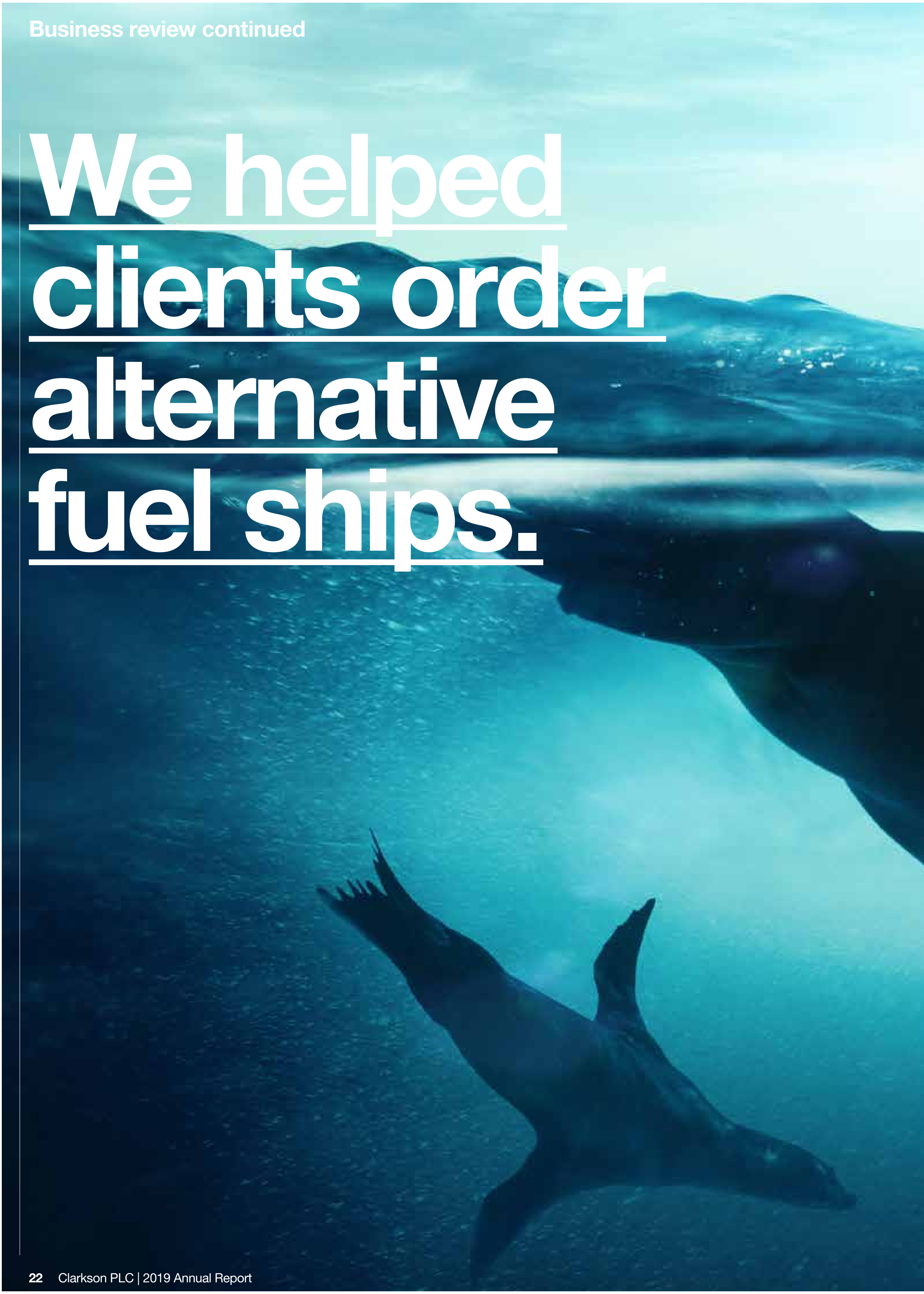
On the supply side, the chemical tanker fleet stood at 53.6m deadweight (dwt) at the start of the year. 3.1m dwt was delivered throughout 2019 whilst 1.2m dwt was removed from the fleet. Despite this, the order book is still one of the lowest of all major shipping sectors and is measured at 6% of the in-service dwt. Meanwhile, net fleet growth is expected to be lower in 2020 before contracting in future years.

As mentioned, market sentiment and earnings were mostly depressed for much of 2019. Increased influence from the clean petroleum products trade will remain a challenge for chemical tanker owners and, as such, we assume that there will be additional modern products tanker tonnage (with part IMO capability) competing for chemical tanker market share. Headline fundamentals including the impact of IMO 2020 and the resulting elevated cost base for the industry, combined with continued volume growth and a contracting fleet, point towards healthier earnings and a potential elevation of utilisation levels in the short to medium term.

Gas

2019 has, overall, been a year of recovery in the LPG carrier market segment, with the improvement proving more marked in the larger vessel sizes than in the smaller gas carrier sector. Firmer freights were underpinned by a number of factors, which included a slowdown in the pace of fleet expansion, market inefficiencies and delays both loading and discharging which served to extend voyage durations, thus raising utilisation levels. Further adding to this was the uncertainty ahead of the impending IMO 2020 deadline and retrofitting of vessels with scrubbers, which tightened tonnage availability. LPG trade also showed continued growth, with North American exports registering very healthy growth levels, rising by over 7 million metric tonnes (m mt) on the 2018 level of 32.6m mt following a new project on the West Coast of Canada and continued growth from the US. This far exceeded the marginal downturn in Middle Eastern exports as a result of disruptions to Saudi exports following the drone attacks and as sanctions lowered Iranian exports. The increase in Australian exports as two new projects commenced production also served to boost overall seaborne LPG trade, which is estimated to have risen by 7.5% year-on-year. Whilst the Very Large Gas Carrier (VLGC) fleet rose by 18 units, with no vessels sold for scrap due to the stronger market, this was not sufficient to compensate for the rising volume and the change in trade patterns witnessed.

We helped clients order alternative fuel ships.



How this supports our purpose

We continue to support investment decisions underpinned by environmental considerations and the drive towards 2030 and 2050 regulatory targets for the industry.

2019 saw the share of the order book that was dual fuel capable increase to 20%, which is up from 14% at the start of 2019. In terms of Clarksons' contracting activity with shipyards, in excess of 50% of contracts we placed incorporated dual fuel or next generation propulsion technologies, encompassing LNG/LPG dual fuel through to the adoption of battery technologies.

IMO target for total CO_2 reduction by 2050

50%

Share of global order book tonnage LNG fuel capable

20%

Broking continued

The VLGC segment led the recovery, with the benchmark spot freight AG-Japan rising 67% on the 2018 level and timecharter equivalent earning rose nearly threefold to just over US$46,000 per day. Freights in the size categories below followed suit, although the scale of the increase was not so pronounced as in the larger sector. Assessed Large Gas Carrier 12-month timecharter has risen by 47% and Midsize freights are up 38%, returning to levels not seen since 2016. In addition to growing LPG trade volumes, Ammonia exports are estimated to have risen 1% year-on-year and with some longer haul flows developing, this has provided some further support. Although Handysize freights also improved over the last 12 months, the increase was a more modest 18% on a 20,000 cubic metre (cbm) Semi-Refrigerated (Semi-Ref) unit, reflecting the lack of longer haul petrochemical gas cargoes. The lack of support from the petrochemicals market generally was more acutely reflected in the smaller Ethylene carriers, with 17,000cbm timecharter levels only fractionally higher than 2018 and assessed rates on the 12,000 and 8,250cbm units static, although these headline numbers do not reflect the idle time which has been incurred. 2020 may offer some reprieve for this sector of the market with the start-up of Ethylene exports from the new US Gulf Coast Enterprise/ Navigator terminal at the end of last year and modest newbuilding deliveries.

The pressure carrier and smaller Semi-Ref segment has fared slightly better due to the addition of virtually no newbuildings and a deteriorating age profile, and freights have stabilised at close to 2018 numbers, but these levels had already shown improvement over the last few years after bottoming out in 2016.

LNG

The LNG shipping market experienced a significant drop in near-term freight rates, despite growing trade flows. The spot rates for conventional 160,000cbm Tri-Fuel Diesel Electric (TFDE) tonnage fell 22% year-on-year averaging US$69,300 per day in 2019. This was largely attributed to shorter haul voyages on the back of lower northeast Asian LNG spot prices and thinner cross-basin LNG arbitrage activity. Additional production from the Atlantic basin, combined with low demand in Asia and low re-export from Europe, pushed down the average distance travelled globally by each cargo by 1.9% to around 4,006 nautical miles.

Global LNG trade volumes were up 12% to 355m mt per year, pushed by new supplies from US, Russia and Australia. US LNG exports jumped by around 70% to over 35m mt with the commissioning of Sabine Pass T5, Corpus Christi T2, Cameron T1, Freeport T1 and Elba Island projects and the ramp up of Corpus Christi T1 and Cove Point. Russian LNG exports rose by 57% to 29m mt driven by the ramp-up of Yamal LNG T2 and T3. Australia's LNG exports climbed by 14% to 76m mt, on the back of the start-up of Prelude FLNG and the ramp up of Wheatstone T2 and Ichthys projects. Qatar retained the world's biggest exporter position with 77m mt exported in 2019, but Australia is expected to overtake it in 2020 once Prelude FLNG reaches full capacity. Elsewhere, Algeria LNG exports were up by 25% to 12m mt, partially offsetting a drop in pipeline exports to Europe, and higher output from Zohr field enabled Egypt to switch to a 3.8m mts LNG net exports position in 2019 from a 0.7m mt net import position in 2018.

LNG re-export dropped 25% to 3.39m mt, driven by lower activity in the European terminals, amid narrower inter basin price spread. The spread between the northeast Asia LNG price and the European title transfer facility (TTF) natural gas prices plunged 61% year-on-year to US$0.80 per million British Thermal Unit (BTU) in 2019, from US$2.07 per million BTU in 2018.

On the demand side, Asia remained the largest region but imports into the Japan-Korea-Taiwan area dropped significantly, only partially offset by rising demand from China and the Indian subcontinent region, while the biggest rise in demand was recorded in Europe. Imports into the UK, France, Netherlands, Spain, Belgium and Italy almost doubled, surging by 33m mt to 66m mt, driven by price-sensitive demand in the power and gas storage segment, as well as offsetting declines in domestic gas production and pipeline imports from Algeria and Norway. Japan remained the largest importer at 77m mt, but its imports slumped 7% on the back of mild winter weather and nuclear power plants restart. The second largest buyer, China, slowed down its growth at 15% to 62m mt, partially due to higher domestic gas production. South Korea remained the world's third largest buyer but its imports dropped by 8% to 40m mt due to mild winter weather. Meanwhile, imports in India, Bangladesh and Pakistan rose by a combined 18% to 35m mt.

Traded volumes are expected to increase again in 2020, led by US projects Cameron T2-T3 and Freeport T2-T3, which are set to bring online some 18m tonnes per annum and the ramp-up of the US terminal commissioned in 2019.

Six new liquefaction projects have reached final investment decision in 2019: US Golden Pass, US Sabine Pass T6 expansion, US Calcasieu Pass, Mozambique LNG, Russia's Artic LNG-2 and Nigeria T7 expansion. These projects will add some 19% or 70m tonnes per annum of LNG capacity by mid-2020, which should result in additional demand for tonnage.

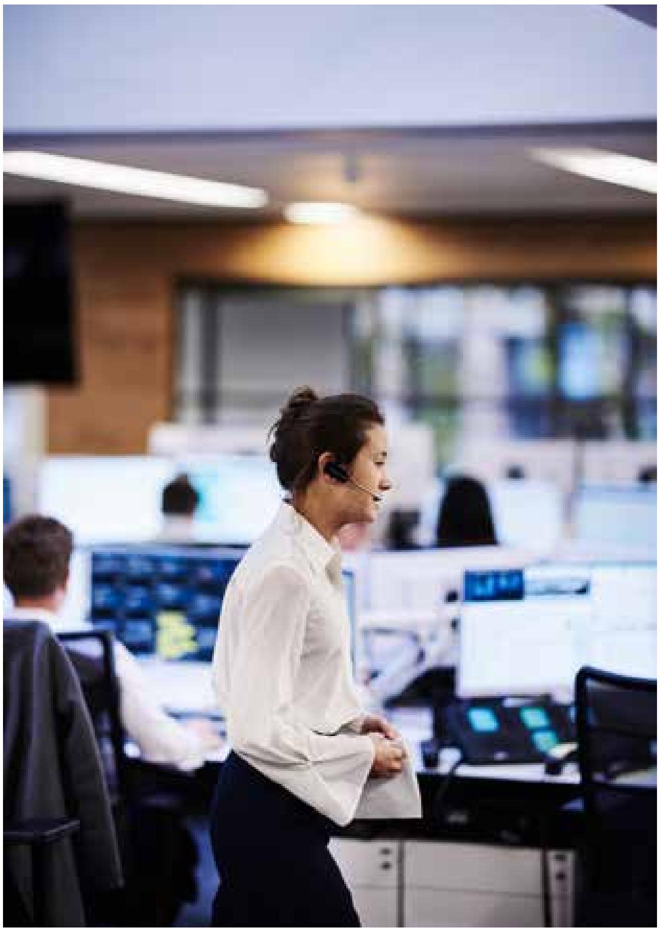
Some 40 conventional LNG carriers and three floating storage regassification units (FSRUs) were delivered in 2019, a drop of 10 LNG vessels from 2018. 56 conventional LNG carriers were ordered in 2019, down from the all-time high of 68 vessels ordered in 2018. About half of them were placed against long-term contracts for upcoming export projects in US, Russia and Papua New Guinea and by portfolio players. However, 22 speculative orders were also placed by new and existing players, who anticipate tonnage requirements into early 2020s and beyond. Newbuild ordering is expected to continue into 2020, with several liquefaction projects anticipated to reach final investment decision within the year.

Sale and purchase

Secondhand

For the Sale & Purchase department, 2019 proved to be a hard year and the uplift in transaction levels that we have become accustomed to in the second half of the year unfortunately failed to materialise.

Dry cargo in general had a poor year with both earnings and values being flat, meaning in essence that buyers had no incentive to buy and sellers at the same time were under no real pressure to sell. Our transaction volumes across this sector were reasonable but there were no high capital deals concluded, so although we maintained our market share, the market itself shrank and our revenues therefore reduced.



LNG

Global LNG trade volumes were up 12%.

Secondhand

Our teams remained busy, albeit conducting lower value transactions due to market conditions.

Newbuilding

Early adopters of alternative fuel technology moved forward with investment.

Conversely on tankers, the freight market soared for most of the second half of the year making sellers reluctant to sell at reasonable levels, with the result being that the only modern tonnage that was sold throughout the year was done so via public auction due to the bankruptcy of one specific fleet. Although we did act in some of these auction sales on behalf of our clients, liquidity in the large crude tanker sector especially remained very tight, so whilst values were indeed high, few significant transactions were concluded when compared to previous years.

The position for container vessels was somewhere between the two conditions above. Whilst the freight earnings did improve steadily throughout the year, there was a lack of confidence from buyers to raise their bids, which sellers felt to be justifiable due to this improvement in charter rates. With this sector being affected more than others by the impending new IMO 2020 fuel regulations as well as the US-China trade dispute, it was difficult to disagree with buyers' cautious approach and as a result, we witnessed a 40% drop in the number of sales concluded across all sizes.

Furthermore, the capital markets once again remained largely closed to shipping, which meant that our traditional strength of acting for publicly quoted clients was not so much a factor and we derived little revenue from this area. At the same time, there were no large fleet mandates from either banks or liquidators, meaning we were unable to conclude any large, en bloc transactions.

Nevertheless, our S&P transaction volumes worldwide fell only slightly against 2018 levels, and our teams remained busy. However, with a number of high capital transactions having been agreed very late in the year and concluded in 2020, we start the decade optimistic that opportunities will prove more favourable going forward.

Newbuilding

2019 remained a challenging year for the Newbuilding market. Newbuilding orders were down 25%. In parallel, the global order book has now fallen to under 3,000 vessels, a decline of approximately 10% in 2019 in compensated gross tonnage (CGT) terms, and a 67% decline on its 2008 peak, representing its lowest level since 2004 in CGT terms.

South Korean shipyards took orders for circa 222 vessels over the course of 2019, representing some 37% of the global total in CGT terms: LNG carriers accounted for the largest share of CGT contracted, amounting to 43%, while tankers accounted for the second largest share at 30%.

In China, yards took orders for 402 vessels of 29.1m dwt and 8.9m CGT in 2019, accounting for 34% of the global total in terms of CGT. Yards under the new China State Shipbuilding Corporation (formed through the merger of CSSC and CSIC) have taken orders for around 130 vessels of 14m dwt and 4.0m CGT, accounting for 46% of 2019 contracting at Chinese yards in terms of CGT, underpinned by robust domestic demand and support.

Broking continued

The regulatory shifts that have now started to come into force as of 1 January 2020 played a significant part in both catalysing, as well as inhibiting, investment decisions. Early adopters of alternative fuel technology moved forward with investment and we saw some meaningful ordering across the container, VLGC and tanker spaces, bolstered by strong employment opportunities and support. Across 2019, the share of the order book that is LNG fuel capable increased to 20%, up from 14% at the start of the year.

However, investment in new technology remains capital intensive and with 2020 on the horizon, others took a ‘sit-and-wait’ approach against uncertainty over both technology, regulation and how the trading dynamics of 2020 would play out and this was certainly stifling in terms of new contracting activity.

LNG carrier demand also provided a healthy level of support to the Korean shipyards, with an overhang of speculative options being taken up over the course year, as well as the commencement and conclusion of some larger scale industrial demand that was both meaningful in its contribution to 2019’s overall performance and will certainly flow into the make up of 2020.

Our Group performance remained robust in spite of a challenging trading environment. We executed some significant ordering in the LNG, tanker and container markets, and continued to grow and successfully deliver opportunity from both heritage and industrial relationships. Looking forward, we remain well positioned to capitalise on the opportunities that 2020 will present us with.

Offshore

General

2019 was another challenging year for the offshore oil services sector, though with certain sub-sector differences and signs of optimism. Oil prices were relatively stable through the year and, on the back of that, we witnessed a slight increase in both offshore field development sanctioning and exploration activity. Discipline from OPEC is however still required to balance the oil market and 2019 was another year of strong US shale oil growth, implying limited incentives for the international oil companies (IOCs) to drive significant offshore project developments.

Despite the uncertain backdrop, we have seen an increase in rig tendering and fixing activity, as well as slightly improving utilisation for selected rig and offshore support vessel (OSV) segments. Offshore contractors and suppliers have also regained some optimism and seem to be preparing for increasing activity levels going forward. Capital markets do not, however, generally reflect this and most listed oil services companies have seen significant adverse market capitalisation development, something which for many players affects not just their view on market outlook, but also their capacity to pursue strategic actions and transactions. This has negatively affected the opportunities for both capital markets transactions and asset transactions (S&P).

Drilling rig market

Total offshore rig demand continued to improve in 2019, having bottomed in early 2017 and gained momentum through 2018. The global offshore rig count (rigs on contract) was at 505 units as of the end of 2019, up from 452 units at the end of 2018 and a low point of 433 units in February 2017. Active utilisation is currently around 76% for jackups (vs 69% end of 2018) and 70% for floaters (vs 65% end of 2018).

Offshore

We witnessed a slight increase in both offshore field development sanctioning and exploration activity.

Renewables offshore

The offshore wind market is rapidly evolving towards new regions.

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 Mexico. For the deep water and ultra-deep water floater segment, we see demand growth in South America (Brazil and Guyana), Asia and to some extent the Gulf of Mexico. 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 in this segment having more than doubled from trough levels.

Re-balancing 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 around 40% of the total floater fleet since late 2014. We expect the retirement trend to continue as overcapacity is still an issue and as the industry continues to cut costs. Retirement of assets in the jackup segment has been less pronounced, with about 20% of the fleet at peak capacity retired so far in the downturn.

Subsea and field development market

Sanctioning of new offshore field developments in general continues to progress slowly, but we have seen a meaningful increase during 2017-19, compared to the low point in 2016. A large share of offshore oil projects seem to be economically viable, even after oil prices have dropped strongly from peak levels and, as such, should not prevent operators from increasing sanctioning activity. A number of other factors however, likely contribute to operators' reluctance to significantly ramp up sanctioning activity, and we have witnessed a strong increase in operators' preference for short-cycle over long-cycle oil, something which especially affects the deepwater subsea segment negatively. Backlog for the leading subsea engineering procurement construction (EPC) contractors is only moderately up from levels at the end of 2018, but this is nonetheless the first positive development in three years and we expect the backlog to continue to build somewhat going forward. As there is a significant lag between order intake and offshore execution for large contractors, their fleet utilisation has continued to be low in 2019. This has adverse knock-on effects for vessel providers, leading to low global subsea fleet utilisation. There is also, so far, no meaningful improvement in the market for subsea inspections, maintenance and repairs (IMR), which also contributes to depressed fleet utilisation. Continued 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 and IMR.

Offshore Support Vessels (OSVs), Platform Supply Vessels (PSVs) and Anchor Handling Tug and Supply Vessels (AHTS)

The market for OSVs also generally remains challenging and is still characterised by vessel overcapacity, but we have witnessed meaningful improvement, particularly in the segment for large modern PSVs. Regional variances also apply but, in particular, the North Sea market saw meaningful strengthening in terms of average utilisation and rate levels through 2019. Despite this, most vessel owners are struggling significantly, and we have continued to witness high corporate activity in terms of refinancing, restructuring and consolidation. Some key industry players have, however, managed to reduce debt substantially as a result of these processes, 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 overcapacity, we anticipate a recovery to more sustainable day rate levels on a broader basis to still be some time out.

Renewables

Offshore wind

2019 saw a substantial ramp up in the global focus on the environment. This included significant climate protests, progressive policy decision-making in some countries, and several major investment funds strongly increasing ESG focus. This trend is likely to continue with increasing focus on sustainability, the environment and the need to drive an energy transition. Demand for clean, abundant and reliable energy is likely to continue to grow, with support from popular opinion and governments. Solar and wind are likely to be the main growth segments within renewable energy generation, with wind estimated to contribute 18% of total global power generation by 2050. Estimated wind contribution is expected to be around 3,500 gigawatts (GW) by 2050, of which offshore will contribute approximately 500GW (or 14% of the total wind contribution), according to Bloomberg New Energy Finance, figures supported by Clarksons' own offshore renewables research team. Offshore wind could very well see even stronger growth on the back of improving profitability and learning curve effects. Offshore wind growth is further set to outpace that of other renewable and conventional energy sources.

The offshore wind industry in Europe has grown rapidly over the last ten years, with over 4,600 turbines in the water generating power at the end of 2019 and another 3,750 to be installed by 2025. On a worldwide basis, our estimates suggest there will be more than 25,000 offshore wind turbines by 2030. The offshore wind market is rapidly evolving towards new regions with China, Taiwan and the US amongst the most developed of the new offshore wind markets. In addition, Japan, South Korea and other countries in Asia are gaining interest. We also see additional new countries in Europe pursuing offshore developments.

It should be highlighted that Levelized Cost of Electricity (LCoE) for offshore wind is coming down strongly and many projects are expected to be subsidy-free post 2023. In the last auction in the UK, offshore wind projects secured offtake agreements at £40 per megawatt (MW), well below the £50 per MW grid price. We register that some energy companies and developers are now also considering building offshore wind farms in the UK without any fixed off take contract with the Government, therefore taking more of an industrial commercial approach.

The offshore wind industry is rapidly moving further from shore and into deeper waters as turbine and vessel technology now allows for significant far shore construction developments and wind conditions are far more favourable further out. This also allows for larger turbines that are able to generate more power per unit. This means longer sailing routes and rougher weather which, combined with bigger turbines, imply increasing demand for larger and more sophisticated assets. Vessel demand in the sector has been growing steadily and with the new cables, foundations and turbines going in the water, a new breed of construction and support vessels will be needed. Overall, the offshore wind farm industry has already moved from an undeveloped and immature marine energy industry to a leading, industrialised marine business sector. In line with an increasing number of projects likely to be sanctioned going forward, we expect to see further increasing demand for vessels to support the construction and maintenance of offshore wind farms.

Broking continued

Futures
The Wet FFA team had a strong year and performed well in a volatile and growing market.

Renewables broking and advisory

Clarksons Platou has consolidated most of its renewables experts into a dedicated global division to provide ship broking, market intelligence and commercial services, including investment banking, specifically to the rapidly growing offshore renewables market. As such, Clarksons Platou is today regarded as one of the global leaders within the offshore energy sector, with a global footprint and superior deal flow. With a history of supporting the leading market players with bespoke vessel chartering, sale and purchase and newbuilding activities and port services dating back to 2006, we continue to have progressive growth ambitions in this industry. The core Offshore Renewables team is based out of Oslo and Hamburg, with strong support and collaboration with the offshore broker teams in Aberdeen, London, Houston, Shanghai and Singapore, forming a global platform for clients and further growth. The team covers all major asset/vessel segments in the industry. Further, based on our extensive offshore renewables experience, as well as more than 50 years of oil and gas experience, the Group can leverage global offices and capabilities in the traditional offshore and shipbroking hubs to advise clients in new regions of interest. The team also collaborates on opportunities with the Financial, Support and Research divisions in the Group.

Futures

2019 was a mixed year in the dry indices: Capes improved to an average US$18,025 (US$16,528 in 2018), Panamaxes weakened to US$11,112 (US$11,653 in 2018) and Supramax 10TC averaged US$9,948 (US$ 11,486 in 2018). Panamaxes have already started to trade the 82,000 dwt, with the expectation that the market will migrate to this new index in the first quarter of 2020. Volumes for the year were all positive, with Capes moving from 488,234 lots in 2018 to 534,128 lots in 2019. Panamax volumes improved once again from 576,040 lots in 2018 to 670,151 lots in 2019 and once again, Panamaxes were the highest volume futures contract. Supramaxes improved from 142,128 lots in 2018 to 171,818 lots in 2019.

Total dry options volumes slipped from 272,666 lots in 2018 to 244,826 lots in 2019 but some new entrants impacted on these volumes in the second half of the year, leaving some room for optimism in 2020.

The headline Cape index was particularly volatile through the year, with the Vale dam rupture in Brazil having a profound impact on the early part of the year, whilst trade disputes dented what might otherwise have been a stronger year for the Panamax and Supramax markets.

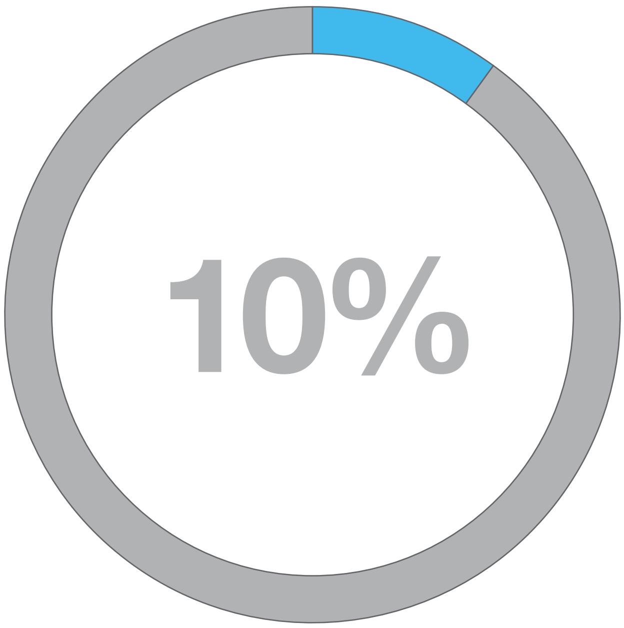
The Wet FFA team had a strong year and performed well in a volatile and growing market. Clean volumes improved from 131,106 lots in 2018 to 172,479 lots in 2019 (up 32%) whilst Dirty volumes grew significantly from 191,975 lots to 297,022 lots (up 55%). Though still in its infancy, CME started to clear a new LNG contract just before the year-end and we closed the first contract.

The iron ore market volumes recovered in 2019 after a period of decline during 2018. The Vale dam rupture during the first quarter of 2019 was the catalyst for the recovery in volumes, as a highly volatile market produced good numbers throughout the year. Daily average volumes came in just shy of the 5,000,000mt per day mark and our team, despite some streamlining and reduction in size, held their market share and position. Despite volumes being up and a volatile first half of the year, levels steadied during the second half and we saw growth from our Far Eastern team, with Chinese volumes growing and Western falling. We are planning a fresh approach on iron ore options in 2020 to increase our market share in this growing part of the market, where volumes grew 98.7% year-on-year.

Financial

We executed a number of key transactions in markets which were dominated by geopolitical risks.

Share of revenue



Services
- Securities
- Project finance
- Structured asset finance

Revenue

£35.5m

2018: £46.1m

Number of employees

124

Segment underlying profit

£3.3m

2018: £8.0m

Securities

This first half of 2019 can only be described as extremely difficult. Despite our promising pipeline, it was very challenging to raise any equity or debt within our sectors and, as a result, our first quarter was poor, with year-on-year total revenue down almost 50%. There were no new listings of companies on exchanges in the US or Norway during the first quarter of 2019.

The dam rupture in Brazil, which occurred at the end of January 2019 and is operated by the world's largest producer of iron ore, Vale, impacted the dry bulk shipping industry as seaborne volumes were substantially reduced on the Brazil–China route, hurting especially the Capesize market negatively until Easter.

In the second quarter, markets were calm; however this was disrupted in May, with politics taking centre stage with the Brexit negotiations and the continued trade dispute between the US and China. All major indexes fell sharply as a result across all major regions – the US equity market delivered its worst May return in seven years, with energy stocks falling the most. Global bonds also fell markedly in May.

In June, confronted by weaker economic data, risks to the trade outlook and continued low inflation, the US Federal Reserve and the European Central Bank both indicated that further monetary stimulus was coming shortly.

The third quarter of 2019 was a mixed quarter for shares and investors switched back and forth between risk aversion and risk appetite, making it difficult to complete any capital market transactions. The US-China trade dispute rumbled on, as did global growth concerns, but central banks remained supportive. Global stock markets were volatile with a 5% setback in July, then recovery in August and September. Convertible bonds were flat over the third quarter but managed this result with about half of the level draw-downs and volatility seen in the equity markets.

Government bond yields declined markedly over the third quarter due to heightened risk aversion in August when US-China trade tensions escalated. Corporate bonds outperformed government bonds as they benefited from the decline in global yields and an improvement in risk sentiment.

Offshore-related stocks sold off significantly in July and August. While the month of September saw some relief, sentiment for offshore appears to have reached rock bottom, evidenced by stock prices nearing all-time lows. Selling pressure in July and August can be explained by a 10% move in the oil price and leveraged capital structures, with equity taking the hit. The focus on ESG this year from investors and authorities has also put pressure on offshore stocks, as traditional oil production and supporting industries have seen the impact of traditional financial markets weighting sustainability, governance and social responsibility much higher as they incorporate ESG factors in their total risk assessments. We do believe most offshore companies can outlast the current sentiment and are well positioned to see stocks continue to rally in 2020; however only companies successfully managing the ESG risks efficiently will be attractive to investors as they are increasingly looking for products being ESG compliant.

Financial continued

The geopolitical risks that dominated markets for much of 2019 faded in the fourth quarter, helping global equity markets to post gains. In fixed income, corporate bonds performed well amid the improved investor sentiment. With Europe's economy highly dependent on global trade, the announcement of a 'phase one' trade deal between the US and China in December helped bolster investor sentiment heading into the new year.

The market volatility seen throughout 2019 is particularly impacting the commodity and energy industries in which we operate. For offshore, the uncertainty about the timing of a market recovery is making investors apply a wait-and-see approach to equity opportunities. For shipping, companies have been trading well below net asset value (NAV), but the market sentiment has shown signs of recovery as the ripple effects of IMO 2020 sulphur cap regulations that came online at the beginning of 2020 are becoming visible. Europe's convertible bond market enjoyed a modest recovery in 2019 even though interest rates stayed low. For 2020, there is cautious optimism that the revival will continue.

We added a renewables sector to our current focus during 2019, with a full team in Investment Banking in Oslo. The team secured several mandates within the sector during 2019. Norway is blessed with huge renewable resources and the opportunity to make use of them. In addition, focus on renewable power is an important strategy as security of supply and the consequences for climate and economic growth must be considered to secure an efficient and climate friendly energy supply. Initially, our focus has been on offshore wind vessel owners and supply chain, building on relationships and competence from the Renewables team in Clarksons Platou Offshore. Offshore wind is expected to remain a key area for business development, but solar, onshore wind, hydrogen and other technologies will also be of interest. Based on strong investor interest, the Equity Research team in Securities has initiated coverage of several renewables companies and expects to continue to increase expertise within Securities and the broader Group.

Key transactions during the year were the closure of the acquisition of Spectrum ASA by TGS-Nopec Geophysical ASA in August, the US$150m convertible bond loan for Norwegian Air Shuttle ASA in November, the equity raise and IPO of Klaveness Combination Carriers on the Oslo Exchanges in May and the acquisition of 19 product tankers from Trafigura Ltd by Scorpio Tankers Inc. in September. In total, we raised US$2.6bn, with US$894m in debt capital markets (DCM) transactions, US$350m in equity capital markets (ECM) transactions, and performed advisory work in M&A transactions with a total value of US$1.3bn. Clarkson Platou Securities' (CPS) strategy for the last ten years has been to create an edge and focus on what we are good at. Credentials are paramount, and we feel we are on a positive path, especially since we are expecting more merger and acquisition activity in the coming year.

For 2020, we are braced for continuing volatile equity markets due to the presidential elections, the next phases in the US-China trade relations, the US-Iran tensions and the containment of the COVID-19 virus.

Securities

It was very challenging to raise equity or debt within our sectors.

Project Finance – shipping

There are opportunities for alternative forms of financing to fill the funding gap.

Project Finance – real estate

The Nordic real estate market once again delivered solid transaction volume in 2019.

Structured asset finance

There is an increasing shift by banks to support those businesses that rank highly in terms of environmental, social and governance issues.

Project finance

Shipping

2019 has been an interesting year in ship finance. Traditional sources of financing for second and third tier shipowners have become scarce as many of the larger banks are exiting or reducing their portfolio and focusing on corporate clients. This has created an opportunity for alternative sources of finance such as direct lenders and lease providers to fill the funding gap. The Norwegian project finance arrangers have focused more and more on using their expertise and teaming up with these sources of capital to structure bilateral projects.

Clarksons Platou Project Finance has structured and placed six new transactions and financed nine vessels in 2019: five vessels through sale leaseback structures, one through preferred equity and three through asset play/co-investment structures. These transactions included two chemical carriers, three bulk carriers, two tankers, one containership and one Offshore Supply Vessel.

With the current availability of alternative finance providers and upcoming refinancing needs, we expect a high level of activity in 2020.

Real estate

The Nordic real estate market delivered a transaction volume in 2019 quite similar to 2018, therefore high in historical terms, but a little below the all-time high 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 2019, prime yields in Stockholm and Oslo were similar to major European cities like Berlin, Paris and Madrid. Consensus amongst the major analysts is that we will see prime yields flattening out in 2020.

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 strong growth in rent levels we experienced in 2018 continued in 2019 and validated our prediction last year that office buildings with short leases offer an attractive investment opportunity. Together with Clarksons Platou Real Estate Investment Management (CPREIM), we have sought out these kind of opportunistic investment opportunities in Oslo, but have clearly felt the impact of interest and competition.

During 2019, Clarksons Platou Real Estate completed 19 projects and sold one project. Together with CPREIM, we have invested half of the NOK500m committed in equity last year.

Structured asset finance

According to the latest Dealogic data relating to syndicated loans for the year-end, 2019's volume of US$57.7bn done in 186 transactions was less than the US$59.8bn in 177 transactions recorded during 2018. We expect these relatively steady volumes to continue into 2020 as Basel III and Basel IV protocols, as well as regulatory and environmental constraints, continue to restrict lending to the industry, especially for the European commercial banks.

With the exception of the top-tier owners that these banks continue to support, we expect financing for the second and third tier owners to be sourced from a more diverse group of lenders (such as leasing companies, alternative finance providers and private equity funds) with lower leverage and a higher cost of funding becoming the norm. This will be even more prevalent to those owners seeking to refinance existing debt/balloon payments against older vessels, as there is an increasing shift by banks to support those businesses that rank highly in terms of environmental, social and governance (ESG) issues. We are already starting to see the Poseidon principles adopted by some of the major ship finance lenders influence credit and portfolio strategies and decisions.

The contraction in financing continues despite improved shipping market fundamentals, the greater significance of Chinese lease finance and emergence of alternative finance providers, as well as private equity financing filling some of the void left by the withdrawal of established shipping banks from the sector.

On top of IMO 2020, which is a major shake-up for oil and shipping, we expect the shipping finance landscape to remain challenging. Nevertheless, despite these headwinds, Clarksons Platou Structured Asset Finance continues to develop its targeted strategic financial advisory activities. It has closed a number of transactions of this type during the course of 2019 and has a growing 2020 pipeline, as relationships grow and deepen and our reputation and successes bring referrals and increased repeat business.

We supported growth in the offshore wind industry.

How this supports our purpose
We are the world's leading construction and support vessels broker for offshore wind farms.

Our Renewables team has provided bespoke supply chain advisory and vessel brokering to most of the 2019 commissioned wind farms, including the first commercial scale wind farm in Taiwan.

We are a trusted partner for all sectors of the offshore wind industry, involved in the futureproofing of the supply chain, adapting vessel concepts to meet new turbine technology and guiding vessel owners and charterers alike on means to reduce emissions for the offshore wind support fleet through innovation and optimisation.

Through our global network, unique internal broker platform and over 40 years of offshore pedigree, we have developed our position as the global market leader advising clients as the industry grows beyond the pioneering European market, helping create local offshore wind supply chains and supporting contracting de-risking based on lessons learned from the European industry.

Average annual growth in GW offshore wind capacity past ten years

23%

New offshore wind capacity installed in 2019 of which 4GW in Europe

6GW

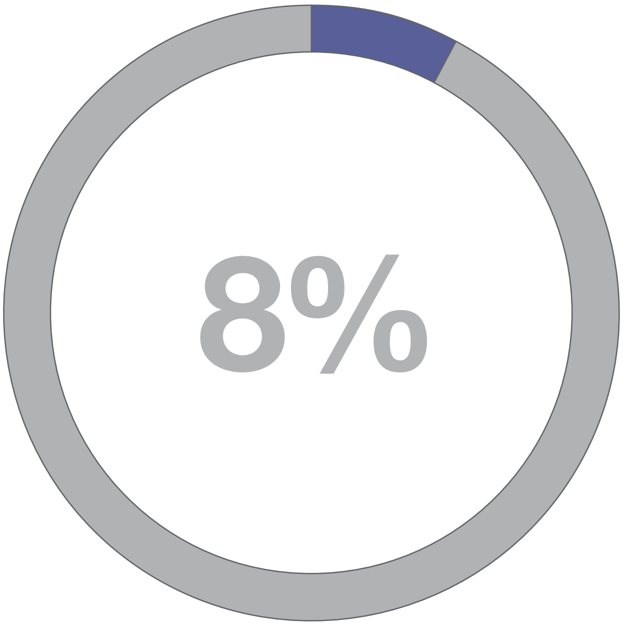
Offering clean and 'green' energy to five million additional European households in 2019

5 million

Support

Our range of services has enabled us to benefit from the increased levels of activity in 2019.

Share of revenue



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

Number of employees
237

Revenue
£27.7m
2018: £23.9m

Segment underlying profit
£3.1m
2018: £2.3m

Agency

Grain exports performed better than expected in the first half of the year. Additional tonnage became available for export due to the two major bioethanol plants on the east coast of the UK either shutting or switching supply away from UK grain. We also experienced a significant amount of malting barley being exported in the first three months, which was due to exporters fulfilling contracts prior to the original 31 March 2019 Brexit date.

The July/August harvest produced a larger than normal crop, resulting in an exportable surplus greater than we have seen since 2014. Coupled with the previous Brexit deadline of 31 October 2019, this led to an extremely busy autumn for all our ports and offices involved in grain export, with record levels seen in Ipswich, Tilbury and Southampton.

Despite the busy end to the year for grain exports, it is estimated that two-thirds of the UK's exportable surplus remains to be exported in the first half of 2020.

Grain imports remained steady throughout the year, with continued shipments of milling wheat from the USA and Canada.

Animal feed imports remained in line with expectation for the first half of the year, but picked up significantly in the second half as the majors attempted to ensure the maximum tonnage was imported prior to 31 October 2019.

Offshore energy activities continued down the east coast of the UK for both offshore renewables and the offshore oil and gas market (as production increased). In offshore renewables we cemented our position within the supply chain supporting construction projects off the coasts of Invergordon, Humber and East Anglia.

2019 saw us continue to support clients during the construction phase of Orsted's 154 turbine Hornsea One project off the Humber coastline, with operations predominantly through the ports of Hull and Grimsby. This coming year will see us involved again supporting clients on the cable installation for Triton Knoll and Hornsea Two projects.

During the year, we also continued supporting offshore renewables off the East Anglia coastline, this time on Scottish Power Renewables 714 MW East Anglia One project, the first to be constructed within the East Anglia zone. The summer was busy with our team coordinating numerous crew changes each week, as well as supporting our client's construction and support vessels moving in and out of the local ports of Great Yarmouth and Lowestoft. This project continues in the construction phase for the first half of 2020.

Our aggregate business continues to increase and is now a significant part of our work on the Thames, Humber and Tyne. We have also brought aggregate into Aberdeen in support of the building of a new port facility, coordinating the berthing of the largest vessel ever to enter the port.

Gibb Tools

Our supply business had a very successful year both in Aberdeen and Great Yarmouth. Along with the increase in oil and gas activity, we experienced a marked increase in orders from the offshore renewable sector. Both offices increased resources in order to react to demand, as we saw volumes beginning to move towards the levels we were experiencing prior to the drop in oil price a few years ago.

In the second half of 2019, we launched Gibbs Safety and Survival, a new division specialising in the supply of personal protective equipment and safety and survival equipment largely to the offshore industry. Along with the supply of equipment, Gibbs Safety and Survival will also be equipped to service lifesaving equipment.

With the new division and the completion of our purpose-built office and warehouse facility in Great Yarmouth, 2020 looks to be a very exciting year.

Stevedoring

The first half of the year was better than expected for our stevedoring business in Ipswich. This was due to better than anticipated import volumes augmented by increased export volumes. Despite the poor harvest in 2018, we were able to largely keep our warehouses operating at capacity.

As with Agency, our stevedoring business was extremely busy in the second half of the year. With the strong harvest and the pressure to execute contracts prior to the previous Brexit deadline of 31 October 2019, we experienced record volumes through our Ipswich facility.

We continue to work with UK port authorities to find storage solutions for our customers. Along with storage solutions, we remain committed to investment in plant and machinery to allow us to work with UK ports to provide ship loading solutions.

Freight forwarding and logistics

Freight forwarding in Aberdeen, Great Yarmouth and Belfast continued to be a major part of our business, both in support of our agency activities and in support of the offshore oil and renewables industry.

We continue to carefully watch the developments around Brexit as this could have a significant effect on our forwarding business as we support our customers through whatever changes may be put in place.

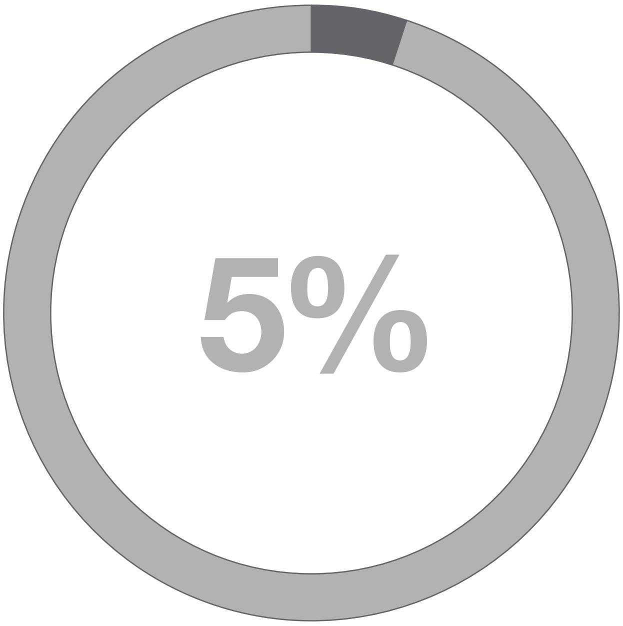
Agency

In offshore renewables we cemented our position within the supply chain.

Research

We strengthened our position as a global leader in the provision of data and intelligence.

Share of revenue



Services
- Digital
- Services
- Reports

Revenue

£16.8m

2018: £15.9m

Number of employees

115

Segment underlying profit

£5.4m

2018: £5.0m

Research revenues grew by 6% to reach £16.8m (2018: £15.9m), supporting an encouraging increase in underlying profit to £5.4m (2018: £5.0m). Over the past 12 months, Clarksons Research has strengthened its position as a global market leader in the provision of data and intelligence across shipping, trade, offshore and energy. Strong investments into Research continue including the expansion of our proprietary database, the use of innovative data analytics, the development of market relevant content and insights, besides the expansion of our global sales capability. Research has expanded its role as a core data provider to the Broking, Financial and Support teams of Clarksons, while increasingly supporting the **Sea/** suite technology initiative. Through the provision of respected research to a wide client base, Research plays an important role in enhancing the Clarksons profile across the shipping industry.

Our strategy to remain market relevant, while providing broad and authoritative data and intelligence, is increasingly influenced by our focus on environmental-related research. The shipping industry produces approximately 880mt of CO_2 per year, 2.4% of global output, and although our analysis shows this output has fallen by 14% during the past decade, the IMO has set significant reduction targets for 2030 and 2050. Our initiatives to explain emissions regulation to commercial decision-makers, to track technology uptake, to analyse the economic impact on markets, earnings and asset value and to project scenarios for required investments have been integrated into our offering and are receiving excellent client feedback. This intelligence is being utilised across the shipping industry, including by governments and policy-makers.

Research focuses on collecting, validating, managing, processing and analysing data around the shipping and offshore markets to support our clients with their strategy and general decision-making processes. Our wide-ranging proprietary relational database is at the heart of the Research business – coverage includes 160,000 vessels; 47,000 companies; 30,000 machinery models; 900 shipyards; 6,000 ports; 26,000 berths, 12bn tonnes of trade; 8,000 offshore fields; 1,000 offshore rigs; 2,300 investment projects; 600 wind farms; 200,000 time series and indices. This data flows through into our Research offering and into systems used across the Clarksons' operating divisions.

Total global research headcount is 115, with a significant Asia Pacific presence. Over the past two years, dedicated Asian management summits have been held to focus on our development and growth in the region. We continue to benefit from the expansion of our Data Analytics teams, utilising innovative techniques to derive data, as well as the expansion to our Business Development and Sales team. Annuity-based sales have reached 80% and client retention levels remain above target. Research maintains a regionally broad and diversified client base, including good market penetration across the financial, ship-owning, insurance, supplier, governmental, private equity, energy, commodity, shipyard, fabrication and oil service sectors.

Research derives its income from the following principal areas:

Digital
Sales across our digital platform grew by an encouraging 16% (2018: 19%), with robust growth in each of our offerings. There are now over 6,000 individual users across our single access integrated platform. Investment into the underlying architecture of our digital offer, including Application Programming Interface (API), is providing wide-ranging benefits. Specific development plans for each of our digital products continue to be executed, 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.

Major digital products include:

Shipping Intelligence Network (SIN)
SIN is the market-leading commercial shipping database and continues to receive excellent client feedback. Sales grew strongly in 2019, benefiting from high renewal rates, as well as continuing to add new subscribers to the platform. The platform provides wideranging data and analysis tracking and projecting market supply/demand, vessel earnings, vessel values and macro-economic data around trade flows and global economic developments. This has included the 24% year-on-year increase in the ClarkSea Index across 2019 and the all-time high in tanker freight rates reported in early October. Intelligence briefings profiling the shipping context of major geopolitical events including the impact of US sanctions, the US-China trade dispute, and Brexit were well received alongside analysis of the market impact of IMO 2020. At the start of 2020, additions and changes to our indices to reflect the use of Low Sulphur Fuel Oil (LSFO) and the growth of the ‘eco’ and ‘scrubber’ fleets were implemented. Our intelligence briefings in early 2020 also included some initial analysis on the potential disruption impact of the COVID-19 outbreak on the Chinese economy, global trade and the shipping markets specifically.

World Fleet Register (WFR)
We continue to see robust sales growth of the WFR, our authoritative online vessel register, supported by client interest in the accelerating environmental regulatory timetable facing the shipping industry. The WFR focuses on providing intelligence on around the world shipping fleets and companies, environmental regulation, the tracking of new technology on-board ships and market trends in the shipbuilding market. The roll-out of our ship repair module and analysis, increasingly relevant given the uptick of retrofitting activity such as sulphur oxide exhaust scrubbers, has been particularly well received alongside new data tracking on ‘eco’ ships, alternative fuels and wide-ranging Energy Saving Technologies (ESTs). Data around companies has also been expanded.

World Offshore Register (WOR)
Offshore oil and gas represent 17% of global energy production and while offshore renewables is producing less than 0.5%, it is growing quickly from this low base. Our renewables module, reflecting the increasing internationalisation of this market, was further expanded across 2019 and we intend further investments in this database. 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. We have retained our market-leading position in the insurance market, where our data is used as the core reference in identifying rigs and platforms.

Offshore Intelligence Network (OIN)
Despite the slow recovery in offshore and energy markets, offshore digital sales overall grew by 14% across 2019. The utilisation time series developed by our Data Analytics team using new algorithmic techniques has been expanded to further offshore sub-segments.

Sea/net
Developed in conjunction with Clarksons’ technology business, our vessel movement system **Sea/net** blends satellite and land-based AIS data with our proprietary database of vessels and, recently expanded, ports and infrastructure. Despite strong competition, there has been good sales growth across 2019, supported by product enhancement. The development of intelligence around vessel speed, deployment patterns and port activity has been aggregated into time series and profiled in a new report, Port Intelligence Monthly. The underlying data management and processing for the **Sea/net** system has also been improved.

Services
Our specialist services team, which concentrates on developing and managing retainers that provide bespoke data, consultancy and seminars to a range of corporate clients, has been expanded and has increased its global footprint. Good client retention was achieved alongside some notable new data contracts, including API delivery. There was record attendance at our six-monthly seminars, ‘Shipping and Shipbuilding to 2030’ and ‘Offshore and Energy to 2030’, where analysis and modelling of the market outlook, long-term trade development, energy transition, technology scenarios to meet greenhouse gas (GHG) reduction, ship finance requirements and newbuilding demand were presented. Our 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.

Clarksons Valuations is the largest provider of valuation services to the ship-owning and financial community and is recognised as the leading provider of authoritative valuations to the industry, combining leading expertise, research and technology. Clarksons Valuations has maintained strong positions with all major ship finance banks, leasing companies and asset owners despite the changing financial landscape. The successful project to digitalise workflows, supported by significant investment into the team’s operating platform, continues to improve workflow efficiency and client deliverables.

Reports
Benefiting from over 50 years of heritage, our comprehensive market intelligence report and register series continues to generate provenance and profile across the industry. Across 2019, an expanded ship finance section and new ship repair section were added to our Shipping Review and Outlook, while enhancements to our flagship Shipping Intelligence Weekly have also been made. The series is widely recognised across the industry and, in addition to being available individually, is available through our digital platforms.

Embracing technology

Built by shipping professionals for shipping professionals.

At the end of 2019, Maritech (a wholly owned subsidiary of Clarksons) reached a key milestone in its technology offering.

To reach this milestone provides evidence of the market sentiment and conditions that exist which make the introduction of technology into our offering so timely and likewise gives us confidence in the continued investment of its roadmap. We recognise four key factors that are contributing to what is known as the 4th revolution in shipping:

1. Appetite for technology
For an industry that is built on relationships we needed to create a solution that would allow relationships to thrive further, rather than replace it. The modules within the **Sea/** platform mean shipping professionals can free up time to focus on relationships and adding value through personal expertise. We ensure our modules are designed intuitively and can easily be adopted into the day-to-day lives of our clients – instead of a one size fits all approach, our modules are tailored to the needs of individual markets.

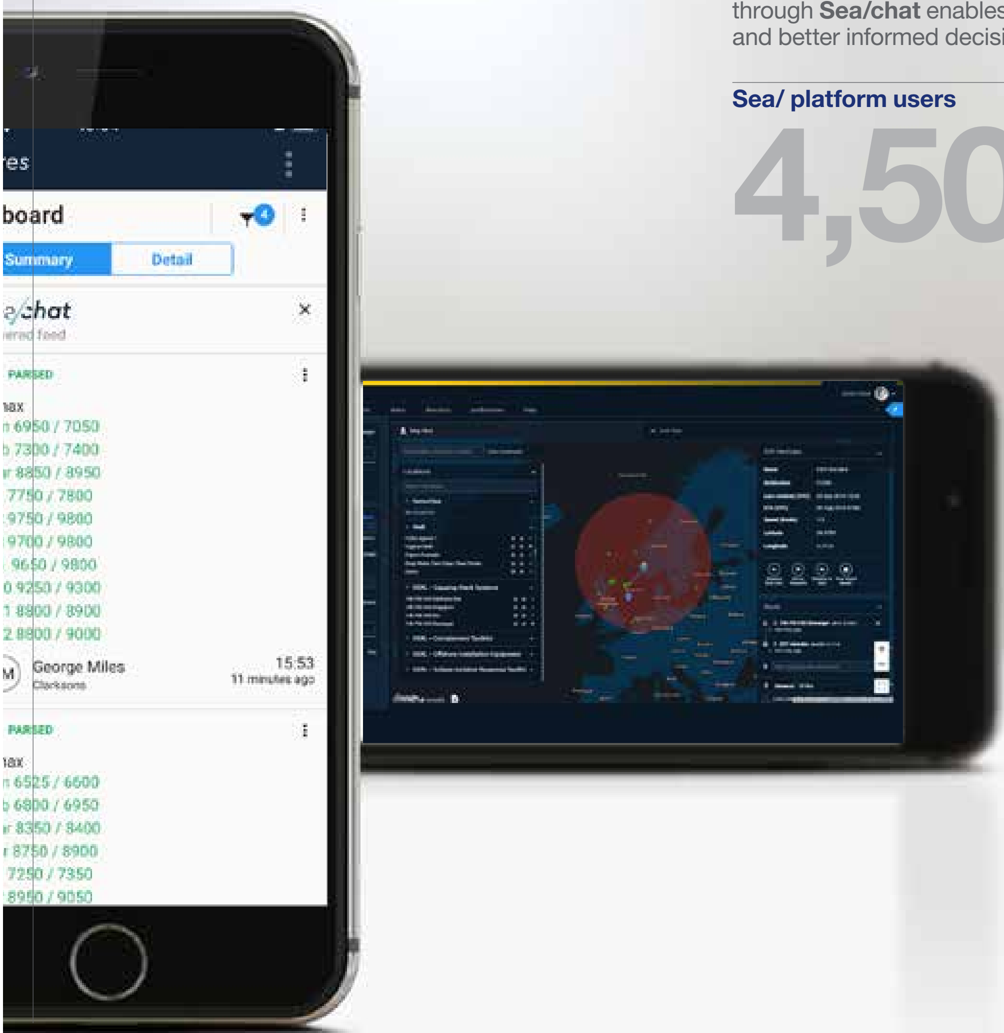
2. Growth in compliance
Charterers, traders, owners and brokers are increasingly facing regulatory pressures. Rather than the red tape slowing organisations down, the solutions provided by Maritech enable them to be effectively managed without it burdening operations. For example, **Sea/contracts** for the dry bulk market ensures tighter governance around terms, and flags risky clauses within charter parties and recaps. **Sea/net** and **Sea/calc** also provide shipping professionals with the ability to find the most fuel efficient and environmentally responsible routes for their cargo – should that form part of their trading strategy.

3. Risk mitigation
Mitigating the risk involved in shipping is necessary to avoid the knock-on effect that delays can cause to the supply chain. **Sea/gateway** enables the performance of voyages to be monitored in real time and KPI reports can be produced quickly to better understand performance trends to help mitigate risk in future strategies. In the offshore industry, **Sea/response** allows oil rig operators to be better prepared in the event of an emergency so that they can implement a response mission as quickly and effectively as possible to minimize impact to the environment.

4. Efficiency
The way in which we and our clients work needs to evolve in order to keep pace with increasing demand. Having real-time data through **Sea/net**, being able to perform instant and accurate calculations through **Sea/calc**, having a comprehensive view of rates in one place with **Sea/futures** and then enabling the connection to shipping networks through **Sea/chat** enables stronger sharing of information and better informed decisions to be made more quickly.

Sea/ platform users

4,500

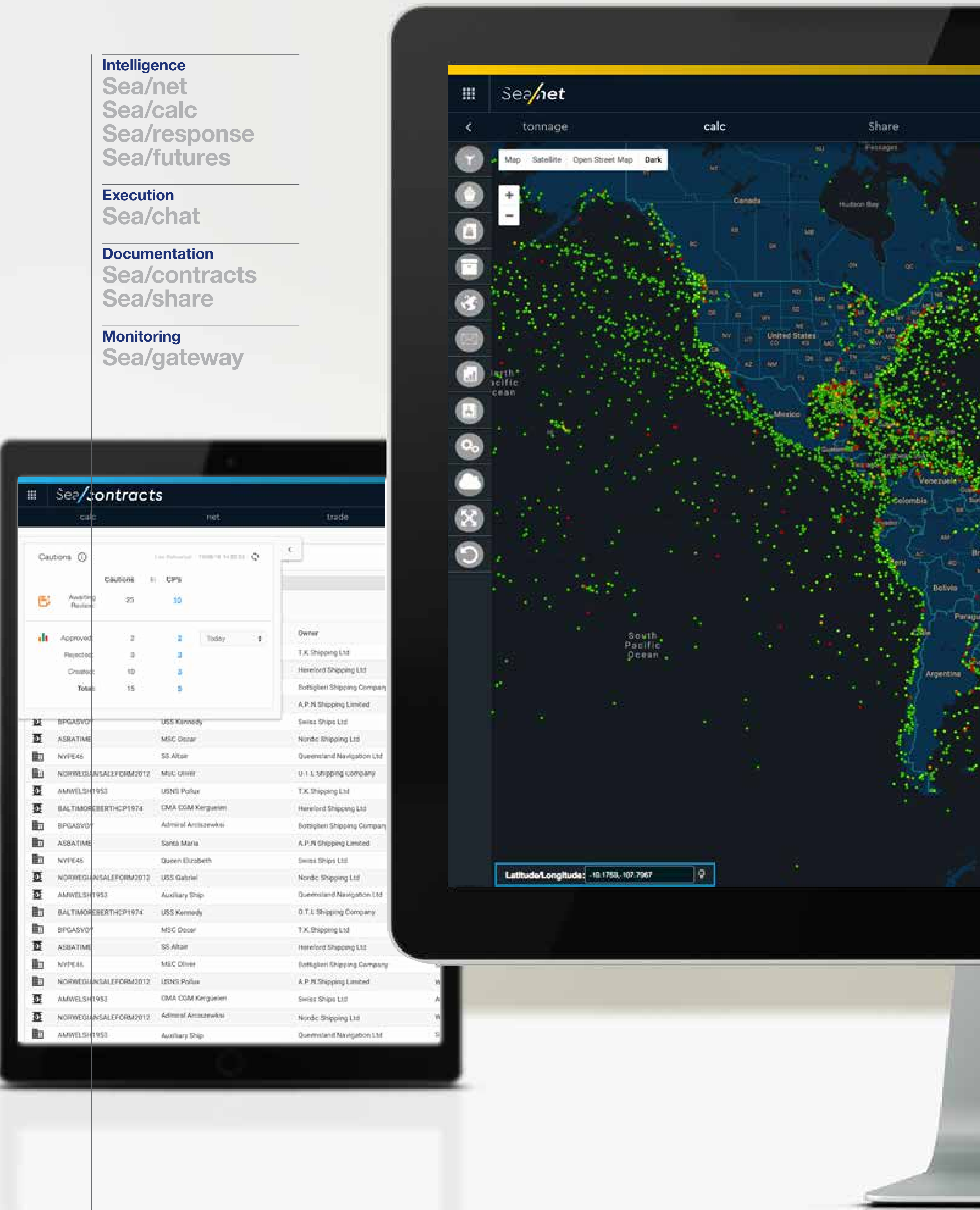


Intelligence
Sea/net
Sea/calc
Sea/response
Sea/futures

Execution
Sea/chat

Documentation
Sea/contracts
Sea/share

Monitoring
Sea/gateway



2019 underlying profit growth underpins the 17th consecutive year of dividend growth.

Jeff Woyda
Chief Financial Officer & Chief Operating Officer

Revenue

£363.0m

2018: £337.6m

Underlying profit before taxation

£49.3m

2018: £45.3m

Reported profit before taxation

£0.2m

2018: £42.9m

Dividend per share

78p

2018: 75p

Segmental summary

Broking	2019 £m	2018 £m	2017 £m
Revenue	**283.0**	251.7	238.9
Underlying profit	**55.5**	44.0	43.9

Financial	2019 £m	2018 £m	2017 £m
Revenue	**35.5**	46.1	52.0
Underlying profit	**3.3**	8.0	10.1

Support	2019 £m	2018 £m	2017 £m
Revenue	**27.7**	23.9	18.5
Underlying profit	**3.1**	2.3	2.1

Research	2019 £m	2018 £m	2017 £m
Revenue	**16.8**	15.9	14.6
Underlying profit	**5.4**	5.0	4.8

Results

The Group generated revenue of £363.0m (2018: £337.6m) and incurred underlying administrative expenses of £298.2m (2018: £279.7m). The majority of revenue and a significant proportion of expenses are earned in currencies other than sterling.

Underlying profit before taxation was £49.3m (2018: £45.3m), an increase of 9%. The term ‘underlying’ excludes the impact of exceptional items and acquisition related costs, which are shown separately on the face of the income statement. Management separates these items due to their nature and size and believe this provides further useful information, in addition to statutory measures, to assist readers of the annual report to understand the results for the year.

	2019 £m	2018 £m
Underlying profit before taxation	**49.3**	45.3
Exceptional items	**(47.5)**	–
Acquisition related costs	**(1.6)**	(2.4)
Reported profit before taxation	**0.2**	42.9

Exceptional items

As previously identified, the Board has reviewed the need for a non-cash impairment relating to the acquisition of RS Platou ASA. The Board has determined that an impairment charge, relating to goodwill attributable to Securities and Offshore broking, amounting to £47.5m (2018: £nil) was required.

Acquisition related costs

Acquisition related costs include £1.0m of amortisation of intangibles and £0.6m of cash and share-based payments spread over employee service periods. We estimate acquisition related costs for 2020 to be £0.1m, assuming no further acquisitions are made.

Taxation

The Group’s underlying effective tax rate was 23.1% (2018: 23.6%), reflecting the broad international operations of the Group and the disallowable nature of many incurred costs, particularly entertaining.

Earnings per share

Underlying basic earnings per share was 118.8p (2018: 105.2p) a 13% increase, calculated as underlying profit after taxation divided by the weighted average number of ordinary shares in issue during the year. The reported basic loss per share was 42.4p (2018 earnings per share: 98.8p).

See more in the key performance indicators section on page 67.

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 2019, this estimate was 6% higher than last year at US$113m (31 December 2018: US$107m).

See more in the key performance indicators section on page 67.

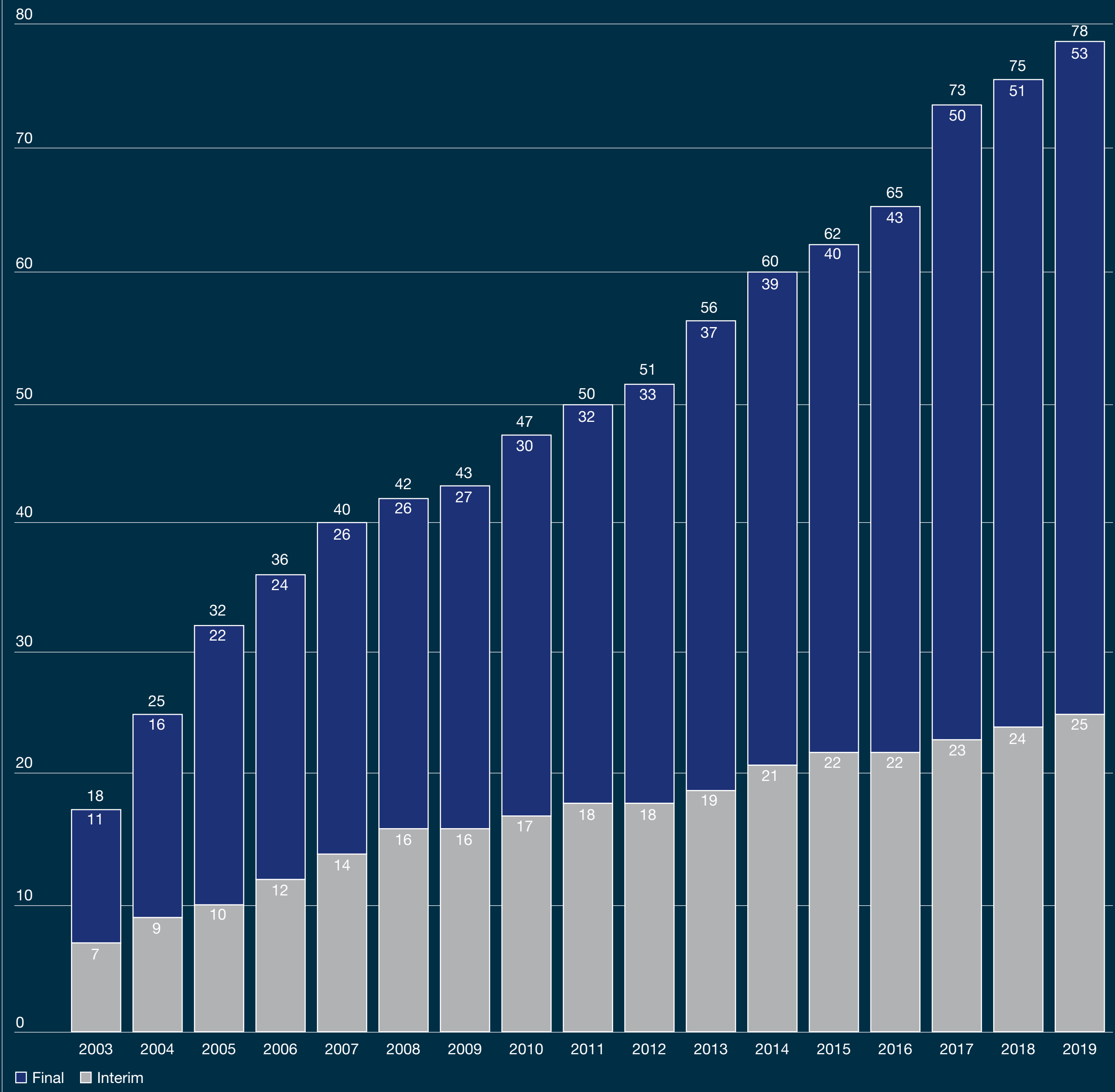
Dividend

The Board is recommending a final dividend of 53p (2018: 51p), which, subject to shareholder approval, will be paid on 29 May 2020 to shareholders on the register at the close of business on 15 May 2020.

Together with the interim dividend of 25p (2018: 24p), this would give a total dividend of 78p, an increase of 4% on 2018 (2018: 75p). In taking its decision, the Board took into consideration the Group's 2019 performance, balance sheet strength, ability to generate cash and FOB.

This increased dividend represents the 17th consecutive year that the Board has raised the dividend.

Dividend per share
Pence



Foreign exchange
The average sterling exchange rate during 2019 was US$1.28 (2018: US$1.33). At 31 December 2019, the spot rate was US$1.32 (2018: US$1.27).

We do not believe that our business will be materially affected by Brexit, other than any impact arising from movements in foreign exchange rates.

Cash and borrowings
The Group ended the year with cash balances of £175.7m (2018: £156.5m) and a further £2.5m (2018: £1.7m) 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 2019 were £84.7m (2018: £73.4m). 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 2019 were £68.7m (2018: £57.0m).

Free cash resources

£68.7m

2018: £57.0m

Net assets

£380.6m

2018: £434.6m

Balance sheet
Net assets at 31 December 2019 were £380.6m (2018: £434.6m). The reduction in net assets arises principally as a consequence of the non-cash impairment identified on page 41; this impairment has had no effect on distributable reserves as it is offset against the merger reserve which arose on the initial acquisition. The balance sheet remains strong, with net current assets and investments exceeding non-current liabilities (excluding pension provisions and lease liabilities as accounted for under IFRS 16) by £93.7m (2018: £89.3m).

The overall loss allowance for trade receivables was £14.2m (2018: £14.4m).

The Group's pension schemes have a combined surplus before deferred tax of £11.0m (2018: £14.0m).

Jeff Woyda
Chief Financial Officer & Chief Operating Officer
6 March 2020

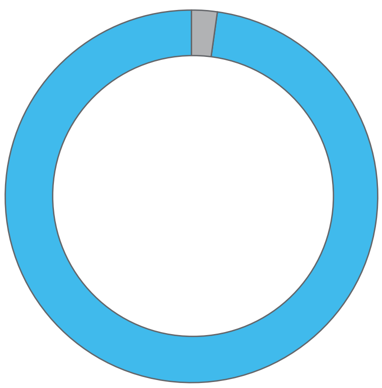
Meeting the demands of the rapidly evolving shipping, offshore, trade and energy markets.

Global trends

Environment

As pressures build globally to find solutions to moderate climate change, the shipping industry must play its role in reducing global greenhouse gas (GHG) emissions. We estimate that the world shipping fleet produced around 880mt of CO_2 in 2019, some 2.4% of global output. While shipping remains the most carbon efficient means of transport and has reduced its overall CO_2 output by around 14% since the financial crisis in 2008, further accelerated de-carbonisation strategies will be needed in the coming decades. The IMO has set ambitious CO_2 reduction targets, including a 50% total reduction in CO_2 by 2050. For many stakeholders across the shipping industry, environment and climate change policies have become a key priority.

Shipping's share of global CO_2 emissions (2019e)



Shipping	2.4%
Other	97.6%

Source: Clarksons Research

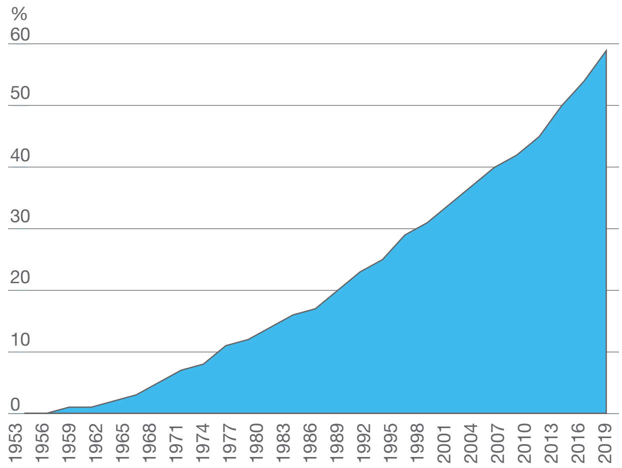
Opportunities for Clarksons

We are committed to supporting our clients develop, validate, execute and monitor their strategies around emissions reductions. We have invested in data, intelligence, expertise and technology to help cargo interests and ship owners execute freight and asset owning decisions that combine commercial opportunities and the meeting of environmental targets. Our finance teams are well positioned to facilitate 'green' financing initiatives. We also provide data and intelligence to governments, regulators, trade associations and academic institutions around eco technology uptake across the world shipping fleet and the economic impact of regulation, helping frame debate and policy decisions.

Technology

Like many industries, broader digital technology change is introducing opportunities to radically improve efficiency, regulatory compliance and transparency across shipping. The shipping industry client base is increasingly seeking digital services and solutions that leverage these opportunities around the freight transaction process. While a range of new IT entrants are also looking to leverage these opportunities, industry participants are increasingly keen to work with established partners with critical mass and industry understanding.

Global growth in internet access



Source: Clarksons Research

Opportunities for Clarksons

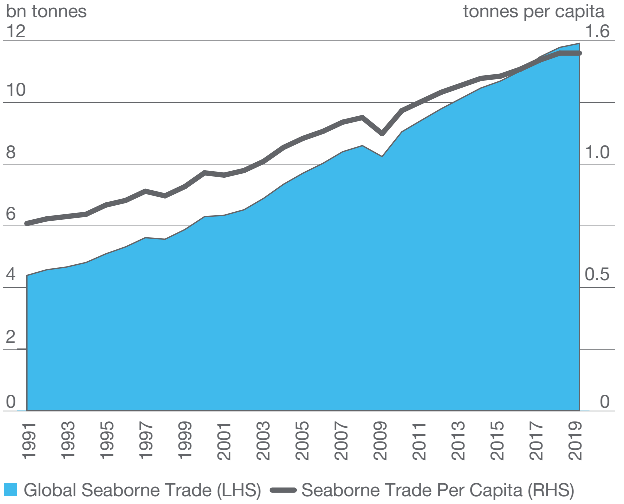
We have invested heavily to digitalise our workflows, to evolve our internal digital support systems and to develop our innovative **Sea/** suite of technology products. The **Sea/** suite provides a transformative end-to-end digital freight platform for our industry. Given our excellent profile across the shipping industry, proprietary data, deep understanding of freight and our deep client relationships, our technology offer is now gaining good traction. The **Sea/** suite both complements our traditional broking offering while also creating exciting opportunities for growth. Our Research business continues to utilise innovative technology to generate and deliver its data and intelligence, with growing demand across industry to integrate data into their own internal digital workflow systems.

Global trends continued

Increasing complexity of trade

Shipping plays a vital role in facilitating global trade, with 85% of all trade moved by sea. In 2019 seaborne trade levels grew by 1% to reach 11.9bn tonnes, almost double that at the turn of the millennium. In addition to this long-term growth trend in volume, there has been a broadening of the cargo base and increasing complexities. Besides the traditional influence of the global business cycle and commodity prices, other factors are increasingly impacting trade and freight: the US-China trade war, the impact of sanctions, the growth of US energy exports and supply interruption. In shipping markets that have reduced surplus capacity in recent years, these trade complexities also have a greater influence on freight rate volatility.

Seaborne trade 1991-2019



Source: Clarksons Research

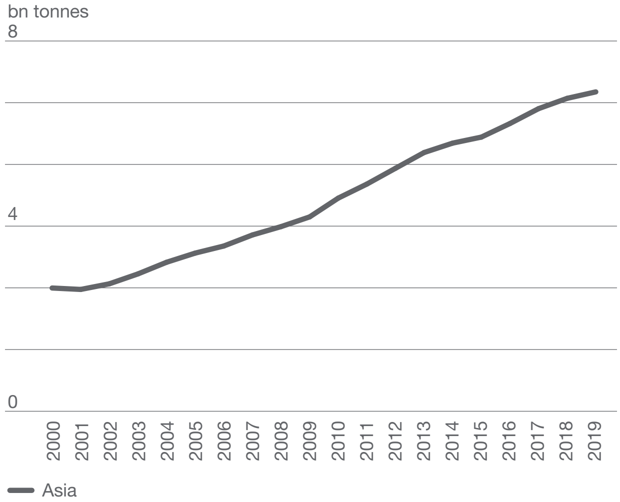
Opportunities for Clarksons

As an essential part of the freight supply chain and market leaders across all of the major cargo sectors, our broking teams benefit from growing global trade volumes. Our diversified position, while maintaining specialised market-leading positions and expertise in all cargo segments, has been increasingly important as the global trade matrix has evolved. Our deep understanding of increasingly complex trade flows, and the range of economic, geopolitical and seasonal factors that impact both positively and negatively on growth trends, makes us a trusted adviser and provider of market insights and intelligence to cargo interests and ship owners. Our innovative technology solutions are increasingly adding value to the freight transaction and differentiating our service offering.

Developing economies

Growth in seaborne trade is supported by emerging markets, particularly those in Asia Pacific, as developing economies become embedded within the global trading matrix. Population growth, urbanisation and globalisation continue to support increased economic activity across the world and in these emerging markets. In the past ten years, world population has grown by 12% to reach 7.7 billion. Since 2000, Asian imports have grown from 2.6 billion tonnes to over 6.9 billion tonnes. Since 2007, imports into non-OECD economies have overtaken those into the OECD.

Asia seaborne imports 2000-2019



Source: Clarksons Research

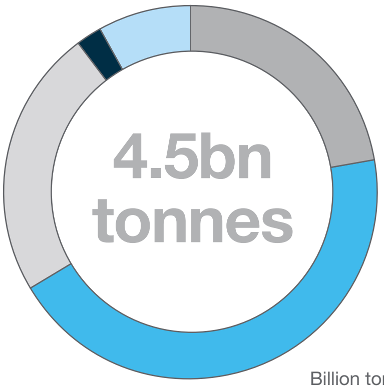
Opportunities for Clarksons

Our global network of offices, expanded in recent years including further new offices opened in 2019, allows us to combine global reach with local relationships, knowledge and expertise. We have focused critical mass headcount in key expansion regions such as Asia Pacific where we have significant operations based in all maritime clusters including Singapore, Shanghai, Dubai, Hong Kong, Seoul and Tokyo. As economies develop, their shipping needs evolve and our integrated offer supports our clients through this evolution, including their adoption of technology and access to finance. Our intelligence and data flow is truly global in coverage, providing insights into all developing economies and their shipping requirements. With developing economies 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 offering is increasingly attractive to clients looking for solutions that increase productivity, efficiency and transparency.

Energy mix transition

Nearly 40% of seaborne trade is energy transportation and despite underlying growth in energy demand over recent decades, the mix of energy sources and growth rates are changing as environmental pressures build. With strong growth trends in gas and more mature trends in coal, shipping requirements and investment needs are also changing. From a production perspective, a significant 17% of global energy continues to be met by offshore oil and gas production. Albeit developing from a low base, energy produced from offshore wind farms has grown by an average of 23% per year over the past decade, with further aggressive growth projected.

Energy transportation share 2019



	Billion tonnes
Steam coal	1.0
Crude oil	2.0
Oil products	1.0
LPG	0.1
LNG	0.4

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 intelligence allows us to understand the impact of energy mix changes on shipping requirements. We are well positioned as market leaders in the growing gas markets of LNG and LPG. Despite the cyclical downturn, our investments across our offshore teams and technology solutions in recent years will allow us to benefit from increasing activity levels. Our growing dedicated renewables team, focused on the offshore wind industry and established in 2017, works with clients in this niche, but fast growing, sector. Our banking teams are now active in the financing of the renewables market, including initiating equity research coverage of a number of European renewables market-focused companies in 2019.

Global trade carried on ships

85%

Cargo shipped per person per year

1.6 tonnes

Vessels and offshore assets

160,000

Shipping trends

Share of order book tonnage capable of using alternative fuels

22%

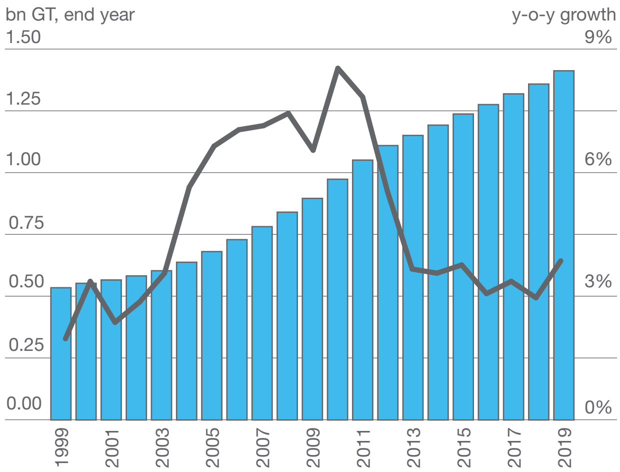
Shipping and offshore fleet value

US$1.3tn

Fleet evolution

Over the past 20 years, the capacity of the world's shipping fleet has grown by over 150% to nearly 2bn dwt 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 recalibrate, the world fleet is still 70% 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 operates.

World fleet growth 1999-2019



Source: Clarksons Research

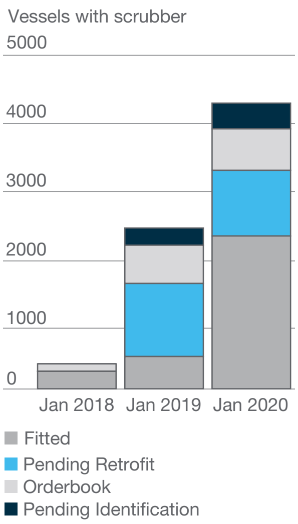
Opportunities for Clarksons

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, banking 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.

Fuel transition

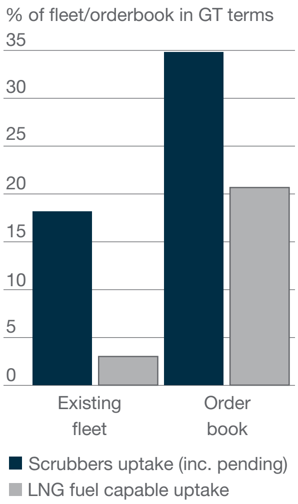
New and complex environmental regulations are being introduced across the shipping industry, many of them impacting fuel use and fuel economics. These regulations are also increasingly impacting commercial conditions in the shipping markets. To understand the market impact of new global sulphur limits introduced at the start of 2020, understanding is needed of fuel costs, scrubber technologies, retro-fitting timetables, vessel speeds and oil product trade flows. The adoption of alternative fuels and Energy Saving Technologies (ESTs) to address emissions targets is growing but also presenting challenging strategic decisions for ship owners and cargo charterers given uncertainties around technology and timing of investment decisions.

Scrubber count



Source: Clarksons Research

Environmental uptake



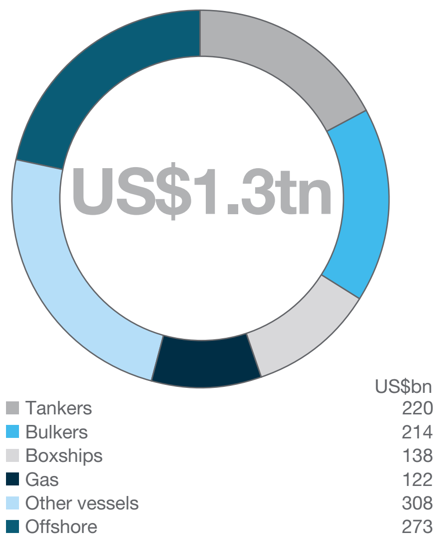
Opportunities for Clarksons

Clarksons is uniquely placed to understand and explain the economic impact of new regulations such as IMO 2020. This understanding involves the impact on market supply and demand and on individual vessel asset value and earning potential. This allows us to guide clients on how markets may respond and to support clients on how their chartering and asset owning strategies should be adapted, including fleet renewal programmes. Our wide-ranging research 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 since the financial crisis, impacting the number of financial institutions participating and the scale of finance available. The aggregate debt portfolios of the top 20 ship finance banks in 2008 compared to those of the top 20 today has declined by around 35%, with many ship finance banks in Europe having restructured or divested elements of their shipping exposure following challenging market conditions and increasing regulation. Many ship owners and cargo interests have looked to diversify their funding sources and investigate new and more complex financing solutions, with changes in accounting standards also impacting. ‘Green’ issues specifically, and ESG more broadly, are increasingly impacting the policies of ship finance institutions and access to finance for cargo and vessel owners. Despite these trends and complexities, financing the world shipping fleet remains hugely capital intensive, with today’s shipping and offshore fleet valued at US$1.3tn.

Value of the world fleet (including order book)



Source: Clarksons Research

Opportunities for Clarksons

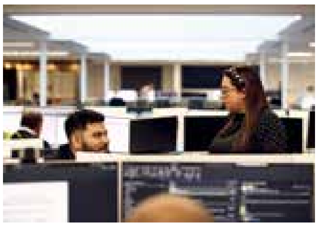
The guidance and execution that Clarksons’ market-leading financial teams can provide across this more complex ship finance landscape is unique in the market. Our deep expertise combined with an innovative approach allows us to support our clients to raise finance across capital markets, project finance, debt markets and through leasing structures. Our ability to offer innovative solutions to our clients was again demonstrated in 2019, including regularly leveraging synergies between our broking and banking teams. Our offer also includes an integrated service to support ship finance banks and investors divesting of assets or engaged in restructuring and bankruptcy cases and supporting clients acquiring loan books. We are well positioned to understand and support ‘green’ financing initiatives and our finance team grew their presence across the renewables market in 2019. Our research and valuations continue to be trusted as the market-leading source across the finance sector, including to the growing Asian markets.

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.

Andi Case
Chief Executive Officer

Strategic objective

1



Expanding our breadth to better tailor our integrated offer

With an expanding and industry-leading range of products and services that span the maritime, offshore, trade and energy markets, we are uniquely positioned to deliver bespoke commercial solutions to our clients and enable them to make smarter and better informed decisions. As the market makes increasing strides towards a more sustainable future, Clarksons' investment in renewables and sustainability expertise positions us to lead this vital change from the front.

What we achieved in 2019
We continued to enhance our renewables team so that it now covers all our segments: Broking, Financial, Support and Research. We have launched the **Sea/** suite of digital tools-for-trade which were built for shipping professionals.

Strategic objective

2

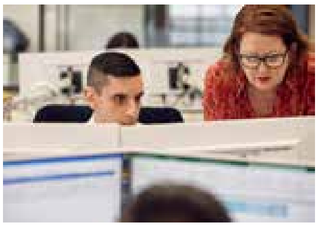
Extending our reach to support clients globally

Our global presence enables us to meet client needs wherever and whenever they arise. With 53 offices in 23 countries on six continents (at the current time), and growing, we share understanding, culture, IT systems and high standards of corporate governance across our business, as we use our local knowledge to provide our clients with truly global, cross-border advice.

What we achieved in 2019
The new Tokyo and Seoul operations have increased revenues. We have opened new offices in Connecticut and Copenhagen, and now have a base in Madrid following the recent acquisition of Martankers.

Strategic objective

3



Stronger understanding of clients' needs

Our client base ranges from oil majors to 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 and use our leading technology and authoritative intelligence to offer unique and tailored solutions to meet our clients' needs.

What we achieved in 2019

Our clients have indicated a desire to increase the use of technology within elements of their shipping business. We have designed and invested in the **Sea/** suite of products specifically to address these requirements.

Strategic objective

4

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. Our employees have access to our leading technology and authoritative intelligence, enabling them to support our clients to make smarter and better informed decisions.

What we achieved in 2019

We continued to expand our training programmes using a wide range of formats, each designed to maximise effectiveness.

Strategic objective

5

Maintaining trust in shipping intelligence

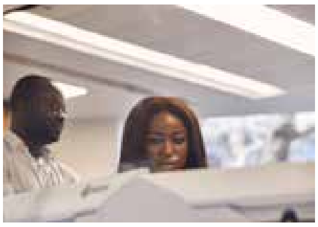
As a globally-respected market leader in the provision of data and intelligence, our research is trusted across the shipping industry to inform effective decision-making. Our database tracks over 160,000 vessels and 8,000 offshore oil and gas fields. Last year, Shipping Intelligence Network was viewed more than five million times and we have nearly 10,000 active users across our Research platform.

What we achieved in 2019

Strong investments into Research continued including the expansion of our proprietary database, the use of innovative data analytics and the development of market relevant content and insights. We strengthened our environmental-related research around ship emissions and alternative fuels, while providing well received insights into the shipping market impact of US sanctions, the US-China trade war, energy transition and IMO 2020 low sulphur regulations. We expanded and updated our vessel earnings benchmarks to reflect the changing fuel environment and growth of the 'eco' and 'scrubber' fleets.

Strategic objective

6



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. We do not rest on our laurels as the market leader across our core sectors, but strive to build on our position through the provision of 'best in class' advice and service to our clients.

What we achieved in 2019

We have increased our dividend for the 17th consecutive year, whilst remaining cash-generative and increasing our free cash resources.

Our business model

We are guided by

Our purpose:
To enable smarter, cleaner global trade by empowering our clients and our people to make better informed decisions using our market-leading technology and intelligence; and in doing so, meet the demands of the world's rapidly evolving maritime, offshore, trade and energy markets.
Smarter decisions.
Powered by intelligence.

Our values
- Integrity
- Excellence
- Fairness
- Transparency

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

Market trends
Sustainability is critical to our industry as evidenced by the ambitious IMO target of a 50% reduction in CO_2 emissions by 2050. Through our insight and trusted partnerships, we support the shipping industry to thrive sustainably.

Fleet evolution
The total fleet now stands at nearly 2bn dwt and is ageing.

Fuel transition
To meet new environmental regulations, alternative fuels and energy saving technologies are being developed.

Fleet financing
The world fleet is valued at US$1.3tn and remains hugely capital intensive, requiring financing.

See more on pages 44 to 49.

Strategy
To create long-term sustainable value for all 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 pages 50 to 51.

What we do

We are the world's leading provider of integrated shipping services, currently across six continents and 22 countries – bringing our connections and experience to an international client base through four divisions:

Broking

Share of revenue

77%

Our brokers act as intermediaries between shipping principals. Our teams have the expertise, experience and support structure to enable these deals to happen.

We bring together charterers, who have cargoes to move, and owners of vessels capable of transporting those cargoes. We help the principals negotiate the terms of a voyage, a timecharter hire or a contract of affreightment, including the freight or hire rate. We have specialist broking teams dealing in all major markets: dry cargo, containers, tankers, specialised products, gas, LNG and offshore. We also help clients contract newbuildings, buy and sell secondhand vessels, and arrange the scrapping of older tonnage. We provide these services in all the world's major shipping centres.

We earn a broking commission based on the value of the freight, the hire or the asset.

Additionally, we provide derivative broking services to enable principals to manage and mitigate their risks. We earn commission based either on the underlying contract value or as a fixed fee per contract.

Financial

Share of revenue

10%

The Financial division provides full investment banking services, project finance and bespoke asset finance solutions to the shipping, offshore and natural resources markets. We help clients to manage risk, fund transactions and conclude deals which are not available through more traditional routes. The Financial team at Clarksons liaise with a range of potential investors in order to raise funding for clients' projects.

We earn commissions and fees from these financial services activities.

Support

Share of revenue

8%

The Support division provides the highest standards of support with 24/7 attendance to vessel owners, operators and charterers at a wide range of strategically located ports. We provide vessel agency, project logistics, vessel chartering, freight forwarding, warehousing, crew travel and industrial supplies.

We earn fixed agency fees and revenue from the sales of supplies.

Research

Share of revenue

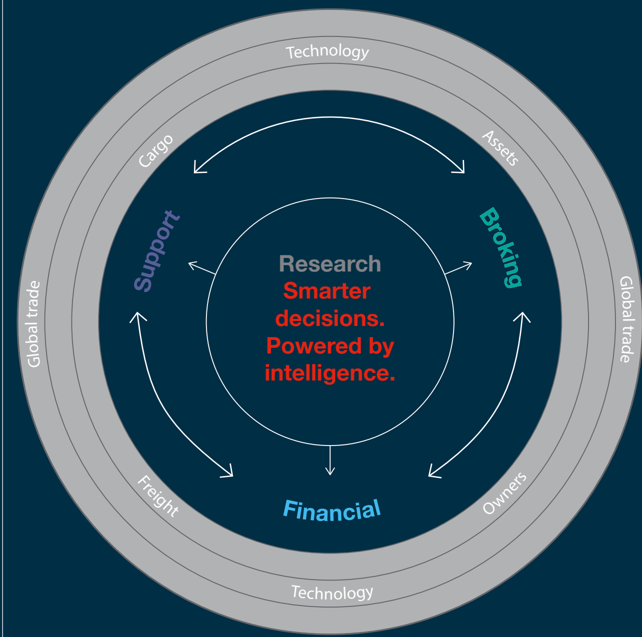
5%

The Research division provides and sells data to the industry covering every aspect of the market. We are a leading provider of data to the offshore industry, giving clients access to information they need to operate their businesses more effectively. We also provide information on fleets and technology – we hold data on 160,000 vessels, across more than 900 shipyards and have 30,000 data points on machinery and eco models. This information is available via various subscription models and is relied on by shipping professionals to inform strategies and decision-making. In addition, we are the world's leading provider of valuation services to owners and the financial community.

We earn revenue and fees from digital products, including Shipping Intelligence Network, Offshore Intelligence Network, World Fleet Register, World Offshore Register and **Sea/net,** specialist services and reports.

How it works

Research sits at the heart of everything we do, allowing us to produce and validate data, provide analysis and insight, and valuations across all sectors of the shipping and offshore markets. Our cutting-edge technology continuously drives innovation across our industry and enables us to provide bespoke solutions for our clients, so they can make informed decisions efficiently.



Our impact

Through our global scale and market-leading position, we engage with a wide range of stakeholders and play an important role in enabling global trade.

Clients

See more on page 55.

Our people

See more on pages 56 to 57.

Communities

See more on page 57.

Shareholders

See more on pages 58 to 59.

Our stakeholders

We believe that our long-term success relies on strong relationships with our key stakeholders. Effective and tailored engagement with these groups on the issues that matter to them is critical to the operation of our business model and achievement of our strategy, but we are also cognisant of the need to build value for our stakeholders.

The table below sets out our key stakeholders and why they are important to us, the issues that matter to them and how we engage with them. The insights that we gain through our engagement may be reported directly to the Board in some cases (for example in relation to our people and shareholders). However, in the case of engagement with clients and communities, this will be used to form proposals at a business level, with the Board being kept updated in a variety of ways. In relation to clients for example, the Board is kept abreast of engagement with them through the CEO's regular reports or through updates on strategic propositions. Where relevant, stakeholder considerations are also set out in Board papers.

	Clients	Our people	Communities	Shareholders
Overview	We have over 5,000 clients globally which includes charterers, vessel owners, trust funds, investors and ship agents.	We currently have over 1,600 employees across 53 offices in 23 countries.	Our support for communities is far-reaching, covering: – Respecting the local communities in which we operate and employ people – Industry-related partnerships – Our role in enabling smarter, cleaner global trade	Our shareholders range from small private investors to large institutional investors.
Importance to the business model and strategy	As the world's leading provider of integrated shipping services, our market-leading technology and intelligence set us apart. This allows us to influence client decisions at every step of the shipping lifecycle and form the trusted partnerships with our clients that continue to drive our business.	As a service-driven business based on authoritative intelligence, our people are our biggest asset. We strive to employ and train the best people.	We want to have a positive and lasting impact on communities, and fundamentally believe that behaving in a socially responsible way is the right thing to do.	Our shareholders own our business and provide us with the capital that enables us to continue to grow the business.
Issues that matter to our stakeholders	– Integrity – Quality of service – Expertise – Trusted adviser – Innovation and technology – Market leadership – Sustainable products and solutions – Business conduct	– Culture and values – Reward and benefits – Training and development – Employer brand – Market position	– Clarksons as a responsible company – Employment opportunities – Charities and community causes – Sustainability	– Operating and financial performance – Strategy and outlook – Shareholder value creation – Dividend policy – ESG performance – Remuneration
How we engage	– Client meetings – Client feedback and input into product development – Social media – Website	– Employee engagement initiatives – Leadership and divisional management forums – Global conferences – Active management – Employee newsletter – Social media – Digital platforms – Emails	– Volunteering – Charitable donations – Industry partnerships – Social media	– One-to-one meetings – Investor roadshows – Capital markets days – Analyst briefings – Half year and full year results presentations, and annual report – AGM – Website
Where to read more	Page 55	Pages 56 to 57	Page 57	Pages 58 to 59

Clients

Our position at the heart of the shipping industry has been built over 168 years, and our business is based on long-term relationships and trust. 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.

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 of the sector gives us the ability to provide solutions and services specifically tailored to their business requirements, and 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. This includes the **Sea/** platform, which is delivered through the Maritech Group.

Client engagement

Our clients are at the centre of what we do, and engagement with them provides us with valuable insights into areas such as service delivery and product development.

Our **Sea/** platform, which provides a suite of digital tools for trade, has been built by shipping professionals for shipping professionals. You can read more about **Sea/** on page 38, including the factors which have been driving the need for its development (appetite for technology, growth in compliance, mitigation of risk and the need for efficiency). Whilst our clients need to evolve to meet these challenges, it is paramount that we continually engage with our clients to ensure that we evolve our offering to meet their current and future needs.

The development of each of the eight live modules which make up the platform has been supported by strategic client partners, with whom we have worked to advance the module roadmap, using their engagement and input to shape new features that exceed their expectations. Our application support desk is also an important source of client feedback, which we have utilised to inform further development of the modules. You can read more about the development of the **Sea/response** module on page 62.

Over 2019, the Board has received regular updates on the technology proposition, including the evolution of the products as a result of client feedback. This has been one of a number of factors which have been key to the continued investment in **Sea/**.

The Board also receives regular presentations at its meetings from employees on key business areas. These presentations provide the Board with useful insights into the views of clients.

Our people

At Clarksons we believe that the quality of our people has always been the biggest differentiating factor for us. We aim to appeal to a diverse range of people as we believe a mix of backgrounds, skills and experience within teams improves adaptability and agility and is representative of the international markets we operate in. We combine this with our commitment to developing the very best people and supporting them in a role and environment where they can thrive and perform at their best. This ethos is underpinned by our four values: integrity, excellence, fairness and transparency.

Talent

We focus on attracting, retaining and developing the best talent across the Group. We continue to review our recruitment processes and frameworks, We partner with the right suppliers to meet our business needs and are developing our employer brand. We are increasingly adopting the use of social media channels to reach a broad section of talent and have seen an increase in direct hires entering the business.

Early careers talent remains a priority for our business and we are focussing on defining the skills and competencies that make a great Clarksons employee, partnering with a diverse mix of sources for entry-level talent and designing a commercial and effective onboarding and development programme.

We are widening the scope of our development programmes to help employees at all stages of their career take control of their personal development, support retention of our early and mid-level management and facilitate succession planning.

Learning and development

We retain our commitment to investing in the development needs of our people, particularly at a time of significant change in global shipping and trade, in relation to the impact of increased digitisation and sustainability.

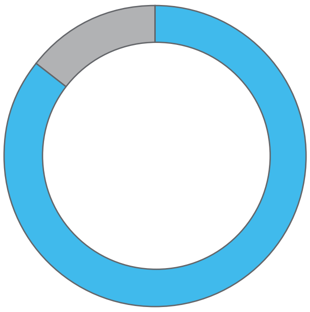
The portfolio of training provided encompasses a wide range of knowledge and skills-based modules delivered via seminars, webinars, workshops and other formats including ship visits. Over the past year, the topics have included shipping finance, geopolitics, regulatory change such as the IMO 2020 global sulphur cap, security, legal and commercial aspects of shipping and trade. Live events are video-recorded and made available for those staff who cannot attend. Seminars, webinars and workshops are led by our own staff who share their experience and expertise, together with external subject matter experts.

We continue to support professional development for staff who wish to study for membership of the Institute of Chartered Shipbrokers, as well as other professional qualifications offered by bodies such as the Chartered Institute of Personnel and Development and the Chartered Institute of Management Accountants.

Special events form part of the 50 events delivered on an annual basis. These include our annual, week-long Tanker Training Week and Jon Marshall Lectures (aimed at the dry cargo market). Both training courses involve five days of presentations on various commercial, legal, financial, technical and operational topics, together with group exercises. These include a chartering game to enable participants to compete to fix vessels and cargoes in a real-life scenario. The courses are offered to 24 to 30 participants. Approximately half of the participants comprise Clarksons' staff from different Group offices and the remainder are from clients allowing our people to develop their networking and relationship-building skills.

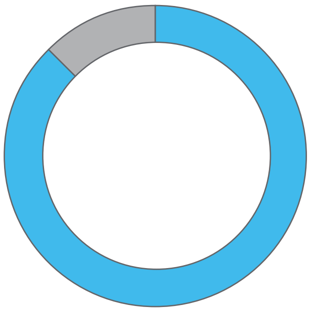
Gender diversity (as at 31 December 2019)

Board



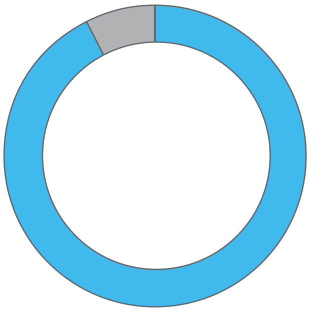
Male 6 (86%)
Female 1 (14%)

Executive Committee



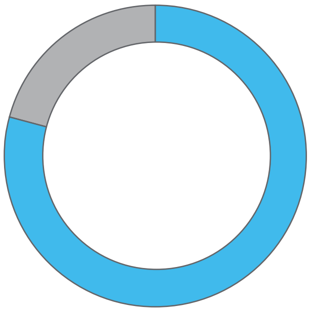
Male 14 (87%)
Female 2 (13%)

Senior managers*



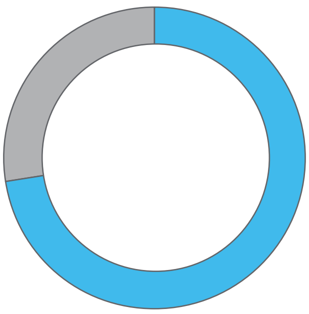
Male 189 (93%)
Female 15 (7%)

Executive Committee and direct reports



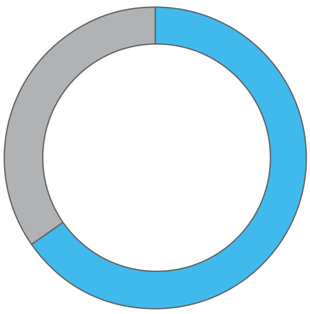
Male 157 (78%)
Female 45 (22%)

All employees



Male 1,159 (73%)
Female 439 (27%)

New hires



Male 175 (65%)
Female 93 (35%)

* Employees who have responsibility for planning, directing or controlling the activities of the Group, including all directors of subsidiary companies.

Diversity and inclusion

Clarksons entrusts its reputation and market-leading position to the best global workforce in shipping services. We practice equal access to jobs, development and promotion opportunities as we believe our differences are what create a dynamic and agile organisation. 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. This will continue to be an area of focus as we look for new and innovative ways to ensure a diverse and inclusive workforce.

We recognise we face the same challenges as the wider sector with regard to access to a strong pipeline of female talent, however 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.

Engagement

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 channels such as our online newsletter (Clarksons Voyage), our annual Company magazine (Horizons), social media, digital platforms and employee townhalls. Financial results and material announcements that we release to the market are made available to all employees across the Group at the same time.

Further two-way communication and engagement is enabled through our newly redesigned and launched executive and divisional management forums.

In line with the 2018 UK Corporate Governance Code and the importance that the Board puts on engagement with the workforce, Dr Tim Miller, Chair of the Remuneration Committee, has been appointed as the designated Non-Executive Director for employee engagement. Supported by our recently appointed Group HR Director, we have commenced a programme of initiatives that will enable Tim to act as a 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.

We encourage the involvement of employees in the Company's performance through inviting eligible employees to participate in our ShareSave Plan. Further detail about employee share ownership can be found on page 58.

Health and safety

We believe that it is vital to look after the health, safety and well-being of our staff, and endeavour to provide a safe and secure workplace for all. Our policies and procedures are designed to minimise the risk of injury and ill health of our workforce as well as any other parties involved in the conduct of our business operations.

The Board has approved a global health and safety policy statement and has appointed the CFO & COO, Jeff Woyda, to oversee health and safety as sponsor on behalf of the Board.

Health and safety is managed on a global basis through a decentralised model, where each local site is responsible for managing its own health and safety to a good local standard in compliance with relevant legislation and regulations. With the exception of port-side activities within our Support division, all locations conduct office-based activities only and are therefore considered relatively low risk. However, to satisfy ourselves that the standards being applied locally meet the necessary requirements whilst ensuring a common standard, work is underway to further develop our decentralised framework by the setting of minimum standards. The effectiveness of the framework will also be monitored via an annual certification process.

In the UK, health and safety is overseen by a committee structure, with a committee dedicated to some of our highest risk locations such as port agency and freight forwarding. The Board receives regular updates on health and safety activities (including KPIs).

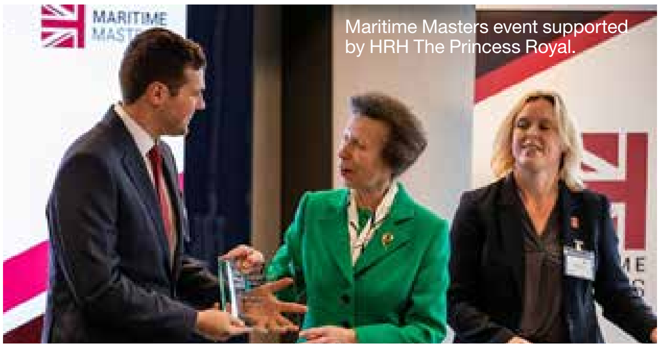
Communities

Industry partners

Throughout 2019, we partnered with a number of maritime associations which are paving the way for the future of maritime.

Following the success of the inaugural Maritime Masters event in 2018, we continued our relationship with the nine UK universities and business schools which provide masters programmes to postgraduate students in diverse fields, including marine engineering, commercial and legal studies. The 2019 Maritime Masters programme organised by Maritime UK culminated in a finalists' reception hosted at Commodity Quay in October 2019 in the presence of HRH The Princess Royal. Maritime Masters will continue to form an integral part of our wider efforts to build stronger links between the business world and academia and as a way of attracting new talent into the Group. These efforts also include regular visits by students and by our staff delivering lectures to various courses in the UK and overseas.

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



Maritime Masters event supported by HRH The Princess Royal.

Clarksons Research provides over 50 maritime university courses across the world with access to research and data, helping important academic research and supporting the learnings of our clients and colleagues of the future. Many of these relationships are long-standing, involve both undergraduate and postgraduate research and extend to universities based in key maritime centres around the world, including Asia, Europe and the Americas. We also provide data and intelligence to inter-governmental organisations, governments, regulators and various industry and trade bodies, helping frame debate and policy decisions around the development of the shipping industry, including climate change and safety at sea.

Charitable donations

As a Group, we are committed to giving back to society through our corporate social responsibility programme, with the aim of bringing about positive social change and making a lasting impact on people and communities. These activities are overseen by our CSR Committee who support a maritime, children's and overseas charity every year. This decision is based on nominations from employees from across the globe, who are encouraged to put forward causes that are close to their hearts so that we make a difference to our people as well as the charity. We endeavour to support our chosen causes both financially through participation in charitable events and donations, and through the volunteering of our staff. In 2020, we will be commencing work with The Growth Project, a non-profit organisation that supports small, successful charities to maximise their impact on the world. We choose one of our junior members of staff to participate in The Growth Project's personal development programme, which benefits both a charity and our people by bringing them together in an environment of shared learning.

Shareholders

Shareholder engagement

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.

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 58 meetings with both potential and current investors (holding over 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 2019 AGM, and ahead of the submission of the new Directors' Remuneration Policy to the 2020 AGM for shareholder approval, the Chair, Remuneration Committee Chair and Senior Independent Director engaged with shareholders over 2019 and 2020, meeting holders of around 49% of the Company's issued share capital. Further details on the engagement can be found in the Chair's review on page 12 and the Directors' remuneration report on pages 106 to 108.

Retail shareholders

Retail shareholders (excluding employee shareholders) hold around 8% 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 the next page. Our Company Secretariat team and our registrar (Computershare) are also available to help retail shareholders with any queries they may have.

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, Dubai, Singapore and the US to join a ShareSave plan (or similar local equivalent), which gives employees the opportunity to purchase shares in the Company at a discounted price, subject to certain conditions. Around 77% of our global employees have been invited to join ShareSave or the local equivalent, and over 50% of eligible employees have taken up an invitation to participate. At the 2020 AGM, we are seeking support from shareholders to re-approve the rules of our UK ShareSave plan, the current rules being due to reach the end of their initial ten-year term later this year. No material amendments are proposed to the rules.

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.

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.

Investor engagement
During the year, the CEO and CFO & COO held 58 meetings with both potential and current investors.

Analysts/brokers
We distribute 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 initiatives have provided a valuable opportunity for us to enhance engagement with the workforce (including our employee shareholders).

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

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 to 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 2019 AGM was held on 9 May 2019. Votes were cast in relation to circa 76% 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 in the Chair's review on page 12 and the Directors' remuneration report on pages 106 to 108, the Chair, Remuneration Committee Chair and Senior Independent Director engaged with shareholders in response to this vote.

This year's AGM will be held at 12 noon on Wednesday 6 May 2020 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.

Investor calendar

January
Pre-close trading update

March
Full year results announcement and investor roadshow

May
AGM

August
Half year results announcement and investor roadshow

Environment

We are committed to reducing our own greenhouse gas emissions ('GHG') as a Group and a number of initiatives have been implemented on a local basis (such as cycle-to-work schemes, recycling of food waste and use of video-conference facilities to reduce staff travel). Please see below for details of our greenhouse gas emissions.

New office and warehouse facility in Great Yarmouth

Over 2019, our Gibb Tools business (part of the Support division) designed its first purpose-built office and warehouse facility in Great Yarmouth, which is due for completion in 2020. The warehouse will bring together three business streams under one roof, which will achieve efficiencies in terms of reducing road travel between sites; using shared vehicle journeys to service procurement and forwarding clients (resulting in lower business miles travelled); and reducing Gibb Tools' overall greenhouse gas emissions.

Sustainable considerations were also at the forefront of the building design process:

- The new facility minimises double and treble handling of warehoused items through an efficient warehouse design (encompassing thought-out traffic flows and storage plans). Each unnecessary product movement is not only inefficient from a time perspective, but it also uses energy.
- The building is heated by electricity, including roof mounted photo-voltaic cells, rather than a gas boiler heated radiator system. It is the intention to source electricity from a renewable provider.
- The building's walls are made from the latest high insulation design – minimising heat loss and the amount of construction material used.
- The latest LED lighting technology has been utilised – it is estimated that the power usage will be around a tenth of an equivalent new build from just ten years ago.
- Two electronic vehicle charging points have been installed.

Greenhouse gas emissions

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 seventh year that we have reported our GHG emissions as required by the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013. We are also aware of our forthcoming obligations under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We have prepared this report in accordance with the requirements for quoted companies under these new regulations. Additionally, we continue to 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 public transport) and building-related emissions (water, waste and paper). This year we have reported all material emission sources for which we have operational control across 22 global markets for the reporting year of 1 January 2019 to 31 December 2019.

Performance summary

Clarksons' total emissions have remained broadly in line with 2018. This is primarily driven by an increase in scope 1 and 2 emissions, which has been offset by a decrease in scope 3 emissions. Global electricity emissions increased by 8% due to more accurate data being received for one of our US sites and an increase in consumption at the Singapore office. UK electricity consumption has remained the same but emissions have decreased by 8% due to the decarbonisation of the UK grid. Flights have only increased slightly with a total distance of circa 27.2m km travelled during 2019, up from circa 26.8m km in 2018. However, the flights emissions show a slight decrease due to the lower conversion factors in 2019. As might be expected given the nature of our business, flights and electricity consumption account for the majority of our total global emissions (83% overall)[2,3].

Following a slight increase in headcount to 1,549 Full Time Equivalent (FTE) globally, the emissions intensity of our business increased by 8%, from 1.8 tCO_2e in 2018 to 1.9 tCO_2e per FTE in 2019[4].

Regional overview

The regional breakdown to the right shows scope 1, scope 2 and electricity upstream emissions across our operating regions and excludes other scope 3 emissions. The UK and Europe have remained broadly consistent, whilst all other regions have seen a modest increase in emissions.

Our energy efficiency objectives in 2019

We have implemented the energy efficiency actions below in 2019:

- Ipswich Sentinel has changed all lighting to LED lighting as per the recommendations from our Energy Saving Opportunities Scheme (ESOS) energy audits.
- Ipswich Sentinel is also in the process of upgrading its engine and shovels as part of ongoing maintenance, which will increase energy efficiency, with one engine being replaced and one shovel being upgraded in 2019.

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)' and the 'Environmental reporting guidelines: Including Streamlined Energy and Carbon Reporting requirements' (Defra, 2019).

Clarksons' emissions

	Global 2016	Global 2017	Global 2018	**Global 2019**	vs 2018 Global	UK 2018	**UK 2019**	vs 2018 UK
Scope 1 (tCO_2e)	1,214	1,178	989	**1,177**	19%	611	**753**	23%
Natural gas	437	511	277	**315**	14%	197	**220**	12%
Other fuels	390	301	215	**264**	23%	215	**264**	23%
Refrigerants	132	–	45	**65**	43%	–	**–**	N/A
Fleet	53	144	75	**64**	-14%	75	**64**	-14%
Company cars	202	223	377	**469**	24%	125	**204**	64%
Scope 2 (tCO_2e)	2,084	1,930	1,557	**1,679**	8%	1,096	**1,005**	-8%
Electricity	2,084	1,930	1,557	**1,679**	8%	1,096	**1,005**	-8%
Scope 3 (tCO_2e)	7,194	7,606	7,441	**7,180**	-4%	547	**352**	-36%
Waste	74	81	117	**144**	23%	9	**8**	-19%
Paper	85	91	75	**32**	-57%	27	**11**	-58%
Water	19	19	30	**31**	5%	18	**16**	-9%
Non-company cars	84	56	43	**57**	33%	29	**18**	-37%
Flights	6,648	7,140	6,834	**6,624**	-3%	223	**125**	-44%
Rail and international rail	27	30	184	**173**	-6%	140	**140**	0%
Public transport	80	41	41	**35**	-16%	16	**15**	-4%
Electricity transmission and distribution	179	147	119	**85**	-29%	85	**19**	-78%
Total emissions (tCO_2e)	10,492	10,715	9,987	**10,036**	0%	2,255	**2,110**	-6%
Scope 1 + Scope 2 (tCO_2e)	3,297	3,109	2,546	**2,856**	12%	1,707	**1,758**	3%

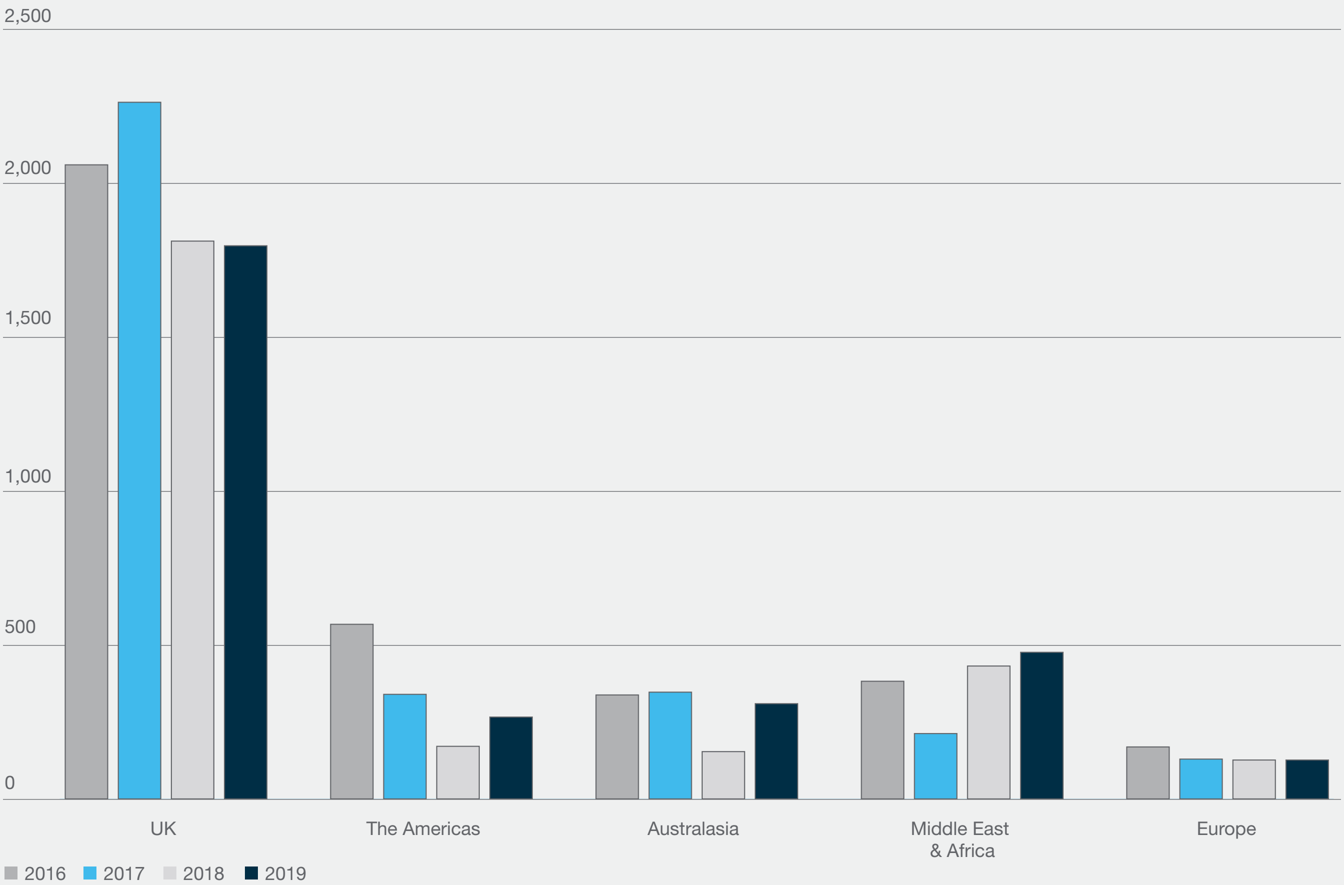
1 This work is partially based on the country-specific CO_2 emission factors developed by the International Energy Agency, © OECD/IEA 2019 but the resulting work has been prepared by Clarksons and Carbon Smart and does not necessarily reflect the views of the International Energy Agency.

2 Emissions associated with natural gas, fleet, rail, public transport and non-company cars in Sweden and the UK have been restated as a result of more accurate data being made available in the 2019 reporting year.

3 2019 global energy and travel consumption used to calculate the emissions was 11,283,584 kWh; and 2019 UK energy consumption breakdown was 7,452,018 kWh. In 2018 the global consumption was 9,905,549 kWh; and 2018 UK breakdown was 7,208,503 kWh. This consumption includes scope 1, scope 2 and non-company car mileage.

4 The FTE intensity metric is measured using scope 1, scope 2 and electricity upstream emissions.

Emissions breakdown by region (tCO_2e)



Strategic report

Our impact continued

In addition, to our commitment to reduce our own GHG emissions, Clarksons is also committed to working with our clients to enable smarter, cleaner global trade. We operate both in and alongside industries that are trying to make a positive change to their carbon emissions and we want to remain at the forefront of innovation that can affect and assist that change.

The IMO 2020 legislation, which aims to reduce sulphur oxides emissions from ships in order to improve air quality and to protect the environment, came into effect at the start of 2020. Our researchers, analysts and brokers played a key role in informing and preparing industry participants for this change. This advisory role extends further and includes advising customers contracting newbuildings and on alternative fuels.

Sea/response

A further example of an area where we have supported our clients in limiting environmental impact is through the Maritech product **Sea/response**, which provides users with visibility of oil rig positions and the proximity of nearby vessels. In the event of an offshore emergency, it allows a response to be planned by finding the most suitable vessels and equipment for the mission, thereby enhancing energy company operational preparedness whilst aiming to reduce environmental damage. The **Sea/response** product is licensed by Oil Spill Response Limited (OSRL) on behalf of its Subsea Well Intervention Services (SWIS) members. Maritech worked with OSRL and SWIS members to tailor certain specifications of **Sea/response** to meet the members' multi-mission requirements.

How we do business

Business conduct

Clarksons is founded on a commitment to provide the highest quality of service for our clients whilst maintaining the highest level of integrity. Each and every member of the Clarksons team shares our common values of integrity, excellence, fairness and transparency. We aspire to conduct our business in an ethical, honest and professional manner wherever we operate, and in particular we undertake to:

– Act fairly, honestly and with integrity at all times and in everything we do, and to comply with all applicable laws.
– To treat our employees, clients, contractors, suppliers and other stakeholders fairly and with respect.
– To create a high-quality, equal opportunity working environment for all our employees, based on merit and free from discrimination, bullying and harassment.
– To respect human rights.

Compliance Code

In order to support employees' understanding of the standards of conduct and ethics expected of them, the Board has published a Compliance Code. This contains a suite of policies that mitigate ethics and compliance risks, and covers areas including insider dealing, sanctions, anti-bribery and corruption, anti-competitive behaviour and market manipulation. In addition, the Group's regulated businesses are subject to further compliance requirements which are set out in local compliance manuals.

All employees and contractors must comply with the Compliance Code. It is reissued to all employees and contractors on an annual basis, and they are required to confirm that they have read and will comply with it. The Compliance Code is kept under regular review, and was updated during the year.

Mandatory online training modules have been issued to all relevant employees covering *inter alia* anti-bribery and corruption, sanctions and cyber security. To further improve awareness across the Group, compliance training seminars for unregulated businesses have been conducted by the Group General Counsel in a number of key global offices, with attendance by employees being mandatory.

Embedding of policies and processes is supported by a global compliance team who have the necessary skills and experience to fulfil their duties.

Whistleblowing

We have created an environment in which our workforce can speak up and highlight concerns on any matters through our whistleblowing arrangements. This includes a helpline through which concerns can be raised in confidence (and anonymously), which is operated by an independent third-party provider.

Whistleblowing arrangements and reports arising from its operation are overseen by the Board in line with the Code (having previously fallen within the remit of the Audit and Risk Committee). The whistleblowing arrangements are formalised into an overarching Whistleblowing Policy. Where relevant, local mandatory whistleblowing policies also exist.

Anti-bribery and corruption

To prevent bribery and corruption, the Group has an approved policy which all employees and contractors must follow. It also applies to any third party who is undertaking business for or on behalf of the Group. Under the policy, all employees, contractors and other parties must not:

– Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that an improper business advantage will be received, or to reward an improper advantage already given.
– Accept a payment, gift or hospitality from a third party that they know or suspect is offered with the expectation that it will provide a business advantage for them or anyone else in return.
– Give or accept a gift or hospitality during any commercial negotiations or tender process if this could be perceived as intended or likely to influence the outcome.
– Offer or accept a gift to or from government officials or representatives, or politicians or political parties.
– Offer or accept gifts or hospitality which are unduly lavish or go beyond the normal standards in the industry.

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 continued to build and establish effective and proportionate mechanisms and controls to prevent money laundering. These include anti-money laundering (AML) policies and procedures for all businesses.

During the year, we have continued to enhance AML procedures and specifically 'Know your Client' processes for its unregulated businesses, resulting in additional headcount, modified procedures and the adoption of new investigative tools.

Sanctions

The Group has deployed significant resources to manage sanctions risk and build an effective and proportionate system to prevent sanctions breaches. These include sanctions policies and procedures for all businesses; sanctions screening of prospective clients (including vessels) using our proprietary online sanctions checking tool; and monitoring existing clients against sanctions lists. The Group also provides annual custom-built online and in-person sanctions training to all relevant staff; maintains sanctions screening records for audit purposes; and has established clear internal audit and escalation mechanisms.

Our impact continued

Human rights
We believe that the respect of human rights is integral to being a responsible company and we are committed to treating individuals with respect and dignity.

Clarksons places value on difference and believes that diversity of people, skills and abilities is a strength that helps us to achieve our best. Any discrimination based on race, religion, nationality, gender, age, marital status, disability, sexual orientation or political affiliation is prohibited within the business.

We are committed to providing a workplace free of any form of harassment or discrimination and expect our suppliers to do the same. Read more about our approach to diversity and inclusion on page 56.

Modern slavery
We recognise that slavery, servitude, forced labour and human trafficking (modern slavery) is a global and growing issue, and no sector or industry can be considered immune. We are committed to ensuring that there is no modern slavery of any kind within our operations or supply chains.

The supply chain to our business comprises worldwide suppliers providing a wide range of support functions and products including catering, maintenance, information technology, cleaning and security.

Work is in progress to enhance our procurement procedures so as to ensure that our suppliers, contractors and service providers act ethically and with integrity, and have in place effective systems and controls so that modern slavery is not taking place within their own businesses.

For material contracts in the UK, we are including contractual clauses within new supplier agreements to place contractual obligations on the supplier to ensure it and its own suppliers comply with legislation with regard to modern slavery. We are also taking a similar approach with respect to our General Terms and Conditions, which are in the process of being amended.

Clarksons remains committed to building and strengthening our existing policies and practices to eliminate modern slavery and human rights violations in our supply chain. We therefore aim to continue to review the effectiveness of our current arrangements and, where necessary, implement additional safeguards and procedures.

In line with the Modern Slavery Act 2015, we publish a Modern Slavery and Human Trafficking Statement on our website on an annual basis. This can be found at www.clarksons.com/modern-slavery-act/

Suppliers
Whilst we do not consider our suppliers to be a significant stakeholder in our business, we are committed to treating our suppliers fairly. In particular, we recognise the importance of prompt payment of invoices for our smaller suppliers. Our largest operating subsidiary in the UK complies with payment practices reporting, with over 93% of all invoices being paid within 60 days and over 73% being paid within 30 days.

Non-financial information statement

The table below constitutes the Company's non-financial information statement, in compliance with sections 414CA and 414CB of the Companies Act 2006.

Reporting requirement	Key policies and standards, and more information
Environmental matters	Read more: Environment – pages 60 to 62
Our employees	Global Staff Handbook Global Diversity and Equality Policy Compliance Code Global Privacy Statement and Policy Health and Safety Policy Statement Whistleblowing Policy Read more: Our people – pages 56 to 57 How we do business – pages 63 to 64
Social matters	CSR Committee Read more: Communities – page 57
Human rights	Ethics Policy Statement Modern Slavery and Human Trafficking Statement Global Privacy Statement and Policy Read more: Our people – pages 56 to 57 How we do business – page 63
Anti-corruption and anti-bribery	Anti-Bribery and Corruption Policy Read more: How we do business – pages 63 to 64
Business model	Read more: Our business model – pages 52 to 53
Principal risks	Read more: Risk management – pages 71 to 75
Non-financial key performance indicators	Read more: Key performance indicators – page 67

Section 172(1) statement

Section 172 of the Companies Act 2006 sets out the duty of a director to act in the way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing this, the director is required to have regard, amongst other matters, to:

- The likely consequences of any decision in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationship with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

The Company's Directors have had regard to the factors set out above in discharging their duties under section 172, taking account of, not only our key stakeholders, but any wider impacts that may arise. We are mindful of the need to balance the broad range of interests and perspectives of our stakeholders, whilst acknowledging that not every decision that we make will deliver everyone's desired outcome. We recognise that building strong relationships with our stakeholders will help to inform the Board's decision-making, deliver our strategy in a sustainable way and meet our stated purpose.

Stakeholder engagement

We are committed to effective engagement with our stakeholders, and gather feedback and input from them through a variety of approaches. Directors, both executive and non-executive, engage directly with stakeholders on many issues and also take account of information provided to the Board by senior management, staff, external advisors and consultants. You can read more about our key stakeholders and how we engage with them on pages 54 to 59.

Decision-making

The views that we form as a result of our stakeholder engagement are taken into account in making Board decisions, as well as other factors set out in section 172(1) of the Companies Act 2006, as relevant. We have set out below two examples of how we have considered these matters in Board discussions and decisions.

Remuneration policy

The Company's Directors' Remuneration Policy (the 'Policy') will be submitted to the 2020 AGM for shareholder approval, in line with the normal three-year cycle. Cognisant of the vote at both last year's and prior AGMs in respect of the remuneration-related resolutions, the Board identified the loss of key personnel (Board members) as a new principal risk over the course of 2019. A specific risk in relation to the shareholder approval being sought for the new Policy has been articulated and is set out in the Risk management section (see page 71 for further information).

Ahead of the Policy vote, our Chair, Remuneration Committee Chair and Senior Independent Director embarked on a shareholder engagement programme to meet with our largest shareholders and their representative bodies. This provided us with the opportunity to understand the different views of our shareholders; ensure that they understand how our distinctive remuneration model benefits our owners; and for us to explain why the Board believes that the Policy for incumbent Executive Directors remains appropriate (whilst committing to change for future appointments). The key points covered in our communications with shareholders are set out on page 71.

Our proposed Policy is largely unchanged from prior policies, and the reasons for retaining this approach are set out in the Chair's review on page 12 and Remuneration Committee Chair's statement on pages 106 to 108. However, the Policy also confirms that all future Executive Directors appointed to the Board will be recruited on terms that fall within more normal market practice. This reflects our understanding that, with ongoing developments in corporate governance, our stakeholders want to see more standardised Board and pay arrangements.

Martankers acquisition

In February 2020, the Group acquired Martankers I, S.L. ('Martankers'), an independent shipbroking company based in Madrid with 30 years of history in the Spanish ship brokerage market, and a proven track record in the shipping of bulk chemicals and gases.

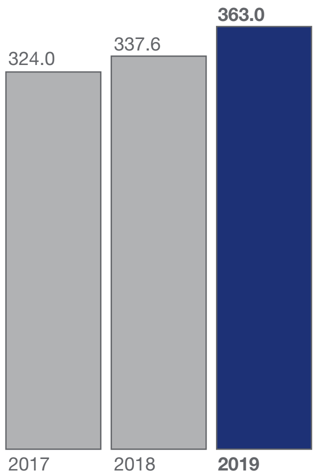
The proposal presented to the Board in December 2019 set out the rationale and benefits of the transaction, as well as the potential risks. The following key points were discussed by the Board:

- The business case for the acquisition was attractive, and would generate benefits for investors.
- In terms of strategic fit, the Group currently had no presence in Spain so the acquisition would provide an opening in a large territory where clients traditionally deal with a local broker. This would provide a platform to build on, generating growth and attracting local talent in other business areas in addition to the current business.
- The combined forces of expertise would enable an enhanced service to be delivered to clients.
- Martankers would be fully integrated into the Group, including the adoption of all Group policies, ensuring that the Group's business conduct standards were maintained. Systems and processes would be audited prior to completion in order to prepare for integration on to Clarksons' platforms as soon as possible after acquisition.
- The transaction would be structured so as to mitigate any risks arising from loss of key personnel.

Key performance indicators

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

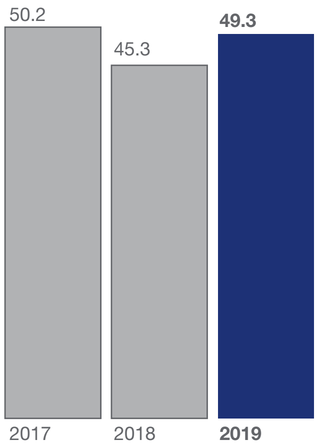


Definition
Revenue in sterling equivalent, translated at the rate of exchange prevailing on the date of the transaction. We have four revenue segments: Broking, Financial, Support and Research.

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 151.

Underlying profit before taxation
£m

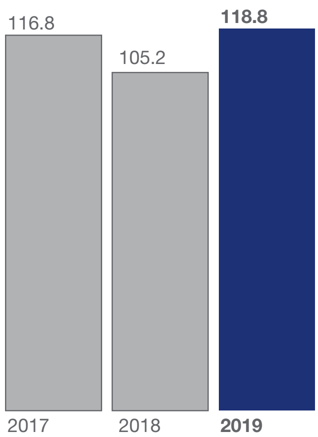


Definition
Profit before taxation, exceptional items and acquisition related costs as shown in the consolidated income statement.

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 40 to 43.

Underlying earnings per share
pence

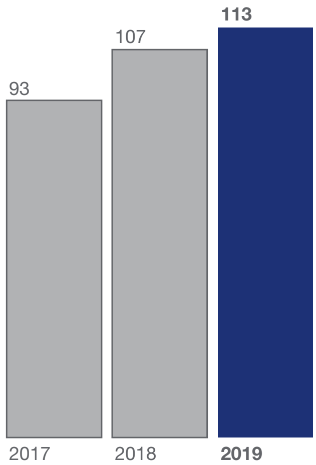


Definition
Profit after taxation and before exceptional items and acquisition related costs divided by the weighted average number of ordinary shares in issue during the year.

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 8 of the consolidated financial statements on page 156.

Broking forward order book (FOB) at 31 December for 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 40 to 43.

Non-financial KPIs
Whilst we use non-financial metrics within the business, such as in relation to employment matters (see Our impact on pages 56 to 57), we do not use non-financial KPIs to measure the strategic performance of the Group.

Risk management

As the world's leading provider of integrated shipping services, 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. Balancing this with taking advantage of all potential opportunities enables us to deliver our strategic objective of enhancing shareholder value by maintaining and extending our industry leadership.

Read more in Our strategy on pages 50 and 51.

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.

Read more in Our markets on pages 44 to 49.

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 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.
- **Borrowings**
  The Group has no borrowings, except for interest-bearing loans and borrowings relating to the convertible bonds business.

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.

Risk appetite

Risk appetite reflects the overall level of risk we are willing to seek or 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.

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 Group's stakeholders;
- maintaining the Company's system of internal controls and risk management; and
- reviewing the effectiveness of these systems annually.

The Audit and Risk 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 Auditor's 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 is responsible for:

- 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 to introduce new controls where necessary and to evaluate emerging risks.

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 current and emerging risks facing the Group;
2. Document risks on a centrally managed risk register;
3. Identify the level of appetite associated with each risk;
4. Assess the likelihood of occurrence of each risk over a 36-month period;
5. Evaluate the potential impact of each risk on the Group using a quantified scale;
6. Determine the strength and adequacy of the controls operating over each risk;
7. Assess the effect of any mitigating factors on both the likelihood and impact;
8. Compare the residual risk against the identified risk appetite;
9. For each of the key risk factors, after considering the relevant risk appetite, identify a target residual risk;
10. Identify the plan of action for the next 12 months to achieve the above targets;
11. Consider the level of additional assurance derived from the Three Lines of Defence model, including internal audit; and
12. Monitor and report all key risks, any emerging risks, any changes to the level of risk appetite and the status of the plan of action 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 macroeconomic 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.

In November 2019, the Audit and Risk Committee carried out its annual formal assessment of risk, controls and risk management processes in place. The Board agreed that the residual risks fall within the risk appetite for the Group.

The 2018 UK Corporate Governance Code, which is effective for this financial year, includes an additional requirement for the Board to consider emerging risks as part of their overall risk management responsibilities. Given the comprehensive nature of the annual formal assessment of risks and the regular monitoring throughout the year, the Board is satisfied that there are no significant emerging risks which could materially impact on the achievement of the Group's strategic objectives in the near term. However, as for any global business, there are a number of current and emerging risks which may have an impact on the Group in the future.

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

The priority for 2020, 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.

Principal risks

The principal risks which may impact the Group's ability to execute its strategic objectives have evolved since 2018.

The principal risks that follow, whilst not exhaustive, are those which we believe could have the greatest impact on our business and have been the subject of debate at meetings of the Board and the Audit and Risk Committee. 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.

Loss of key personnel – Board members

Change in risk factor since 2018 — New

Link to strategic objective — **People**

Description

At the Annual General Meeting in May 2020, the Company will seek approval of its new 2020 Remuneration Policy. This shareholder vote is binding. Accordingly there are two specific risks arising from existing contractual arrangements:

- The possible loss of Non-Executive Directors should it become clear that shareholders are not prepared to vote in favour of either the new proposed Directors' Remuneration Policy or their individual re-elections; and
- Seeking to amend unilaterally the terms of the existing Executive Director contracts will trigger a fundamental breach of contract rendering the contracts null and void thereby preventing the Company from relying on the protections (garden leave and post-termination restrictions) that it has in the existing contracts.

Controls/mitigating factors

- As documented below, we have undertaken considerable work to mitigate this risk.

Activities in 2019

Since October 2019, Sir Bill Thomas (Chair) and Dr Tim Miller (Remuneration Committee Chair) have written to, and met with, major shareholders. Peter Backhouse (Senior Independent Director) also attended these meetings. These communications covered:

- Confirmation that the Board unanimously believes we have the right management team to continue to lead the Company and drive the transformational strategy they have laid out.
- A historical review of the achievements of the management team since they joined the Group in 2006.
- The improvement in the share price since the low point in December 2008, following the credit crunch and collapse of freight rates, of £3.20.
- The 79% increase in ordinary dividends since 2006 despite one of the worst ever shipping markets, in line with the Board's commitment to a progressive dividend policy which has been unbroken for 17 years.
- The recognition that £173.2m has been paid in dividends to equity shareholders since 2006.
- The binding long-term contracts of the current management team which reflect that each executive is performing two roles. Independent legal advice has confirmed that seeking to impose changes to the relevant terms of these service contracts without consent would result in a breach of contract.
- The commitment by the Board on future hires to splitting the existing dual roles, despite the additional costs this may incur. New appointees will be recruited on terms which fall within more normal market practice by capping the annual bonus opportunity, deferring a greater proportion of the annual bonus, compensating only for fixed pay on severance and no enhancement on change of control.
- Continued engagement with the proxy advisory agents to explain the rationale above and to restate our future commitments.

Read more in the Directors' remuneration report on pages 106 to 108.

Economic factors

Change in risk factor since 2018 ↗

Link to strategic objective **Growth**

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 erratic nature of the US's approach to international trade and the departure of the UK from the EU have created uncertainties surrounding global economics and world trade.

The outbreak of COVID-19 has contributed significantly to reduced short-term freight rates in 2020. The extent of its geographical reach and duration will determine by how much global GDP, and thus seaborne trade, will be challenged.

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 2019
- Our results show the robustness of our strategy and business model against volatility in our markets, particularly those affected by falling commodity prices.

Read more in Our markets on pages 44 to 49.

Cyber risk and data security

Change in risk factor since 2018 ↗

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.

Shipping companies are increasingly targets of cyber attacks.

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 2019
- We continued to invest significantly in enhanced security policies and measures, people, resources and training dedicated to the prevention of cyber crime.

Loss of key personnel – normal course of business

Change in risk factor since 2018

Link to strategic objective **People**

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 2019
- 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 Clarksons Group, accommodating both the employees' and the Group's needs.

Read more about our people on pages 56 to 57.

Adverse movements in foreign exchange

Change in risk factor since 2018

Link to strategic objective **Growth**

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.

The lack of clarity over trade negotiations resulting from the UK's departure from the EU continues to affect the strength of sterling.

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 2019
- We continued to apply our hedging strategy consistently and, as at 31 December 2019, the Group had hedges in place for 2020, 2021 and 2022 of US$40m, US$15m and US$5m respectively, being a proportion of US dollar anticipated revenues.

Read more about our financial risk management objectives and policies in note 28 on page 171.

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

Change in risk factor since 2018

Link to strategic objective **Understanding**

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.

The longer the COVID-19 outbreak lasts and the more widespread it becomes, the greater the risk that our clients will be negatively impacted by the consequences on seabourne trade and are unable to meet their obligations.

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 2019

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

Read more about our trade receivables in note 15 on pages 160 to 161.

Breaches in rules and regulations

Change in risk factor since 2018

Link to strategic objective **Trust**

Description

Breaches of regulations, intentional or unintentional, could have a significant financial and reputational impact on the Group. In regulated entities, this could result in the loss of licences required to operate.

This includes breaches of sanctions, bribery and corruption laws, insider dealing, market manipulation, money laundering, facilitation of tax evasion, General Data Protection Regulations and Health and Safety controls.

Controls/mitigating factors

- Investment in compliance, quality assurance and legal functions to ensure best practice is consistently applied throughout the Group.
- Internal compliance tools help ensure the Group's teams have access to information that can assist them when negotiating.

Activities in 2019

- We continued to develop our internal compliance tools for use by all our staff to reflect changes in rules and regulations.
- The Compliance Code was reissued, including versions in Mandarin and Arabic. Every member of staff is required to confirm they have read and understood the contents of this Code.
- Training modules on sanctions and on anti-bribery and corruption were released during the year. Modules on insider dealing, market manipulation and anti-money laundering were developed and will be released shortly.

Read more about how we do business on pages 63 to 64.

Changes in the broking industry

Change in risk factor since 2018

Link to strategic objective

Understanding
Breadth
Reach
Trust
Growth

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 monitor competitors' activities in terms of product offerings to ensure we can react accordingly.
- We regularly review our clients' broking requirements.

Activities in 2019
- We have released the **Sea/** suite of sophisticated technological tools to enhance our service offering to our clients and to future-proof our business.
- We continue to develop and invest in these tools to ensure that they continue to meet the evolving needs of our clients.

Read more in Our strategy on pages 50 and 51.

Changes in principal risks
We previously identified the failure to achieve strategic objectives and employee misuse of confidential information as key risks.

The Board considered it more appropriate to identify specific risks to the achievement of the stated strategic objectives and to consider them separately.

Whilst the risk of an employee misusing key confidential information remains relevant, it is no longer considered to be a principal risk given the mitigating factors which are in place.

We continue to monitor the possible impact of climate change on the business.

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 2022, which is appropriate for the following reasons:

- in Broking, over 74% of the forward order book 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 2022;
- 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 71 to 75 for more information on these risks, 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 2022. 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 and Risk 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 2022.

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
Loss of key personnel – Board members	The loss of one or more Non-Executive Directors will not have a direct impact on the trading performance or financial position of the Group.
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 forward order book. 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 within 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 – normal course of business	No one global divisional team accounts for more than 20% of revenue or 35% of profit before taxation. No individual has generated more than 5% of new business for the Group in 2019 or 2018.
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 1.20 and highs of 1.43. The Group has hedges in place for 2020, 2021 and 2022, 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 2% of the total outstanding trade receivables balance at 31 December 2019.
Breaches in rules and regulations	The Group has extensive and adequate tools and procedures ensuring compliance with rules and regulations. The Group continues to develop and invest in these tools to improve further the effectiveness of these procedures.
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.

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 10 to 77. 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.

The Strategic report on pages 10 to 77 was approved by the Board and signed on its behalf by:

Jeff Woyda
Chief Financial Officer & Chief Operating Officer
6 March 2020

To ensure the long-term sustainable success of the Company, it is critical that the Group is framed by good standards of governance.

Sir Bill Thomas
Chair

Dear Shareholder

I am pleased to introduce the Corporate governance report for 2019. To ensure the long-term sustainable success of the Company, it is critical that the Group is framed by good standards of governance. This report outlines our approach.

In 2019, the Board finished the implementation of the principles set out in the 2018 UK Corporate Governance Code. Amongst other things, we have articulated our purpose which is to enable smarter, cleaner global trade, and throughout our annual report we explain how this underpins everything that we do, supports delivery of our strategy and delivers value to stakeholders.

We consider our key stakeholders to be our clients, people, communities and our shareholders, and you can read more about how we engage with them on pages 54 to 66. The views of our stakeholders and the insights that we can gain from them are critical to our decision-making and the long-term success of the Group. As we reported last year, Dr Tim Miller was appointed as our Employee Engagement Director. Although our employee engagement initiatives are at an early stage, the employee views that Tim has already been able to share with the Board have been extremely informative. We welcomed a new Group HR Director in October 2019 and she will be further developing our employee engagement initiatives to ensure the Board understands the views of our workforce. You can read more about these activities on page 57.

Our new Group HR Director is also supporting the Board's continued efforts around diversity and inclusion, as well as the Group's recruitment and development initiatives.

We have continued to focus on Board succession planning over 2019. As highlighted in my Chair's review on pages 10 to 12, there have been a number of changes to the Board since 2019 and into 2020. Most recently we have welcomed Heike Truol as a new Non-Executive Director. She has strengthened sector experience on the Board and will bring insight from the customer perspective. Her appointment process and planned induction programme are reported on pages 92 and 98. In assessing whether the composition of the Board is appropriate to deliver our strategy, we have concluded that strengthening the capital markets experience in the short to medium term may be beneficial and the Nomination Committee is keeping this under review.

A key area of focus for the Board this year has been the submission of our Directors' Remuneration Policy to the 2020 AGM, and I have spent valuable time meeting shareholders to explain the rationale for our approach to the renewal. I have been supported in these meetings by Dr Tim Miller (Remuneration Committee Chair) and Peter Backhouse (Senior Independent Director). You will find further information in my Chair's review on pages 10 to 12, the risk management report on page 71 and the remuneration report on pages 106 to 108, which explain in detail why we consider our approach to be in the best interests of our stakeholders.

The Audit and Risk Committee has continued to strengthen the internal control and risk management framework. Following the appointment of Grant Thornton to provide internal audit services to the unregulated business, a three-year risk-based plan has been developed to provide further assurance over key risks and the effectiveness of the control environment.

Our externally-facilitated Board evaluation for 2019 confirmed the effectiveness of the Board and its Committees, while drawing out some useful insight as to areas for enhancement. The main findings of the evaluation and agreed action plan are detailed on page 96.

Along with my Board colleagues, I look forward to meeting shareholders at our AGM on 6 May 2020. 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.

Sir Bill Thomas
Chair
6 March 2020

Code compliance

Statement of compliance with the UK Corporate Governance Code, published July 2018 (the 'Code')
The Company complied with the principles and provisions of the Code during the year ended 31 December 2019 other than with the following provision:

Provision 11: At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent.
As reported in the 2018 annual report, throughout 2018 (and subsequently until 12 February 2019) 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 this period) was not counted as an independent Non-Executive Director, and the Acting Chair over that period (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 1 January 2019 to 12 February 2019. With effect from 13 February 2019, Sir 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.

Section of Code	How we comply
Board leadership and company purpose	The Company is led by an effective and entrepreneurial Board of Directors, which has established the Company's purpose, values, culture and strategy. The Board recognises the importance of identifying its key stakeholders and engaging with them to understand their views. The insights that it gains through this engagement form a crucial part of the decision-making process. Find out more about the Board of Directors on pages 80 to 83 and about the Board's role and activities during the year on pages 84 to 86.
Division of responsibilities	The Chair takes responsibility for leading the Board, whilst day-to-day management of the Group is delegated to the CEO. The roles and responsibilities of the Directors are all clearly defined. Find out more about the division of responsibilities of the Board of Directors on pages 84 and 87.
Composition, succession and evaluation	The Nomination Committee oversees many of the activities which fall within this section of the Code and makes recommendations to the Board as required. The Nomination Committee takes the lead on succession planning, which it considers alongside the diversity, size and structure of the Board; evaluates the balance of skills, experience 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 during the year, and made recommendations to the Board regarding the election/re-election of individual Directors. An externally-facilitated evaluation of the performance of the Board, its Committees and the Directors was also undertaken. Find out more about these activities on pages 88 to 98.
Audit, risk and internal control	The Audit and Risk Committee plays a primary role in supporting the Board's compliance with the principles in this section of the Code. 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 and Risk Committee is well positioned to review and recommend to the Board the principal risks facing the Company and the viability statement. Find out more about the principal risks facing the Company on pages 71 to 75, the viability statement on page 76, and the activities of the Audit and Risk Committee on pages 99 to 105.
Remuneration	The Directors' Remuneration Policy will be submitted to the 2020 AGM for shareholder approval. The Remuneration Committee Chair's statement in the Directors' remuneration report provides an overview of the engagement with shareholders undertaken regarding the proposed Policy, and sets out the reasons why the Board believes that the Policy remains appropriate. The Remuneration Committee makes decisions regarding remuneration arrangements 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 106 to 125.

Board of Directors

An experienced and knowledgeable Board to guide Clarksons.

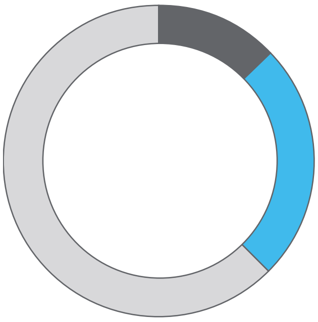
Changes in Board membership during the year and to the date of this report:

- Sir Bill Thomas was appointed as Chair on 13 February 2019.
- Ed Warner resigned as a Non-Executive Director on 13 February 2019.
- Peter M. Anker resigned as an Executive Director on 1 April 2019.
- James Hughes-Hallett passed away on 12 October 2019.
- Heike Truol was appointed as a Non-Executive Director on 31 January 2020.

Committee membership

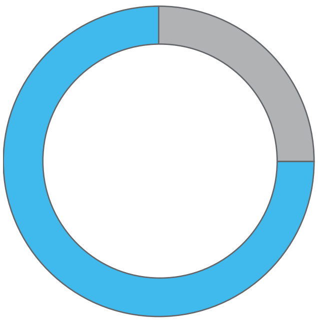
Audit and Risk Committee	A
Nomination Committee	N
Remuneration Committee	R
Chair	●

Board structure
As at 6 March 2020



Chair	12%
Executive Directors	25%
Independent Non-Executive Directors	63%

Board gender split
As at 6 March 2020



Female	25%
Male	75%

Chair

Sir Bill Thomas N R
Chair

Appointed
February 2019

Skills and expertise
Sir 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, Sir 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
Sir 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. Sir 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

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

Non-Executive Directors

Peter Backhouse
A N R

Senior Independent 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 Clarksons through his involvement in offshore oil and gas activity, liquefied gas and oil transportation, finance and mergers and acquisitions, as well as significant 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 being a member of the Advisory Board of private equity firm Riverstone Energy Partners. Peter was also Chairman and Supervisory Board Director of HES International B.V., a major operator of European bulk port storage and handling facilities, from 2014 to 2019.

Principal appointments
None

Non-Executive Directors

Marie-Louise Clayton
A N R
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 gained extensive digital and technology expertise which complements Clarksons' 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

Dr Tim Miller
A N R
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 considerable 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 Clarksons.

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
- Non-Executive Director and Chair of the Remuneration Committee of Scapa Group plc

Birger Nergaard
R
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 Clarksons, 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 Clarksons Platou AS (formerly RS Platou ASA) as Deputy Chairman in 2008 and has remained as a Director of this company since its acquisition by Clarksons.

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 Clarksons Platou AS and Clarksons Platou Securities AS
- Director of Nergaard Investment Partners AS
- Advisor to the P/E fund Advent International (Norway)

Heike Truol A N R
Independent Non-Executive Director

Appointed
January 2020

Skills and expertise
Heike has an in-depth client knowledge of the dry bulk market and is well positioned to bring valuable customer perspectives. With a 20-year track record of both advising large global organisations from the outside as a management consultant as well as driving performance from within, Heike brings significant experience of strategy development and delivery to the Board.

Career experience
Heike has 11 years' experience at Anglo American PLC (Anglo American) where she is now Executive Head, Commercial Services. On joining in 2009 as Group Head, Strategy she helped evolve the strategy function working closely with the CEO and executive committee. In her current role, she helped establish the Marketing business and has had P&L responsibility for Anglo American's global shipping activity. Heike is stepping down from her current role and will leave Anglo American at the end of April 2020. Prior to her time at Anglo American, Heike was a management consultant and held roles at Marakon Associates and Deloitte.

Principal appointments
None

Group Company Secretary

Rachel Spencer
Group Company Secretary

Appointed
April 2018

Career experience
Rachel has over 25 years' listed company experience. She joined Clarksons 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.

Committee membership

Audit and Risk Committee	A
Nomination Committee	N
Remuneration Committee	R
Chair	●

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 have approved a clear purpose statement for the Group which underpins everything that we do and we are cognisant that, to ensure the continued growth of a sustainable business, our purpose must be underpinned by our strategy and values of integrity, excellence, fairness and transparency. The embodiment of these values by our workforce translates into the Group's culture. We recognise that the Board has a responsibility to set the tone from the top, and we therefore seek to reinforce this through all of our actions.

Clarksons is a people business and its greatest strength is the spirit of teamwork and collaboration that lies at the heart of its culture. Our people processes are designed to retain and empower our employees to drive success, keep our clients at the core of our activities and align our interests with those of our main stakeholders, including shareholders. With this in mind, the Board reviews performance metrics that support the culture that the Group needs, including global turnover by business sector and location, annual promotions to early, middle and senior level management positions and key remuneration frameworks around employee equity participation.

In developing the strategy, the Board takes account of, not only our obligations to shareholders, but also the considerable impact that the Group has on other stakeholders including employees, customers and communities who are the 'end users' of the world trade that we play a key role in supporting. We provide guidance and oversight to management in the implementation of the approved strategy, taking into account the agreed risk appetite, and monitor performance against it.

You can read more about our impact as a Group on our stakeholders, as well as how we engage with our stakeholders, in the Strategic report (pages 54 to 59).

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 page 87.

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 page 87, whilst the schedule of Matters Reserved for the Board; the Terms of Reference of the Board Committees; and the roles of the Chair, CEO, Senior Independent Director and Employee Engagement 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 a revised divisional and executive framework (including a newly formed Executive Team) has been implemented by the CEO and CFO & COO to streamline executive decision-making processes and provide both formal and informal engagement channels for the Executive Directors and senior management. The embedding of the structure is being monitored by the CEO and supported by our new Group HR Director, and any changes necessary to further maximise efficiency will be implemented.

Board meetings and processes

Six scheduled Board meetings and four further ad hoc Board meetings were held during the year. Two of the ad hoc meetings were convened in order to approve the reappointment of Directors at the end of their three-year terms, whilst matters discussed at the other ad hoc meetings included the trading update released to the market in January 2019 and the acquisition of the Martankers business.

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.

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

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.

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.

Conflicts of interest

As Directors we have a duty under the Companies Act 2006 to avoid a situation in which we have, 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 is responsible 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 2019, no potential or actual conflicts were raised for consideration by the Board. In early 2020, we considered any potential conflicts that could arise from Dr Tim Miller being appointed as a director of Scapa Group plc and were satisfied that this would not give rise to any conflict of interest. We also reviewed the executive role of Heike Truol prior to her appointment and agreed that, in light of her confirmation that she had resigned from this role, it would not give rise to any conflict of interest.

Scheduled meeting attendance

Current Directors	
Sir Bill Thomas[1]	5/5
Andi Case	6/6
Jeff Woyda	6/6
Peter Backhouse	6/6
Marie-Louise Clayton	6/6
Dr Tim Miller	6/6
Birger Nergaard	6/6
Former Directors	
Peter M. Anker[2]	2/2
James Hughes-Hallett[3]	5/5
Ed Warner[4]	1/1

1 Appointed on 13 February 2019.
2 Resigned on 1 April 2019.
3 Member of the Board until 12 October 2019.
4 Resigned on 13 February 2019.

Governance continued

Key topics discussed at Board meetings in 2019

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
- Draft budget
- Property development for the Port Services business
- Health and safety update
- Review of overheads

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 update released to the market in May
- Market feedback on results and insights into movements in the shareholder register

Strategy

- Updates on strategic matters, including the technology proposition and the offshore and renewables markets
- Establishment of a new real estate project management company (within the Financial division) to support projects in their development phase
- Acquisition of the Martankers business

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
- Review of the approach to setting risk appetite and changes to risk appetite arising as a consequence

Governance

- Changes to the Board and composition of Board Committees, including the appointment of the new Chair and ancillary matters
- 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 re-election of the Directors and the external Auditor
- AGM Notice of Meeting and ancillaries, including the US Employee Share Purchase Plan
- Actions taken in response to the significant vote against the Directors' remuneration report at the 2018 AGM and publication of an update statement
- Annual review of the Modern Slavery Act statement
- Review of the employee and PDMR share dealing codes
- Succession planning, including the initiation of a search for a new Non-Executive Director and executive succession planning
- Annual review of the Board Diversity Policy

Division of responsibilities

Governance framework

Board

Key matters reserved for the Board:
- Purpose
- 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
- Monitor executive management's progress against agreed performance objectives

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

Employee Engagement Director
- Facilitates two-way communication between the Board and the workforce through a programme of engagement initiatives
- Enhances the voice of the workforce by feeding their views into the Board decision-making process

Read more about how we assess the independence of our Non-Executive Directors on page 93.

Nomination Committee
- Reviews the effectiveness of the Board, and its structure, size, composition and diversity
- Leads succession planning for the Board and oversees succession plans for senior management

Audit and Risk 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 Team
- 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.
- Advises the Board on all governance matters and ensures good governance practices throughout the Group

Nomination Committee report

We strive to maintain a diverse and balanced Board in the broadest sense which comprises individuals with a wide range of backgrounds, skills, experience, expertise and perspectives.

Sir Bill Thomas
Chair

Dear Shareholder

On behalf of the Board I am pleased to present this report on the work of the Nomination Committee during 2019.

I would like to open this report by paying tribute to James Hughes-Hallett. We were extremely saddened to report in October 2019 that James had passed away. As the former Chair of the Company, James served as Chair of this Committee for three years, and subsequently remained a member following his transition from Chair to Non-Executive Director. We are privileged to have benefited from his deep knowledge of the shipping industry as well as Clarksons' governance arrangements over this period, and I would like to recognise the great contribution that he made to both this Committee and the Clarksons Group.

Succession planning has once again been one of our prime areas of focus this year. The objective of our succession planning is to ensure that the current balance of skills, knowledge, experience and diversity on the Board remains appropriate to provide constructive challenge to management and support the delivery of the Group's strategy. We review the composition of the Board using a matrix which sets out the skills and experience of Board members, and we consider this relative to what is or will be needed to deliver the Group's current and future strategic plans. Based on this, in 2019 we initiated a search for a new Non-Executive Director, focusing on two distinct areas – deepening the sector knowledge on the Board and strengthening the capital markets experience on the Board. Consequently, we were pleased to welcome Heike Truol to the Board as a Non-Executive Director and a member of this Committee in January 2020. Diversity is an important aspect of any Director search and, as our Board Diversity Policy confirms, we strive to maintain a diverse and balanced Board in the broadest sense which comprises individuals with a wide range of backgrounds, skills, experience, expertise and perspectives. The shipping experience that Heike brings to the Board is from the customer perspective, which will support us in enhancing our understanding of customer views. Following Heike's appointment and the need to embed this, we are continuing to consider the most appropriate timing for the appointment of a further Non-Executive Director with capital markets experience.

The Board also dedicated time during the year to considering succession planning for senior management. We welcomed the detailed insights that the CEO presented to us on the pipeline for key roles, with the focus of our discussions being not only the identification of potential successors but the development that may be needed to ensure that individuals are equipped with the skills needed to deliver our strategic plans. A new Group HR Director has recently joined the Group, and she will continue to support the Committee in maintaining its focus on this area.

The Board is committed to supporting the work of the Group to look for new and innovative ways to ensure a diverse and inclusive workforce at every level of the organisation. The new Group HR Director will support the focus on this important aim.

The annual review of the effectiveness of the Board, its Committees and our Directors was externally-facilitated in 2019. Along with the Group Company Secretary, I met with shortlisted providers and we recommended to the Board that The Effective Board LLP be selected to conduct the evaluation as they demonstrated a clear understanding of the Company and highlighted initial thoughts on areas that the Board might wish to probe as part of the evaluation. I am pleased to report that the review concluded that the Board and its Committees operated effectively although, as you would expect, the review highlighted some areas for improvement. An action plan to address these is in the process of being formulated, and we welcome this as an opportunity to further enhance our effectiveness.

Sir Bill Thomas
Nomination Committee Chair
6 March 2020

At a glance

Comprises a majority of independent Non-Executive Directors:

- Sir Bill Thomas, Chair[1]
- Peter Backhouse, Senior Independent Director
- Marie-Louise Clayton, independent Non-Executive Director
- Dr Tim Miller, independent Non-Executive Director
- Heike Truol, independent Non-Executive Director[2]

Ed Warner stepped down as Chair of the Nomination Committee and as a member on 13 February 2019 following the appointment of Sir Bill Thomas as Chair. James Hughes-Hallett served as a member until he passed away on 12 October 2019. Heike Truol was appointed as a member with effect from 31 January 2020.

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

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

Two scheduled and four unscheduled meetings were held during 2019. Attendance at the scheduled meetings is set out below.

Unscheduled meetings were convened principally to confirm the appointment of the new Chair and to review progress in the appointment of a new Non-Executive Director.

Scheduled meeting attendance[3]

Current Directors	
Sir Bill Thomas	2/2
Peter Backhouse	2/2
Marie-Louise Clayton	2/2
Dr Tim Miller	2/2
Former Director	
James Hughes-Hallett[4]	1/1

1 Appointed on 13 February 2019.
2 Appointed on 31 January 2020.
3 No meetings were held prior to 13 February 2019, when Ed Warner resigned.
4 Served as a member until 12 October 2019.

Read about the annual review of the Nomination Committee's effectiveness on pages 95 to 96.

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.

Ensure plans are in place for orderly succession to the Board and senior management, taking into account the challenges and opportunities facing the Group.

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, and the process for the annual evaluation of the performance of the Non-Executive Directors.

Review the policy on diversity and inclusion for the Group as a whole, and recommend any changes to the Board.

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 2019

Annual effectiveness review

- Output of the 2018 annual effectiveness review of the Board and the Nomination Committee, including progress against action plans

Succession planning

- Succession planning for Non-Executive Directors
- Initiation of the search for a new Non-Executive Director, including agreement of the role specification, the approach to the search, selection of the search agency, and review of candidate profiles (which culminated in the appointment of Heike Truol in January 2020)
- Recommendation to the Board that a framework be established for Chair succession

Appointment/reappointment of Directors

- Recommendation to the Board of the appointment of Sir Bill Thomas as Chair (including Board Committee memberships), having considered his independence, other time commitments and the proposed terms of his appointment
- Extension of the appointments of Peter Backhouse and Marie-Louise Clayton for a further three-year term, following review of their performance and independence
- Annual review of the continued independence of each Non-Executive Director
- Recommendation to the Board (for onward recommendation to shareholders) of the election or re-election of each of the Directors, having considered performance evaluation, time commitments, meeting attendance and, where relevant, their independence

Diversity

- Annual review of the Board Diversity Policy
- Recommendation that the new Group HR Director review the policy on diversity and inclusion for the Group as a whole

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
- Review of the composition of the Board Committees following the appointment of the new Chair, taking account of the resignation of Ed Warner as a Non-Executive Director and the transition of James Hughes-Hallett's role from Chair to Non-Executive Director (including his independence)

Governance

- Annual review of the Committee's Terms of Reference, including how the Committee had discharged its responsibilities during the year
- Review of the report of the Committee, to be included in the 2018 annual report

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 effectiveness evaluation of the Board undertaken in late 2018, the Nomination Committee drew the following conclusions during 2019:

- The tenure of the Directors (which is set out on the next page) does not give rise to any immediate concerns as four of the five Non-Executive Directors in office as at 31 December 2019 will not reach the end of their second three-year term until 2021 at the earliest. The appointment of Heike Truol has further 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 appointment of Sir Bill Thomas during the year has strengthened the Board's capabilities in the area of technology. Furthermore, the search for a new Non-Executive Director was being conducted with the aim of deepening sector knowledge on the Board. This search subsequently resulted in the appointment of Heike Truol, who brings to the Board shipping experience from the customer perspective.
- Following this refreshing of the Board, and in assessing whether the composition of the Board is appropriate to deliver our strategy, we concluded that strengthening the capital markets experience on the Board in the short to medium term may be beneficial. The Nomination Committee is keeping this under review.
- The Company complies with all provisions under the Code in relation to Board Committee memberships.
- Whilst the gender diversity of the Board did not currently meet the 33% target set out in the Hampton-Alexander Review, the search for the new Non-Executive Director was being conducted in part using open advertising with the aim of widening the pool of female candidates for the role. In January 2020, the appointment of Heike Truol was confirmed, improving the gender diversity on the Board.

In addition to this longer-term succession planning activity, the Nomination Committee has also considered succession planning across a short-term horizon. It is satisfied that, in the event that one of the Board Committee Chairs was unexpectedly unable to fulfil their duties, the current Board composition would allow contingency cover to be identified and the Board Committee to continue to operate effectively whilst still meeting any specific Code requirements.

The external evaluation of the Board's effectiveness undertaken in late 2019 concluded that the appointment of an additional one or two Non-Executive Directors would be beneficial. Whilst consideration is being given to strengthening the capital markets experience on the Board in the short to medium term, the Board is also cognisant of the need to embed the appointment of Heike Truol before confirming any future Board appointments.

Read more about the appointment of Heike Truol on pages 92 and 98.

Chair

As reported in the 2018 annual report, the Company announced that Sir Bill Thomas had been appointed as Chair with effect from 13 February 2019. Further detail regarding Sir Bill Thomas' appointment was provided on pages 88 to 89 of the 2018 annual report.

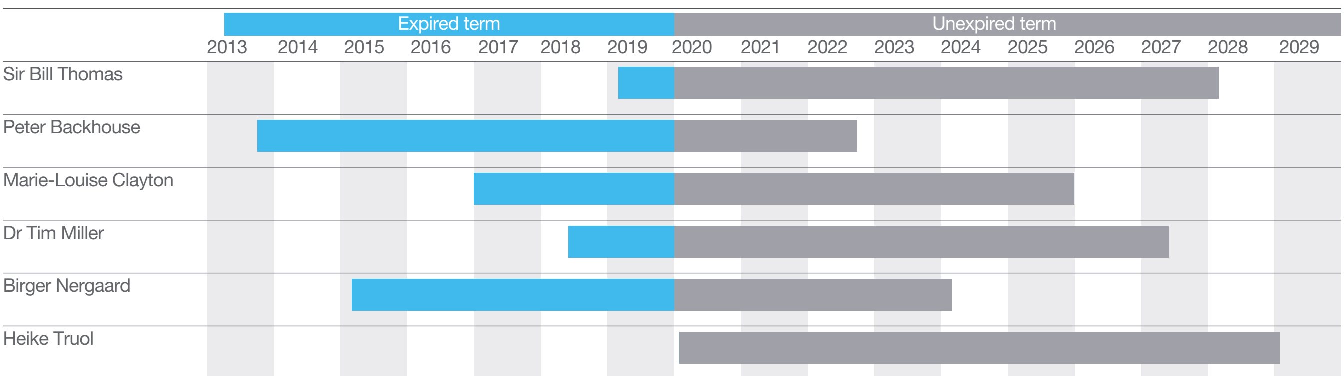
To ensure that an effective Chair is in place at all times to lead the Board, and that the Board will be able to act quickly when a search for a new Chair needs to be undertaken in the future, during 2019 the Nomination Committee established a framework for Chair succession. This outlines the process 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 and senior management

Recognising the importance of executive succession planning, the Board as a whole reviewed the succession plans in place for executive positions during the year. The CEO presented detailed insights into the pipeline of key talent for succession to more senior roles. The business has invested in ensuring it has a meaningful cohort of key talent capable of assuming broader roles as the opportunity and need requires, and the Board was satisfied that the approach is appropriate to continue to develop the right skills and capabilities in the levels below the Board and to mitigate risk. These leadership skills will be further enhanced by the launch of the newly re-designed executive and divisional management forums. Furthermore, efforts continue to provide opportunities for more senior employees to engage with the Board through both formal presentations at Board and Committee meetings and informal meetings such as at our Global MDs Week. Emergency succession plans are in place for the executive leadership team.

During the year, Peter M. Anker stood down as an Executive Director, ahead of his retirement from full-time employment in July 2019. Peter has remained with the Group on a part-time basis as a senior adviser, which has allowed the senior management in our Platou business to transition into a new senior management structure. Consideration was given to whether there was a need to replace Peter on the Board. During these discussions it was noted that, whilst Peter's appointment to the Board had been appropriate at the time of the acquisition of RS Platou ASA as it had provided the Board with the necessary insights into and oversight over the embedding of the business into the Clarksons Group, the Platou business was now fully embedded. Furthermore, the Board was satisfied that attendance by senior Platou employees at Board and Board Committee meetings was providing an appropriate level of oversight of the business.

Board tenure



Nomination Committee report 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.

Appointment of Heike Truol

Heike Truol was appointed as a Non-Executive Director and member of the Audit and Risk, Nomination and Remuneration Committees with effect from 31 January 2020. Details of the search process followed are set out below.

Heike's biography can be found on page 83.

Our six-stage process		Appointment of Heike Truol Independent Non-Executive Director
1	Board decision to initiate search process (made on the recommendation of the Nomination Committee)	New Non-Executive Director to be appointed in order to deepen sector knowledge on the Board.
2	Approach to search agreed: – Selection of search firm, taking account of those firms who are signatories to the Voluntary Code of Conduct for Executive Search Firms – Agreement to use open advertising to increase the pool of female candidates	– Following a selection process involving a number of firms, Heidrick & Struggles (who have no other connection with the Company or its Directors) were engaged. – In addition, the role was advertised via 'Women on Boards', with any candidates being routed through Heidrick & Struggles.
3	Search firm provided with objective criteria to assess potential candidates against	– Significant experience of leadership in the global shipping and maritime transportation industry. – Broad business knowledge, ideally with experience of driving growth. – Good cultural fit, including a collaborative and consultative approach and ability to engage constructively in the boardroom.
4	Longlist debated by Nomination Committee	Considerations: – Suitability against the job specification. – Ability to commit sufficient time to the role – consideration was given to Heike's time commitment in relation to her executive role at Anglo American PLC and it was noted that she would be stepping down from this role (and leaving Anglo American PLC) at the end of April 2020. – Any potential conflicts – the potential for conflict between Heike's executive role and her directorship at Clarksons was considered, and it was concluded that no conflicts existed, particularly in light of her impending departure.
5	Interviews with those shortlisted and preferred candidate confirmed	Heike Truol nominated as preferred candidate: – Heike would bring deep cargo knowledge to the Board from the customer perspective. – Heike's experience of developing and delivering strategic plans would mean that she was well placed to contribute to the Board's strategic planning process.
6	Formal recommendation by Nomination Committee to Board and Board approval	Approved by the Board with effect from 31 January 2020.

Reappointments
During the year, the Nomination Committee recommended the reappointments of Peter Backhouse and Marie-Louise Clayton for a further three-year term, subject to annual re-election by shareholders. This followed confirmation of their continuing and effective contribution to the Board; that they continued to commit sufficient time to the Company in order to discharge their responsibilities fully; and that there had not been any changes in circumstances which would impair their independence. As part of the reappointment process, the Nomination Committee also reviewed the current balance of skills, knowledge and experience on the Board and the particular strengths of each Director.

In considering Peter's reappointment, the Nomination Committee highlighted his extensive experience in the international energy business (which is complementary to the Group's oil and gas and offshore businesses) and M&A activity, as well as his experience of operating within a listed company environment as both a senior executive and a non-executive director.

In making its recommendation in respect of Marie-Louise, the Nomination Committee noted in particular Marie-Louise's proven track record in holding senior finance positions over her executive career and her extensive experience of chairing audit committees in listed companies. Furthermore, Marie-Louise's knowledge of the digital and technology industry complements the Group's commitment to delivering market-leading IT products.

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 contribution to the Group's strategy, 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.

Contribution to strategy
The contribution that each Director makes to the Group's strategy is set out in their biographies on pages 80 to 83.

Director performance evaluations
The process by which the performance of the Directors is evaluated is set out on page 97. The evaluations concluded that each of the Directors continues to perform effectively and to demonstrate commitment to their role.

Time commitment
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:

– Sir Bill Thomas' membership of the International Advisory Board of FireEye, Inc. was in an advisory capacity only.
– The appointment of Dr Tim Miller as a non-executive director of Scapa Group plc in early 2020 did not give rise to any concerns with regard to his ability to commit sufficient time to his directorship of the Company.
– As part of the process by which Heike Truol was appointed as a Non-Executive Director, the Board had considered her executive role at Anglo American PLC and noted that she would be stepping down from this role (and leaving Anglo American PLC) at the end of April 2020.

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.

Independence
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. However, the Nomination Committee also revisits its assessment as and when there are any changes in circumstances and prior to recommending any reappointments for a further term to the Board (as was the case during the year for Peter Backhouse and Marie-Louise Clayton, described further to the left).

On the appointment of Sir Bill Thomas as Chair, James Hughes-Hallett remained on the Board and transitioned from his previous role as Chair to Non-Executive Director. Noting that James had been assessed as independent when appointed as Chair, the Nomination Committee determined that James continued to meet the independence criteria set out above at the time of his transition and, as such, could be classed as an independent Non-Executive Director.

During its annual assessment, the Nomination Committee satisfied itself that there had not been any further 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 2020 AGM. Further information about the Directors, which highlights their skills and areas of expertise, is set out on pages 80 to 83.

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.

2018 review

The key actions arising from the 2018 review, along with an update on progress against the actions undertaken in 2019, is provided below:

Area of assessment	Actions	Update
Board composition See more on pages 90 to 91.	Review the breadth of diversity and sector experience on the Board as part of the Board's regular succession planning.	The appointment of Sir Bill Thomas during the year has strengthened the Board's technology capabilities. In addition, the appointment of Heike Truol as a Non-Executive Director has deepened the sector experience on the Board and improved the gender diversity.
Boardroom dynamics See more on page 84.	Schedule in more opportunities for Directors to interact in a more informal environment with their fellow Directors.	Additional Board lunches and dinners were scheduled into the 2019 Board calendar and are now a feature of the annual calendar. Some Directors also attended sessions of Global MDs Week, providing them with further opportunities to interact informally with both their fellow Directors and senior management.
Information flows See more on page 84.	Enhance the way in which information is presented to the Board to increase focus on the key issues and decisions to be made.	A new template for papers, previously tested by Secretariat, has been rolled out more widely. The template ensures that papers focus on key issues and flag decisions to be made.
Strategic oversight See more on page 85.	Review the strategic planning and review process in order to allow the Directors to increase their focus on the strategy.	In addition to holding their annual strategy session, the Board has received further updates on strategic initiatives as part of its regular schedule of meetings. This has assisted the Board in increasing its focus on the technology proposition in particular.
Succession planning See more on pages 90 to 91.	Increase the focus on succession planning for key executive roles.	The Board received a detailed update on executive succession planning from the CEO during the year. This continues to be an area of focus and will be supported further by the new Group HR Director who joined the Group in October 2019.
Risk management and internal controls See more on pages 99 to 105.	More detailed information regarding the Company's risk management and internal controls processes to be provided in order to allow the Board to undertake a deeper review of their effectiveness.	The Audit and Risk Committee redefined its approach to setting risk appetite, and the Board approved a revised risk appetite for the Group. The appointment of Grant Thornton to provide an internal audit arrangement for our unregulated businesses, as well as enhancements to the annual review of risk, controls and risk management processes, has provided the Board with further assurance over the effectiveness of these processes.
Support	Implement a more structured training programme.	The Board received an update on external governance developments during the year, whilst the Board Committees were also briefed by their advisors on areas pertinent to their remits. Outside of formal meetings, the Board is provided with written briefings on areas of interest.

2019 review

In line with the recommendation in the Code that an external evaluation is undertaken at least once every three years, the 2019 evaluation was externally facilitated by The Effective Board LLP. The Effective Board LLP does not have any connections with the Company or individual Directors.

Whilst the Nomination Committee would ordinarily oversee the process for the annual evaluation, the Board as a whole agreed the approach to be taken in respect of the 2019 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 Company's purpose and strategy; the strategic planning process; the Board's understanding of the opportunities and risks across the business; the Board's composition; the quality of engagement with stakeholders; and the Board's procedures and resources. Separately, the external evaluator spoke with a number of Directors ahead of his reports being finalised.

The evaluation firm attended a meeting of the Board to present the findings of the review, along with recommended actions. These were discussed by the Board and the key areas of focus for 2020 were agreed. Taking account of the Board's discussions, the Nomination Committee subsequently agreed a draft action plan which was recommended to the Board. Each Board 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 2020 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 key actions to be taken forward in 2020.

Board and Committee effectiveness review process

June 2019
Approach agreed by Board and longlist of external evaluators drawn up.

↓

June to August 2019
Meetings held with two shortlisted firms (attended by the Chair and Group Company Secretary).

↓

August 2019
Board approved the recommendation that The Effective Board LLP be appointed to undertake the review.

↓

December 2019
Questionnaires completed and output analysed.

↓

January 2020
Outputs discussed with Chair and Committee Chairs.

Presentation of the results to Board and areas of focus for 2020 agreed.

↓

March 2020
Action plans approved by the Board and its Committees (where required).

Output from the 2019 review

Area of assessment	Output/actions
Board composition and dynamics See more on pages 84 and 90 to 91.	Taking account of the search for a new Non-Executive Director that was ongoing at the time that the review was undertaken, it was agreed that the size, composition and diversity of the Board would be appropriate following the appointment of a further one or two NEDs. Since this time, the appointment of Heike Truol has deepened the sector experience on the Board. Strengthening the capital markets experience in the short to medium term will be kept under review. There was a good working relationship between the Non-Executive Directors and executive management. Whilst more opportunities had been scheduled in the 2019 Board calendar for Directors to interact in a more informal environment with their fellow Directors, the Non-Executive Directors would welcome further opportunities to meet informally with both other Board members and senior management outside of meetings.
Strategy See more on page 85.	The Board had a clear understanding of the strategy, and it was agreed that the Group was on track to achieve its strategic objectives within the approved risk appetite. This was supported by a good level of knowledge within the Board of the opportunities and risks across each of the divisions. However, the adoption of a refreshed approach to strategic planning would enable the Board to develop the strategy further. Although the current KPIs were agreed to be those on which key business decisions were based, these would be revisited as part of the refreshed strategic approach to ensure that they were aligned with the Company's purpose.
Information flows See more on page 84.	The quantity and quality of information provided to the Board was confirmed as appropriate, and information was received on a timely basis through an effective electronic portal. Reporting to the Board could be enhanced by highlighting more clearly in papers the key issues and implications for stakeholders.
Succession planning See more on pages 90 to 91.	Whilst progress had been made in the year in relation to succession planning for senior management, it was acknowledged that the formalisation of these plans would be the next step. This work would be supported by the newly recruited Group HR Director who had joined the Group in October 2019.
Stakeholder engagement See more on pages 54 to 59.	The appointment of one of the Non-Executive Directors as Employee Engagement Director provided additional focus on employee engagement over the year, and activities to date provided a foundation on which to build. It was agreed that the strategy for engaging with employees needed to be developed further, which would be supported by the new Group HR Director. The insights provided by the CEO on client satisfaction issues could be enhanced further through business MD presentations at Board meetings. Although the Group as a whole had few key suppliers, more regular reporting on prompt payment of suppliers would be provided to future Board meetings.
Risk management systems See more on pages 99 to 105.	Good progress was highlighted over 2019 in redefining the Group's risk appetite and it was agreed that risk management systems were effective and allowed appropriate escalation of issues. Enhancements had been made to internal controls over the year, and this was expected to evolve further following the engagement of Grant Thornton to provide internal audit services to the unregulated businesses. Cyber security was also agreed to be well managed.
Committees	The Board Committees were confirmed to be operating effectively. Some of the areas highlighted above, such as providing more clarity in papers over stakeholder impacts, were also themes emerging from the Committee evaluations. These actions will be progressed within the wider Board action plan. The Nomination Committee review noted that diversity at Board level received the necessary level of focus. Focus on diversity across the wider Group would be supported by the new Group HR Director.

Director performance evaluations

The performance of the Non-Executive Directors is reviewed annually in tandem with the Board and Committee effectiveness reviews, and in 2019 this review was externally facilitated.

The performance of the Chair, Non-Executive Directors and Executive Directors was evaluated by way of a questionnaire which focused on the contribution made by the Director over the year; how that contribution was made; and their commitment to the role. Feedback was also sought on the Group Company Secretary's performance. The questionnaires were completed anonymously, and the outputs were collated into reports which were provided to the Chair (in the case of the Non-Executive and Executive Directors) and the Senior Independent Director (in relation to the Chair's performance review) and discussed on a one-to-one basis. Where appropriate, development plans and ongoing training needs will be agreed on an individual basis.

The performances of the CEO and the CFO & COO were also appraised separately by the Chair and the CEO respectively. Feedback was presented to the Remuneration Committee as part of the annual remuneration review.

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 25%.

The Board is committed to supporting the work of the Group to look for new and innovative ways to ensure a diverse and inclusive workforce at every level of the organisation. The new Group HR Director will support the focus on this important aim. During the year, the Group has enhanced its family-friendly policies, and will continue to evolve these globally.

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 from both an internal and an external perspective of the Group: its culture, stakeholders (including people), key businesses and markets, and operations on the ground;
- Providing them with any key insights into Committee-specific matters, as relevant; and
- Enabling their effective contribution to the Board as early as possible.

A typical induction programme includes:

- 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;
- Meetings with principal advisors and, as appropriate, major shareholders; and
- Site visits.

The programme is supplemented by access through the electronic 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.

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.

The induction programme for Sir Bill Thomas was completed during the year, whilst the programme for Heike Truol has been agreed and is in progress. Given that Heike has been appointed as a member of all of the Board Committees, the programmes for both Sir Bill and Heike include similar elements. However, Heike will not meet with major shareholders. Further details on their induction programmes are provided to the right.

Heike Truol
Independent Non-Executive Director

Board

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

Group Company Secretary:
To provide an overview of key Board procedures (including the governance framework and Board calendar) and Board resources.

Internal

Business MDs:
To provide an overview of the business (including challenges, opportunities, the competitive environment, key risks, customer matters and history) 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. This includes an overview of employee engagement initiatives from the Group HR Director.

Site visits:
To enable the Director to meet the local leadership team and build a deeper understanding of the business from an on-the-ground perspective.

External

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

Major shareholders:
To gain an understanding of the views of major shareholders and their perception of the Group.

The biographies of both Sir Bill and Heike are on pages 80 and 83 respectively.

Looking ahead to 2020, we intend to build on the progress made in 2019 in strengthening our risk and control environment.

Marie-Louise Clayton
Chair

Dear Shareholder

I am pleased to present our Audit and Risk Committee report for the year ended 31 December 2019.

I would like to open this report by welcoming Heike Truol as a new member with effect from 31 January 2020 and expressing my gratitude to James Hughes-Hallett, who sadly passed away in October 2019. Over the last five years, James attended Committee meetings as both an attendee whilst he was the Group's Chair, and more recently as a member. His vast experience of the shipping world combined with his financial acumen as a chartered accountant meant that he was uniquely placed to provide the Committee with invaluable counsel, which we will miss greatly.

As you will have noted, the Committee's name has changed since the last report, which underlines the Committee's wider focus on the Group's risk and control environment, alongside the oversight that we maintain over the statutory audit and the relationship with the external Auditor. Further reflecting this focus, we have scheduled in an additional meeting in 2020 (and will do so in future years).

As we reported last year, in late 2018 the Committee completed a tender process to appoint an external firm to provide it with internal audit services. During 2019, Grant Thornton formulated a three-year plan to deliver these services and presented its initial audit reports to us. Grant Thornton's appointment is supporting the further development of our risk management framework and is supplementing our assurance over the control environment. Furthermore, the implementation of recommendations arising from audits to date is already helping to strengthen the effectiveness of our internal controls.

A key area of work during the year from a risk and control perspective was the redefinition of our approach to setting risk appetite, which included revisiting our level of risk appetite in respect of the Group's principal risks. Furthermore, the annual review of risk, controls and risk management processes which the Committee oversees was enhanced in a number of areas, as described in the following pages. These are positive steps in strengthening our risk management processes, and they have provided us with further assurance in advising the Board on whether it can make the statements in the annual report (as required by the Code) that a robust assessment has been undertaken of the Company's emerging and principal risks and regarding the annual review of the effectiveness of the Company's risk management and internal control systems.

In terms of audit highlights, 2019 was a year of consolidation following the external audit tender that we carried out last year. Following a period of transition, Chris Burns assumed the Lead Audit Partner role, and I would like to thank Chris and the wider PwC team for their open and transparent contributions to Committee meetings.

During 2019, the Company received a letter from the Financial Reporting Council noting that the Company's interim report had been included in their sample for a thematic review of companies' reporting relating to the transition to the new leasing standard, IFRS 16 'Leases'. The FRC considered our interim report as an example of better practice in explaining the effect of adopting IFRS 16 on opening reserves. Given our efforts to ensure that our reporting is always clear and concise, this recognition was pleasing.

Looking ahead to 2020, we intend to build on the progress made in 2019 in strengthening our risk and control environment, and the further embedding of risk management processes and tools within the business will be a particular area of focus.

I look forward to attending our AGM on 6 May 2020 to answer any questions about the work of the Audit and Risk Committee.

Marie-Louise Clayton
Audit and Risk Committee Chair
6 March 2020

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 Director
- Heike Truol, independent Non-Executive Director[1]

Ed Warner stepped down as a member on 13 February 2019. James Hughes-Hallett served as a member from 13 February 2019 until he passed away on 12 October 2019. Heike Truol was appointed as a member with effect from 31 January 2020.

The Board is satisfied that Marie-Louise Clayton meets the requirement under the Code that at least one member of the Audit and Risk 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, the external Auditor (PwC) and the internal Auditor (Grant Thornton). Representatives of the Norwegian businesses are regularly invited to meetings to provide insight on matters relating to those businesses.

At least once per year, the Audit and Risk Committee meets privately with each of the external Auditor and the internal Auditor (Grant Thornton) without management present in order to discuss their remits and any issues they may wish to raise.

The key roles of the Audit and Risk Committee 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.

The Audit and Risk Committee held three scheduled meetings during 2019. Attendance is set out below.

Scheduled meeting attendance[2]

Current Directors	
Marie-Louise Clayton	3/3
Peter Backhouse	3/3
Dr Tim Miller	3/3
Former Director	
James Hughes-Hallett[3]	1/2

1 Appointed on 31 January 2020.
2 No meetings were held prior to 13 February 2019, when Ed Warner resigned.
3 Served as a member from 13 February 2019 until 12 October 2019. Unable to attend one meeting during the year due to illness.

Read about the annual review of the Audit and Risk Committee's effectiveness on pages 95 to 96.

Responsibilities of the Audit and Risk 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 to the Board the tendering of the external audit contract, and the appointment and reappointment of the external Auditor; 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.

Review the effectiveness of the Group's internal financial controls, and 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 all internal audit reports in relation to the regulated banking business and the wider Group.

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

Key topics discussed at Audit and Risk Committee meetings in 2019

External audit

- External audit reports on the principal audit and accounting issues arising during the half year and full year audits
- Recommendation to the Board to reappoint PwC, having reviewed the effectiveness of the external audit process and reassessed PwC's independence
- Letters of representation in connection with the full year and half year audits
- PwC's terms of engagement
- Plan for the 2019 full year audit, including objectives, approach, timing and fee proposal
- Review of the Non-Audit Services Policy
- Observations on the control environment highlighted by PwC during the course of audits

Financial reporting

- Financial results comprising the 2018 full year results announcement, the 2018 annual report (including statements regarding going concern and viability, and confirmation that the annual report was fair, balanced and understandable) and the 2019 half year results announcement
- Accounting policies and key judgement areas for the half year and full year results
- Interim and final dividend payment capacity

Governance

- Consideration of any financial matters to be brought to the attention of the Remuneration Committee in respect of 2018 bonus awards and the bonus provision
- Development of a Delegated Authorities Policy
- Annual review of the Audit and Risk Committee's effectiveness
- Annual review of the Audit and Risk Committee's Terms of Reference, including how the Committee had discharged its responsibilities during the year

Internal audit

- 2019 internal audit plan for Clarksons Platou Securities AS and a three-year internal audit plan for the wider Group
- Regular updates on internal audit activities

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
- Regular review of the risk register and annual assessment of the emerging and principal risks
- Recommendation to the Board on a refreshed approach to setting risk appetite, and changes to risk appetite arising as a consequence
- IT security update
- Regular compliance updates

Financial reporting

The Audit and Risk 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 and Risk Committee considered the significant issues set out in the table on the next page to ensure that appropriate rigour was applied. These were discussed in detail with management and the external Auditor throughout the year.

All accounting policies can be found in note 2 on pages 143 to 150 of the consolidated financial statements.

Significant issues considered in relation to the financial statements

Issue	Area of focus	Audit and Risk Committee review and conclusion
Risk of impairment of trade receivables	A number of judgements are made in the calculation of the provision, primarily the age of the balance, location and known financial condition of certain customers, existence of any disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the counterparty.	The Audit and Risk Committee discussed with management the results of its review, the internal controls and the composition of the related financial information. The Audit and Risk Committee also discussed with the external Auditor their audit procedures over the provision and their findings. The Audit and Risk Committee is satisfied with management's judgements and that the level of provisioning of £14.2m is consistent with the evidence obtained.
Carrying value of goodwill	Determining whether an impairment charge is required for goodwill involves significant judgements about forecast future performance and cash flows of cash generating units ('CGUs'), including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate.	The Audit and Risk Committee discussed with management the results of its testing and evaluated the appropriateness of the assumptions used within its impairment test model. This model indicated that the carrying value of the Offshore broking and Securities CGUs exceeded the estimated recoverable amount, resulting in the need for an impairment charge to goodwill. For all other CGUs there was sufficient headroom, after considering the impact of sensitivity analysis from changes in key assumptions, not to record an impairment charge. The results of the Audit and Risk Committee's review of management's testing were subsequently discussed with the external Auditor. The Audit and Risk Committee is satisfied with management's assumptions and judgement, and with the conclusion to take an impairment charge in the Offshore broking and Securities CGUs amounting to £47.5m but not in any of the other CGUs, and that appropriate sensitivity disclosures have been included in the financial statements.
Carrying value of investments (Parent Company)	Determining whether a corresponding impairment charge is required in the balance sheet of the Parent Company in relation to the original investment in Clarksons Platou AS (formerly RS Platou ASA) involves significant judgements about forecast future performance and cash flows of the investment, including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate.	The Audit and Risk Committee discussed with management the results of its testing and evaluated the appropriateness of the assumptions used within its impairment test model. This model indicated that the carrying value of the investment exceeded the estimated recoverable amount, resulting in the need for an impairment charge on the investment. The results of the Audit and Risk Committee's review of management's testing were subsequently discussed with the external Auditor. The Audit and Risk Committee is satisfied with management's assumptions and judgement, and with the conclusion to take an impairment charge on the investment amounting to £67.1m.

Fair, balanced and understandable

The Audit and Risk Committee reviewed whether the 2019 annual report, taken as a whole, was fair, balanced and understandable and provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

In making its assessment, the Audit and Risk 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 review of the minutes of all Board and Board Committee meetings 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 and Risk 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 ensure that the key messages in the report were aligned with the Company's position, performance and strategy; to discuss the drafts with both management and the external Auditor; and to challenge the disclosures where appropriate.

The final draft of the annual report was reviewed by the Audit and Risk 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, the Audit and Risk Committee concluded that the 2019 annual report was fair, balanced and understandable and advised the Board accordingly.

Internal controls and risk management

The Audit and Risk 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 68 to 70.

During 2019, the Audit and Risk Committee refreshed its approach to setting risk appetite, which included revisiting the scale by which risk appetite is defined and applying this to the Group's principal risks. Furthermore, the work to set risk appetite was broadened by a level of risk appetite being attributed to all risks in the risk register, which has enabled the Audit and Risk Committee to assess more accurately the Group's aggregate risk profile versus the agreed risk appetite; advise the Board on setting an overall risk appetite at an appropriate level; and monitor any actions being taken, where necessary, to bring risks within appetite.

The annual review of risk, controls and risk management processes which the Audit and Risk Committee oversees was enhanced in a number of areas:

- The scope of the process was broadened across each of the Group's business segments, resulting in a greater level of granularity on regional and country-specific risks.
- Amendments were made to the scale by which the impact of risks and likelihood of them occurring are assessed, enabling more effective prioritisation of risks and more focused discussions on mitigation. Likelihood is also now assessed over a longer time period, in line with the Group's viability assessment.
- The 'Three Lines of Defence' model has been applied to all known risks, thereby providing greater clarity over the sources of assurance for those risks.

Further details of the annual assessment undertaken of the effectiveness of risk, controls and risk management processes are provided on page 70.

On the recommendation of the Audit and Risk 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 and Risk Committee recommended to the Board the approval of the viability statement (which is set out on page 76). Cognisant that changes in both the internal and external operating environment could impact on the Group's viability, the Audit and Risk Committee receives six-monthly updates from management 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 and Risk 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 and Risk Committee reviewed the matters, assumptions and sensitivities in support of preparing the financial statements 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 77.

Compliance

The Audit and Risk Committee receives an annual compliance update which assesses compliance with current and evolving regulatory requirements, best practice and areas of focus by the compliance team. In addition, interim updates on key areas of focus are presented to each meeting. These reports provide assurance to the Audit and Risk Committee in respect of the appropriateness of controls of a compliance nature.

In order to support employees' understanding of the standards of conduct and ethics expected of them, the Board has published a Compliance Code which was updated during the year. 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. Embedding of policies and processes is supported by a global compliance team, who the Audit and Risk Committee is satisfied have the necessary skills and experience to fulfil their duties.

Further details regarding our policies and procedures in relation to anti-bribery and corruption, anti-money laundering and sanctions can be found on page 63.

Internal audit

Internal audit is one of the principal elements of the Group's internal control system and provides the Audit and Risk Committee with independent assurance over, and insight into, the effectiveness of risk management systems, governance processes and business controls. Recommendations are made to address any key findings and improve processes.

Clarksons Platou Securities AS ('Securities')

Due to its regulated status, an internal audit arrangement is in place for our banking and finance operations headquartered in Norway. During 2019, Deloitte performed this function on an outsourced basis (having recently replaced Ernst & Young in early 2019). Deloitte was appointed by the Securities board, which approves Deloitte's annual plan and reviews the results of audits. An update on activities was discussed at each Audit and Risk Committee meeting and the Committee Chair met with the Deloitte team during the year to seek further insight into the control environment in the banking and finance business. There were no significant issues identified during the year.

Other activities

As reported last year, in late 2018 Grant Thornton was appointed by the Audit and Risk Committee as an outsourced partner to support internal audit activities in the wider Group. A three-year risk-based plan has been developed with Grant Thornton to ensure appropriate coverage of key internal controls, and the plan will be approved annually. Progress against the plan is monitored by the Audit and Risk Committee through regular updates on activities and updates on actions arising from previous audits. The Audit and Risk Committee maintains a view of upcoming audit activity and the plan may be flexed in order to prioritise new areas of focus arising from changes in the risk profile, strategic priorities, and business and regulatory change.

The Audit and Risk Committee intends to review the effectiveness of the internal audit function later in 2020, once the first year of the three-year plan has been completed.

External audit

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

PwC has been the external Auditor to the Group since 2009 and was reappointed as external Auditor in 2018 following a competitive tender process. PwC will be subject to mandatory rotation in 2029. In accordance with PwC's rotation rules and UK Ethical Standards, Chris Burns assumed the role of Lead Audit Partner from the 2019 audit cycle.

Independence

Processes have been implemented by both the Group and the external Auditor to safeguard the latter's independence from the Company.

The Audit and Risk Committee has developed a Non-Audit Services Policy in order to ensure that appropriate controls are in place 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 on the next page.

In assessing the external Auditor's independence, the Audit and Risk Committee also reviews assurances provided by PwC at least annually over the internal control procedures it has in place to safeguard its independence and objectivity. This includes:

- Confirmation that there are no relationships between PwC and the Group or investments in the Company held by individuals that could impact on PwC's integrity, independence and objectivity;
- The nature of any non-audit services provided and the safeguards in place to mitigate any threats to independence; and
- Confirmation of PwC's rotation rules and that these have been adhered to – in accordance with PwC's rotation rules and UK Ethical Standards, the lead audit partner must change every five years and other senior members of the audit team rotate at regular intervals.

The Audit and Risk 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 and Risk 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 and Risk 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.

Legacy non-audit services approved by the Audit and Risk Committee are detailed in note 3 of the consolidated financial statements on page 152.

Auditor effectiveness
The Audit and Risk Committee Chair meets the external Auditor on a regular basis during the year to facilitate effective and timely communication. The Audit and Risk Committee also meets privately with the external Auditor without management present at least annually in order to allow both Committee members and the Auditor to raise any issues directly and to discuss the Auditor's remit.

The Audit and Risk 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:

- Reviewing the approach, scope and level of fees for the audit;
- 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;
- Seeking feedback on the communication and engagement between management and PwC;
- Considering the content and quality of PwC's written reports, contributions to the Audit and Risk Committee's discussions and ability to challenge management;
- Reviewing compliance with the Non-Audit Services Policy; and
- Discussing the latest FRC Audit Quality Inspection report on PwC and actions being taken by PwC to address the findings raised.

Following its annual review of effectiveness of the external Auditor, the Audit and Risk Committee concluded that PwC remained effective.

Auditor reappointment
Taking into account the review of independence and performance of the external Auditor, the Audit and Risk Committee has recommended to the Board the reappointment of PwC. Resolutions reappointing PwC as external Auditor and authorising the Directors to set the Auditor's remuneration will be proposed at the 2020 AGM.

Statutory Audit Services Order
The Audit and Risk Committee confirms compliance with the Competition and Markets Authority's Statutory Audit Services for Large Companies Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

Annual statement – Remuneration Committee Chair

In preparing for the 2020 Remuneration Policy renewal, we have consulted extensively with shareholders.

Dr Tim Miller
Chair

Dear Shareholder

On behalf of the Board, I am pleased to introduce the Directors' remuneration report for the year ended 31 December 2019.

Shareholder engagement

In response to the vote at both last year's and prior AGMs, Sir Bill Thomas has led an engagement programme with shareholders, which I have supported as Chair of the Remuneration Committee, along with Peter Backhouse, our Senior Independent Director. As part of this engagement programme, we have met with shareholders covering 49% of the share register and each of the leading proxy agencies to ensure that they understand how our remuneration model benefits our owners.

These discussions have been constructive and provided an opportunity to both understand the different views of our shareholders and for the Company to explain why the Board believes that the Directors' Remuneration Policy (the 'Policy') for incumbent Executive Directors remains appropriate, whilst committing to change for future appointments. As a Board, we are clear that we have the right management team to continue to lead the Company and drive the transformational strategy which they have laid out.

2020 Policy renewal

Background

In preparing for the 2020 Policy renewal, the Remuneration Committee and the Board carefully considered whether changes to the Policy to bring it more in line with other UK listed companies were both in the interests of shareholders and indeed contractually achievable. Any change would go to the core of our business model and this was therefore not simply a normal triennial renewal.

During our review, we consulted extensively with shareholders, other stakeholders and external legal, market and remuneration advisors. The conclusion that both the Board and the Remuneration Committee reached was to maintain the current pay model for incumbent Executive Directors but, importantly, to change it for all new appointments.

The current model has served the Company and its shareholders well for many years and is necessary to retain our current highly performing executives who fulfil dual roles as both conventional Executive Directors but also key operational executives in the business. However, we do recognise that our arrangements appear increasingly unusual against UK listed company practice and that any new arrangements must be more consistent with market norms.

While we hope that our current Executive Directors will continue to add value to the Company for a number of years, changes to remuneration for successors to their roles thereafter will be implemented and the current arrangements are, therefore, legacy.

Commitments for new Executive Director appointments

In consultation with shareholders we, as a Board, have committed that when new Executive Directors are appointed, whether in addition to the current Executive Directors or, in due course, through succession, we shall apply a policy which is more consistent with other listed companies, incorporating the commitment to key changes set out below.

Key changes for new Executive Directors:

- Capping the annual bonus opportunity.
- Deferring a greater proportion of the annual bonus.
- Compensation for fixed pay only on severance.
- No enhancement on a change of control.
- The rate of any employer pension contributions will be aligned with that available to the majority of the wider workforce in the UK (or any other country in which the executive is based).

The clear intent is to move towards market norms but it is difficult to be overly prescriptive where no candidates for appointment are being currently contemplated. We do, however, fully recognise the need to change our Remuneration Policy with regard to such appointments and commit to so do. Over time, the legacy position will, therefore, disappear.

Rationale for retaining the current arrangements for our incumbent Executive Directors
It is helpful to summarise our reasons for honouring the current arrangements for our incumbent Executive Directors.

Reasons for honouring current arrangements:

- The current model has served the Company and its shareholders well for many years.
- The Board believes that it is in the interests of all stakeholders to retain the services of the Executive Directors.
- The current executives perform dual roles as both (i) the typical role of a listed company executive director; and (ii) leading operational executives in the core business. They have done this for over ten years.
- The current executives each have binding contracts of employment, and unilaterally changing the terms of the Policy would be a breach of contract.
- The ramifications of breaching the executives' employment contracts would create a number of significant risks to the business.
- Honouring contractual commitments is at the core of Clarksons' culture.
- The Board has therefore determined that, recognising the principle of comply or explain, the correct approach is to explain to shareholders the issues and why, with respect to the existing executives, the current Policy should remain in place.

Both Andi Case and Jeff Woyda have proven to be exceptional leaders for our Company, and can be credited with developing and executing the strategy which has seen Clarksons develop into the industry leader that it is today, operating from 53 offices across 23 countries, creating a team which has grown from 600 to circa 1,600 people and securing a leading position in all market sectors.

The way in which remuneration and contractual commitments has been handled has been central to the Company's success and has served shareholders well since Andi became CEO in 2008 and Jeff became CFO in late 2006 (and also became COO in 2015). During their tenure at the helm:

- The Clarksons' share price has increased from a low point in December 2008, following the credit crunch and collapse of freight rates, of £3.20 to £30.25 (as at 31 December 2019), an 845% increase in absolute terms, and an outperformance of the FTSE 250 by 232%;
- Ordinary dividends have increased by 78.6%, through one of the worst ever shipping markets since the financial crisis in 2008, in line with our commitment to a progressive dividend policy which has been unbroken for 17 years; and
- £173.2m has been paid in dividends to equity shareholders.

As is evident here, and is recognised by the Board, Andi and Jeff are each performing two roles (the more typical role of a listed company executive director but also that of being leading operational executives in the core business, which they have done for over ten years) and they are rewarded accordingly in line with their Board-approved contracts of employment. The Board believes that it is neither feasible nor commercially appropriate to make immediate changes to the current arrangements for the incumbent Executive Directors for the following reasons:

- Andi and Jeff have binding long-term contractual terms. Attempting to break these would not only breach long-standing contractual arrangements but go against the principles and values on which Clarksons has been built, and therefore would send a very negative message to multiple stakeholders, particularly our employees and clients but also to our shareholders, if such changes negated covenants.
- The Board cannot oblige Andi and Jeff to agree to changes to their contractual terms and does not believe that they should be penalised for dual roles which make a significant contribution to the Company.
- Our pay arrangements across the Group as a whole are in line with commission-based businesses, including other leading shipbroking businesses. Moreover, Andi and Jeff have, during their employment at Clarksons, conducted themselves in a manner to ensure their remuneration is appropriate in the context of the rest of the senior management team and shareholders' interests.

Accordingly, both the Remuneration Committee and the Board consider that it is in the interests of shareholders to maintain the successful pay arrangements for our current Executive Directors which meet our contractual obligations, and to secure their continued commitment through this pay structure for as long as they continue to perform at their current exceptionally high levels.

The proposed new Policy being submitted to our shareholders at the 2020 AGM is therefore largely unchanged from prior policies but is subject to the commitments regarding the appointment of new Executive Directors, as set out in the first box in this section of my report. This approach is consistent with commitments included in our 2017 and 2018 annual reports and with the recent engagement with our shareholders and their representative bodies.

Performance and reward for 2019

Our full year performance bonuses were, as in previous years, based on a bonus pool linked to stretching Group underlying profit before tax targets, with threshold levels increased by 3% on those of 2018. The actual underlying profit before tax increased by 8.8% to £49.3m, giving rise to an increased bonus.

The Executive Directors sacrificed 30% of the bonuses they were eligible to receive, to enable the Company to reward other senior members of staff (2018: 30%).

As in previous years, on a voluntary basis, 10% of the bonus will be deferred into shares which will vest after four years.

The awards which were granted under the Long Term Incentive Plan ('LTIP') on 18 April 2017 were subject to challenging absolute EPS and relative TSR performance targets. Whilst the 2019 EPS did not exceed target, the Company delivered a 45% total return for shareholders over the three-year period which led to relative TSR between the median and upper quartile companies and thus achieved a 30.3% vesting (2018: nil).

The Remuneration Committee applied the rules of the executive bonus scheme and the LTIP and, on assessing the outturn, was satisfied that this was appropriate.

Implementation of Directors' Remuneration Policy in 2020

The Policy will be implemented in 2020 as follows:

- **Salary:** There will be no change to Executive Directors' salaries. This means that the CEO's salary is unchanged since his appointment as CEO in 2008, and the CFO & COO's remains unchanged since 2015.
- **Annual bonus:** Performance bonuses continue to be linked to the Group's underlying adjusted pre-tax profits for the year. No bonuses are 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 2020. 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 138p to a stretch target of 169p in 2022. 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 two times salary will continue to apply for Executive Directors.

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 28 times and seven times salary for the CEO and CFO & COO respectively) which is significantly higher than typical FTSE 250 levels and 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 includes the annual report on remuneration (pages 110 to 118) which describes how the shareholder-approved Policy was implemented for the year ended 31 December 2019 and how we intend for the new Policy to apply for the year ending 31 December 2020. The proposed new Policy is included on pages 119 to 125.

All-employee remuneration matters

The Board remains 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 delighted that, over the last few years, we have been able to extend invitations to participate in our ShareSave plans (or plans which operate in a similar way) to around 77% of our global employees. This year, we are seeking support from shareholders to re-approve the rules of our UK ShareSave plan, the current rules being due to reach the end of their initial ten-year term later this year. No material amendments are proposed to the rules.

Conclusion

We trust that you will support and vote in favour of the Directors' Remuneration Policy and other remuneration-related resolutions at the 2020 AGM.

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

Dr Tim Miller
Remuneration Committee Chair
6 March 2020

Remuneration Committee report

At a glance

Composed of independent Non-Executive Directors:

- Dr Tim Miller (Chair), independent Non-Executive Director
- Peter Backhouse, Senior Independent Director
- Marie-Louise Clayton, independent Non-Executive Director
- Birger Nergaard, independent Non-Executive Director
- Sir Bill Thomas, Chair[1]
- Heike Truol, independent Non-Executive Director[2]

Sir Bill Thomas and Heike Truol were appointed as members of the Committee with effect from 13 February 2019 and 31 January 2020 respectively. James Hughes-Hallett was a member of the Committee until he passed away on 12 October 2019.

Dr Tim Miller has extensive HR and remuneration knowledge from his executive career. He currently 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, Group HR Director and the Remuneration Committee's independent remuneration advisor (FIT Remuneration Consultants LLP).

The Remuneration Committee's key role is to set the remuneration arrangements 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 four scheduled meetings during 2019. Attendance at the scheduled meetings is set out below.

Scheduled meeting attendance

Current Directors	
Dr Tim Miller	4/4
Peter Backhouse	4/4
Marie-Louise Clayton	4/4
Birger Nergaard[3]	3/4
Sir Bill Thomas	4/4
Former Director	
James Hughes-Hallett[4]	2/3

1 Appointed on 13 February 2019.
2 Appointed on 31 January 2020.
3 An additional meeting to the normal annual programme was scheduled mid-year. Mr Nergaard already had a prior engagement which he was unable to rearrange.
4 Served as a member until 12 October 2019. Unable to attend one meeting due to illness.

Read about the annual review of the Remuneration Committee's effectiveness on pages 95 to 96.

Key topics discussed at Remuneration Committee meetings in 2019

Individual remuneration arrangements
- Fixed pay, bonus outturn and awards to be made for all employees falling within the Remuneration Committee's remit
- Future employment relationship with Peter M. Anker on stepping down from the Board

Performance-related incentive schemes
- 2018 bonus outturn, and performance measures and targets for the 2019 performance year
- Report from the Audit and Risk Committee regarding the 2018 bonus outturn
- Parameters and quantum of awards to be made under the LTIP in 2019
- Vesting of 2016 LTIP awards (in relation to performance to 31 December 2018)

Remuneration in wider Group
- 2019 ShareSave invitation, including the launch of a new Employee Share Purchase Plan in the US
- Annual review of workforce remuneration
- Gender pay gap report

Shareholder engagement
- Engagement with shareholders following the significant vote against the Directors' remuneration report at the 2019 AGM, and regarding the submission of a new Directors' Remuneration Policy to the 2020 AGM

Governance
- Directors' remuneration report
- Changes to share plan rules to clarify various matters including the operation of holding periods and overseas regulatory requirements
- Review of the effectiveness of the remuneration advisor

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.

Assessing and approving any changes to the Chair's remuneration.

Reviewing workforce remuneration, related policies and remuneration trends across the 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.

Annual report on remuneration

Implementation of the Directors' Remuneration Policy for 2020

Base salary

No changes have been made to the base salaries of the Executive Directors for 2020, and salaries therefore remain as set out below:

Executive Directors: base salary

	1 January 2020	1 January 2019	% change
Andi Case	**GBP 550,000**	GBP 550,000	0%
Jeff Woyda	**GBP 350,000**	GBP 350,000	0%

Taxable benefits

The taxable benefits received by the Executive Directors in 2019 included a car allowance, private medical insurance and club memberships. No material changes to taxable benefits are proposed for 2020.

Annual bonus for 2020

The annual bonus opportunity for 2020 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.

As in 2019, 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 2020 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 2019.

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. The 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 2020

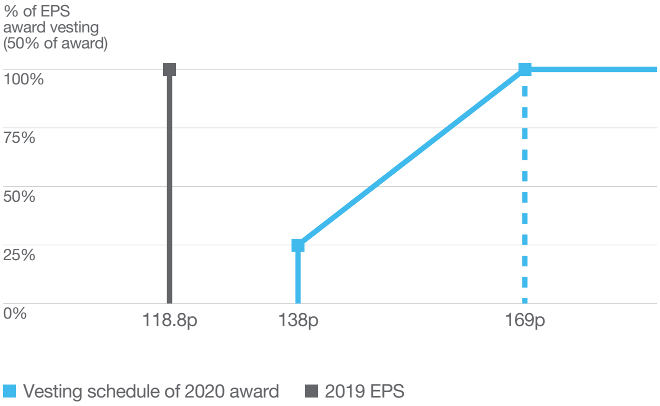
Consistent with past practice, it is envisaged that:

- Executive Directors will receive LTIP awards over shares worth up to 150% of salary in 2020;
- The vesting of 50% of the awards will be determined by the Company's Earnings Per Share (EPS) for 31 December 2022, as shown in chart (i) below. The EPS for 2019 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 2020 to 31 December 2022 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.

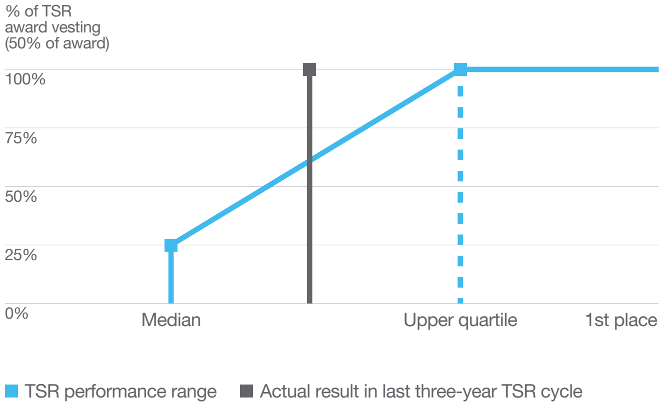
The awards will be subject to clawback provisions and a two-year post-vesting holding period.

(i) EPS target range for 2020 award (50% of award)



EPS target (pence) for FY ended 31 December 2022 for the 2020 award

(ii) TSR target range for 2020 award (50% of award)



TSR ranking at end of three-year performance period

The Remuneration Committee has considered carefully the EPS range for the 2020 award and believes the 138p to 169p range is stretching against market consensus and the actual 2019 EPS delivered.

Fees for the Non-Executive Directors

Non-Executive Director fee levels for 2020 are as set out below. Supplementary fees are paid in respect of certain additional duties. No changes to fees for 2020 have been proposed.

Non-Executive Directors: fees

	2020 £000	2019 £000	% change
Chair	**185**	185	–
Non-Executive Director	**58**	58	–
Chair of Committee[1]	**19**	19	–
Senior Independent Director[1]	**19**	19	–
Employee Engagement Director[2]	**15**	15	–

1 Supplementary fee payable to the Chairs of the Audit and Risk Committee and the Remuneration Committee and the Senior Independent Director.
2 Supplementary fee payable to the Non-Executive Director who assumes responsibility for workforce engagement. This fee became payable from 7 March 2019.

Single total figure tables (audited)

The following tables set out the total remuneration paid to the Directors for the years ending 31 December 2019 and 31 December 2018. We consider key management personnel to be Clarkson PLC Directors.

Executive Directors

2019	Base salary £000	Taxable benefits[1] £000	Pension[2] £000	Performance-related bonus[3] £000	Total remuneration before LTIP £000	Long-term incentives[4] £000	Total remuneration £000
Current Directors							
Andi Case	**550**	**13**	**74**	**2,390**	**3,027**	**270**	**3,297**
Jeff Woyda	**350**	**12**	**46**	**618**	**1,026**	**172**	**1,198**
Former Director							
Peter M. Anker[5]	**99[6]**	**4**	**2**	**–**	**105**	**–**	**105**
Total	**999**	**29**	**122**	**3,008**	**4,158**	**442**	**4,600**

2018	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
Andi Case	550	15	74	2,119	2,758	–	2,758
Jeff Woyda	350	15	46	548	959	–	959
Peter M. Anker	369[6]	15	7	245	636	–	636
Total	1,269	45	127	2,912	4,353	–	4,353

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 110.
2 Pension includes pension contributions and cash supplements where relevant. Further details are included on page 116.
3 Performance-related bonus represents the value of the total bonus, prior to any sums being deferred into shares. See page 112 for further detail on the 2019 bonus outcome. The bonus reflects the 8.8% increase in underlying profit before tax and is after a waiver of 30% of their entitlement.
4 The Company delivered a 45% total return for shareholders over the three-year performance period which led to a 30.3% vesting. Further details regarding the vesting outcome are included on page 113.
5 Peter M. Anker stepped down from the Board on 1 April 2019. His 2019 remuneration is therefore shown for the period to that date.
6 Fixed annual salary of NOK 4,015,000. Translated to GBP at exchange rate of 11.2537 (2018: 10.8706).

Non-Executive Directors

	Appointment date (if later than 1 January 2018)	Resignation date (if earlier than 31 December 2019)	Fees[1] £000 **2019**	Fees[1] £000 2018
Current Directors				
Peter Backhouse			**76**	76
Marie-Louise Clayton			**76**	76
Dr Tim Miller	22 May 18		**88**	47
Birger Nergaard			**58**	57
Sir Bill Thomas	13 Feb 19		**162**	–
Former Directors				
James Hughes-Hallett[2,3]		12 Oct 19	**60**	167
Ed Warner		13 Feb 19	**20**	146
Total			**540**	569

1 The fees paid to the Non-Executive Directors relate to the period for which they held office.
2 James Hughes-Hallett's remuneration in 2018 reflects his role as Chair of the Group.
3 Fees for the equivalent of James Hughes-Hallett's three months' notice period were paid to his estate following the date of his death, and are included in his 2019 remuneration.

Annual bonus targets (audited)

Consistent with the way in which it operated in prior years, the annual bonus for 2019 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 < £29.48m	0%
If profit > £29.48m then £0m – £58.95m	8%
If profit > £58.95m then £58.95m – £68.73m	12%
If profit > £68.73m then on profits > £68.73m	13%

This formula generates a pool, with the CEO entitled to 79.5% of the pool and the CFO & COO entitled to 17.1%–20.5% of the pool (dependent on delivery of his personal objectives). The pool has operated in exactly the same way as in prior years, although following Peter M. Anker's departure from the Board, the Committee re-expressed the pool as the pool payable to remaining Executive Directors only.

The discretionary element of the CFO & COO's bonus for 2019 was dependent on personal performance against non-financial objectives set by the CEO and approved by the Remuneration Committee at the start of the financial year. The objectives set included specific items relating to the areas set out below. An overview of key achievements is also provided.

Objective	Key achievements
Sourcing, hiring and successful induction of senior executives	Working closely with the CEO, led the searches for a number of senior executives who were critical to the business, including a new Group HR Director and MD for the newly established Tokyo office, and led key acquisitions to add additional capabilities. Following appointment, oversaw appropriate commercial and cultural induction programmes.
Roll-out of a three-year internal audit programme across areas of the business not previously subject to internal audit	Following the appointment of Grant Thornton in 2019, established a three-year internal audit programme for approval by the Audit and Risk Committee. Successfully implemented year 1 of the plan. The output from these audits has helped to strengthen the effectiveness of internal controls.
Succession planning for a number of senior MD roles throughout the business, identifying and appointing internal successors for these positions where appropriate	Identified internal successors for a number of divisions, and mentored handover process. In conjunction with the CEO, developed and launched a new Group executive management structure and divisional management structure which will help develop a pipeline of internal succession.
Specific delivery of the **Sea/** platform modules together with the successful ring-fencing of the Maritech business	Made significant progress with the **Sea/** platform which now has 4,500 users across eight modules. Established the new legal structure for the Maritech business, including the transfer of IP, data and employees.

Following consideration of the recommendation from the CEO with regard to the CFO & COO's performance against his personal objectives, the Remuneration Committee decided to award the CFO & COO 20.5% of the bonus pool.

Bonus waiver

As in each of the last 10 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 2019, each of the Executive Directors agreed to waive 30% of their entitlement (£1.3m (2018: £1.1m)). The outturn is higher than the preceding year given the increase in underlying profit before tax to £49.3m. This is shown as follows:

Actual underlying profit before taxation	£49.3m
Actual underlying profit before taxation for bonus calculation after deducting the minority interest of pre-tax profit, adding back the cost of bonus	£51.7m
Formulaic executive bonus pool (pre-waiver)	£4.3m
Executive bonus pool (post-waiver)	£3.0m
% of executive bonus pool allocated to Executive Directors (after 30% voluntary sacrifice by Directors)	70%

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.

Long-term incentive targets (audited)

Long-term incentives relate to awards granted on 18 April 2017 which vest in April 2020 based on performance over the three-year period to 31 December 2019. The performance conditions attached to these awards and actual performance against these conditions are as follows:

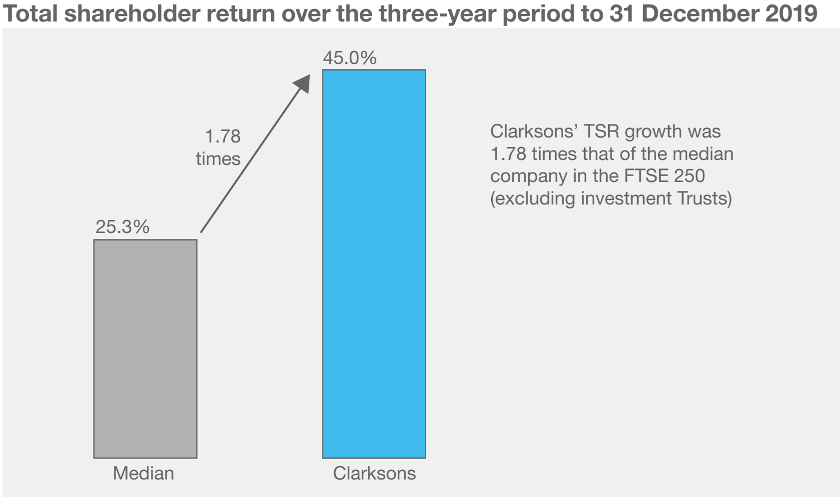
Long-term incentive awards: performance outturn

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	118.8	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	Between median and upper quartile*	30.3
Total vesting (out of 100%)					30.3

* The Company's TSR over the three-year performance period was 45% which was above the median (25.3%) of the comparator group.

Over the performance period, the Company delivered a total return (share price growth plus reinvested dividends) of 45%, i.e. £100 invested over October to December 2016 would have become £145 by the same period in 2019. This out-performed the wider FTSE 250 as illustrated below:

Total shareholder return over the three-year period to 31 December 2019



Source: Datastream (Thomson Reuters)

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[1,2] £000
Andi Case	29,815	9,033	20,782	270
Jeff Woyda	18,973	5,748	13,225	172

1 The estimated value of the vested shares is based on the average share price over the three-month period from 1 October 2019 to 31 December 2019 (£27.72). Cash accrued in respect of dividend equivalents payable on vested shares is also included in the estimated value. The awards will vest on 17 April 2020. The value of the vested shares will be restated based on the actual share price on the date of vesting and disclosed in the single figure table in the 2020 annual report.

2 The awards were granted on 18 April 2017 based on the average share price over the period 11-13 April 2017 (£27.67) although the award measures performance over the 2017-2019 financial period. Using the same basis period as the TSR calculation, the starting share price was £20.83 and the final share price £27.72 creating a gain of 33% over the period (with a further 12% reflecting dividends to create a total return of 45%) and so the proportion of the award reflecting share price growth would have been circa 25%.

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 23 to the consolidated financial statements.

Executive share plan participation

Type of award[1]	Date of grant	No of shares under award (01/01/19)	Granted during 2019	Vested during 2019	Lapsed during 2019	No of shares under award (31/12/19)	Face value[2]	% vesting at threshold[3]	Performance period ends	Vesting date	Holding period ends
Current Directors											
Andi Case											
Performance Award	17 Apr 15	11,208	–	–	–	11,208[4]	£251,620	25%	31 Dec 17	16 Apr 18	N/A
Deferred Award	17 Apr 15	15,233	–	15,233	–	–	£341,981	N/A	N/A	17 Apr 19	N/A
Deferred Award	15 Apr 16	15,506	–	–	–	15,506	£349,505	N/A	N/A	15 Apr 20	N/A
Performance Award	18 Apr 17	29,815	–	9,033	20,782	9,033[5]	£824,981	25%	31 Dec 19	17 Apr 20	N/A
Deferred Award	18 Apr 17	10,618	–	–	–	10,618	£293,800	N/A	N/A	18 Apr 21	N/A
Performance Award	14 May 18	26,978	–	–	–	26,978	£824,987	25%	31 Dec 20	14 May 21	14 May 23
Deferred Award	14 May 18	9,928	–	–	–	9,928	£303,598	N/A	N/A	14 May 22	N/A
Performance Award	18 Apr 19	–	34,854	–	–	34,854	£824,994	25%	31 Dec 21	18 Apr 22	18 Apr 24
Deferred Award	18 Apr 19	–	8,951	–	–	8,951	£211,870	N/A	N/A	18 Apr 23	N/A
Jeff Woyda											
Performance Award	17 Apr 15	5,094	–	–	–	5,094[4]	£114,360	25%	31 Dec 17	16 Apr 18	N/A
Deferred Award	17 Apr 15	3,249	–	3,249	–	–	£72,940	N/A	N/A	17 Apr 19	N/A
Deferred Award	15 Apr 16	3,341	–	–	–	3,341	£75,306	N/A	N/A	15 Apr 20	N/A
Performance Award	18 Apr 17	18,973	–	5,748	13,225	5,748[5]	£524,983	25%	31 Dec 19	17 Apr 20	N/A
Deferred Award	18 Apr 17	2,288	–	–	–	2,288	£63,309	N/A	N/A	18 Apr 21	N/A
Performance Award	14 May 18	17,168	–	–	–	17,168	£524,997	25%	31 Dec 20	14 May 21	14 May 23
Deferred Award	14 May 18	2,503	–	–	–	2,503	£76,542	N/A	N/A	14 May 22	N/A
Performance Award	18 Apr 19	–	22,179	–	–	22,179	£524,977	25%	31 Dec 21	18 Apr 22	18 Apr 24
Deferred Award	18 Apr 19	–	2,314	–	–	2,314	£54,772	N/A	N/A	18 Apr 23	N/A
Former Director											
Peter M. Anker[6]											
Deferred Award	17 Apr 15	2,667	–	–	–	2,667	£59,874	N/A	N/A	17 Apr 19	N/A
Deferred Award	15 Apr 16	2,904	–	–	–	2,904	£65,456	N/A	N/A	15 Apr 20	N/A
Performance Award	18 Apr 17	18,973	–	–	–	18,973[5]	£524,983	25%	31 Dec 19	17 Apr 20	N/A
Deferred Award	18 Apr 17	2,288	–	–	–	2,288	£63,309	N/A	N/A	18 Apr 21	N/A
Performance Award	14 May 18	17,168	–	–	–	17,168	£524,997	25%	31 Dec 20	14 May 21	14 May 23
Deferred Award	14 May 18	1,144	–	–	–	1,144	£34,984	N/A	N/A	14 May 22	N/A

1 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).
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 awards will be made to Andi Case and Jeff Woyda in 2020 in respect of the deferral of 10% of their 2019 bonus.

2 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 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)
- Awards made on 18 April 2019: £23.67 (15-17 April 2019)

3 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.

4 Vested on 16 April 2018, but option not yet exercised.

5 Although the performance period for these awards ended on 31 December 2019, the awards will formally vest on 17 April 2020.

6 Peter M. Anker stepped down from the Board on 1 April 2019. His scheme interests are therefore shown for the period to that date.

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 2019	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31 December 2019	Option price	Normal exercise period	Face value[1]
Current Director									
Jeff Woyda									
ShareSave (option)	1 Oct 18	813	–	–	–	813	£22.12	1 Nov 21– 30 Apr 22	£17,984
Former Director									
Peter M. Anker[2]									
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:
– Award made on 2 October 2017: £22.50 (4-6 September 2017)
– Award made on 1 October 2018: £22.12 (5-7 September 2018)
2 Peter M. Anker stepped down from the Board on 1 April 2019. His interests are therefore shown for the period from 1 January 2019 to 1 April 2019.

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 19	31 Dec 18	**31 Dec 19**	31 Dec 18	**31 Dec 19**	31 Dec 18	**31 Dec 19**	31 Dec 18	**31 Dec 19**	31 Dec 18	**31 Dec 19**	31 Dec 18
Current Directors												
Andi Case	**506,241**	506,241	**200**	200	**70,865[2]**	56,793	**11,208**	11,208	**45,003**	51,285	**–**	–
Jeff Woyda	**78,833**	77,112	**200**	200	**45,095[2]**	36,141	**5,094**	5,094	**10,446**	11,381	**813**	813
Former Director												
Peter M. Anker[3]	**107,500[4]**	107,500[4]	**200**	200	**36,141**	36,141	**–**	–	**9,003**	9,003	**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 options under award granted on 18 April 2017 which will formally lapse on 17 April 2020. This award was based on performance over a three-year period to 31 December 2019. The extent to which performance conditions have been met has already been determined, and this vesting outcome has been reflected in the figure disclosed. Page 113 provides further detail on the vesting outcome.
3 Peter M. Anker's interests stated as at 31 December 2018 and his date of resignation (1 April 2019).
4 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)

	Appointment date (if later than 1 January 2018)	Resignation date (if earlier than 31 December 2019)	**31 December 2019[1]**	31 December 2018[2]
Current Directors				
Peter Backhouse			**14,000**	10,000
Marie-Louise Clayton			**1,100**	1,100
Sir Bill Thomas	13 Feb 19		**2,083**	–
Dr Tim Miller	22 May 18		**–**	–
Birger Nergaard			**30,869[3]**	105,869[3]
Former Directors				
James Hughes-Hallett		12 Oct 19	**1,500**	2,163
Ed Warner		13 Feb 19	**15,000**	15,000

1 Shareholdings disclosed as at 31 December 2019, or date of resignation if earlier.
2 Shareholdings disclosed as at 31 December 2018, or date of appointment if later.
3 Ordinary shares held by Acane AS on behalf of Birger Nergaard and his connected persons.

There have not been any further changes in the beneficial interests of the Directors in the share capital of the Company between 31 December 2019 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 111 as pension. No contributions were paid into Group pension schemes on their behalf. Peter M. Anker's pension contribution (up to his date of resignation) was NOK 19,873 (2018: NOK 77,017).

Payments to past Directors (audited)

Peter M. Anker stepped down from the Board on 1 April 2019. He ceased full-time employment with the Group with effect from that date but remains an employee of Clarksons Platou AS on a part-time basis and therefore retained his outstanding share-based awards.

No further payments were made during the year ended 31 December 2019 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)

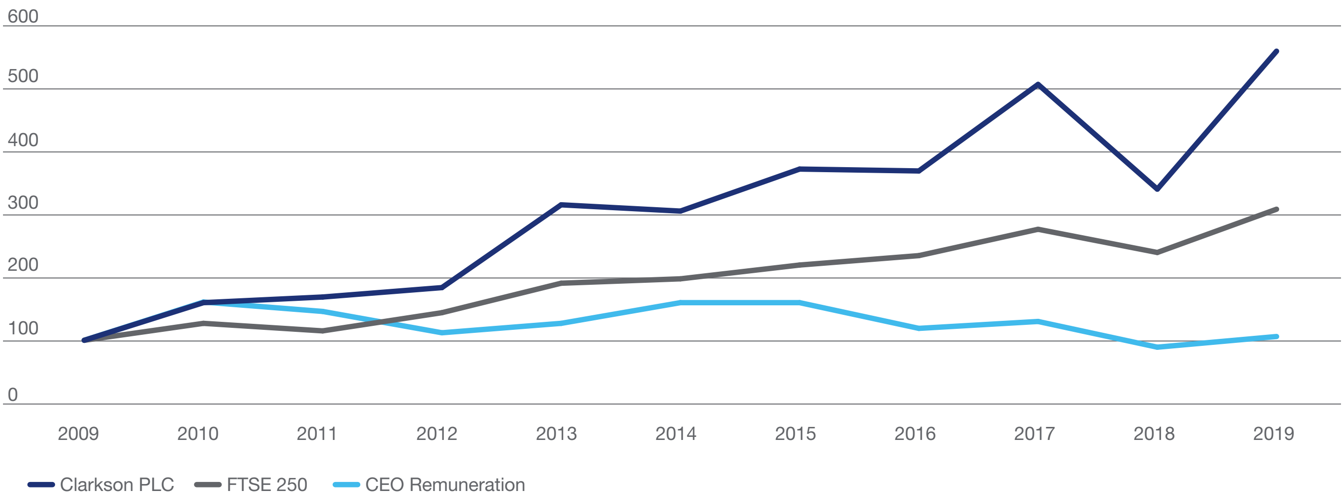
No payments were made in respect of loss of office during the year ended 31 December 2019.

Details of service contracts and letters of appointment

Details of the current Executive Directors' service contracts and Non-Executive Directors' letters of appointment are set out on page 125 of the Directors' Remuneration Policy.

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 remuneration table

The table below shows the total remuneration figure for the CEO for each of the last ten financial years:

CEO remuneration

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Single total figure of remuneration (£000)	**3,297**	2,758	4,043	3,706	4,958	4,970	3,944	3,486	4,523	4,991
Vested LTIP (as a % of maximum)	**30%**	0%	30%	15%	70%	69%	50%	47%	98%	44%

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 2018 and 2019 financial years, compared to the average for all employees:

CEO relative pay

	2018/19 % change
CEO	
Salary and taxable benefits	-0.35%
Annual bonus	+12.79%
Average employee	
Salary and taxable benefits	+1.5%
Annual bonus	+5.4%

CEO pay ratio

The table below shows the pay ratio information in relation to the total remuneration of the CEO compared to the pay of the Company's UK employees for 2019:

Financial year	Method	CEO	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	–	88:1	50:1	27:1
	Total pay and benefits	£3,027,019	£34,428	£60,725	£112,569
	Salary element of total pay and benefits	£550,000	£33,000	£55,000	£60,000

The Remuneration Committee has selected Option A as the method for calculating the CEO pay ratio. Option A calculates a single figure for every employee in the year to 31 December 2019 and identifies the employees that fall at the 25th, 50th and 75th percentiles. This method was chosen as it is considered the most accurate way of identifying the relevant employees and aligns to how the single figure table is calculated.

The Company has included the following elements of pay in its calculation: annual basic salary, allowances, bonuses, commission payments, share awards, employer's pension contributions, and p11D benefits. These pay elements were separated into recurring and non-recurring components. The recurring components were scaled relative to the proportion of 2019 worked by each individual employee before being added to the non-recurring elements such as bonus and share awards.

This resulted in a single figure for each employee, from which the individuals at the 25th, 50th and 75th percentiles could be identified. The Remuneration Committee believes the median pay ratio for 2019 to be consistent with the reward policies for the Company's UK employees taken as a whole. UK-based employees have been selected as the most appropriate comparator as the CEO is a full-time UK-based employee.

Relative importance of spend on pay

The following table compares the total remuneration paid in respect of all employees of the Group in 2018 and 2019, underlying profit, and distributions made to shareholders in the same years:

Relative importance of spend on pay

	2019 £m	2018 £m	% change
Underlying profit for the year	**37.9**	34.6	+9.5%
Dividends	**23.0**	22.5	+2.2%
Employee remuneration costs, of which:	**222.0**	209.3	+6.1%
Executive Directors' total pay excluding LTIP (continuing)	**4.2**	4.4	-4.5%
Executive Directors' annual bonus (continuing)	**3.0**	2.9	+3.4%

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 £16,600 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 advisor in October 2018. FIT provides no other services to the Remuneration Committee, has no further connection with the Company or individual Directors and is a signatory to the Remuneration Consultants Group's Code of Conduct. The Remuneration Committee reviews the effectiveness of its advisor on an annual basis and 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 fees paid by the Company to FIT during the financial year for advice to the Remuneration Committee and in relation to share plans were £64,231 (2018: £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	9 May 2019	11,601,948	51.49	10,930,372	48.51	815,025

Details of the actions taken by the Board in response to the votes against the remuneration report registered at the 2019 AGM are included in the Remuneration Committee Chair's statement on pages 106 to 108.

Directors' Remuneration Policy

The Directors' Remuneration Policy (the 'Policy') will be put to a binding shareholder vote at the AGM on 6 May 2020 and, subject to approval, the new Policy will take formal effect from that date (replacing the previous Policy approved by shareholders at the 2017 AGM). It is intended that the Policy will be in force for a period of three years from the date of approval. No changes are being proposed to the current executive remuneration structure.

As indicated in previous reports, the Remuneration Committee (the 'Committee') recognises that listed company practice as regards their executive directors has changed over the years and that, for any new appointments to the Board, the Policy will be broadly consistent with current market practice. While there are no current plans to appoint a new Executive Director, the Committee confirms that any new appointments under the proposed Policy will also be subject to the following:

- Capping the annual bonus opportunity;
- Deferring a greater proportion of the annual bonus;
- Compensation for fixed pay only on severance;
- No enhancement on a change of control;
- The rate of any employer pension contributions will be aligned with that available to the majority of the wider workforce in the UK (or any other country in which the executive is based).

For any new Executive Director appointments, the proposed Policy should be read as incorporating such additional requirements. In addition, the Committee will consider at the time other developments in market practice when constructing such an offer.

How the Committee operates to set the remuneration policy

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

- Setting the senior executives' remuneration policy and actual remuneration;
- Reviewing the design of all share incentive plans for approval by the Board and shareholders; and
- Approving the design of, and recommending targets for, any performance-related pay schemes the Company operates for senior executives.

The Committee encourages dialogue with shareholders and considers their views when setting the Policy. As part of this engagement programme, we met with shareholders representing 49% of the share register.

Summary of overall Remuneration Policy

The objectives of the Policy are to:

- Ensure that executive rewards are linked to performance;
- Provide an incentive to achieve the key business aims;
- Deliver an appropriate link between reward and performance; and
- Maintain a reasonable relationship of rewards to those offered in other competitor companies in order to attract, retain and motivate executives within a framework of what is acceptable to shareholders.

We maintain a strong focus on ensuring that executives are incentivised to drive economic profit as well as being rewarded for creating sustainable value.

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

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

The proportionate breakdown of the total remuneration is such that, in line with most other wholesale brokerage and agency companies, a very high proportion of the package is performance-related. Where an Executive Director's role includes revenue-generating broking responsibilities, the bonus may recognise this, in addition to the duties and responsibilities incumbent with the role of an Executive Director.

Consideration of shareholder views

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

Details of the votes cast in respect of the resolutions to approve last year's remuneration report and any matters discussed with shareholders during 2019 are set out in the Annual report on remuneration on pages 118 and 106 to 108 respectively.

Key elements of the proposed 2020 Directors' Remuneration Policy are set out below:

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework

Base salary	– To attract and retain high performing Executive Directors who are critical for the business
	– Set at a level to provide a core reward for the role and cover essential living costs
		– Normally reviewed annually
		– Paid monthly
		– Salaries are determined taking into account:
		  – the experience, responsibility, effectiveness and market value of the executive
		  – the pay and conditions in the workforce
			– There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader workforce but on occasion may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role or, in the case of a new executive, a move towards the desired rate over a period of time where salary was initially set below the intended positioning	n/a

Benefits	– To provide a market standard suite of basic benefits in kind to ensure the Executive Directors' well-being	– Taxable benefits may include:
		  – car allowance
		  – healthcare insurance
		  – club membership
		– Participation in HMRC-approved (or equivalent) schemes
		– Other benefits may be payable where appropriate
		– Any reasonable business-related expenses (including tax thereon) may be reimbursed if determined to be a taxable benefit
			– A car allowance in line with market norm. The value of other benefits is based on the cost to the Company and is not predetermined
			– HMRC (or equivalent) scheme participation up to prevailing scheme limits
				n/a

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Annual bonus (including deferred shares)	– To reward significant annual profit performance – To ensure that the bonus plan is competitive with our peers. As a result, bonus forms a significant proportion of the remuneration package – To ensure that if there is a reduction in profitability, the level of bonus payable falls away sharply	– 90% of the bonus is paid in cash and, although they have no contractual obligation, the Executive Directors have agreed that 10% of annual bonus payable is deferred in shares, vesting after four years – Executive 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	– In line with Clarksons' peers, the annual bonus is not subject to a formal individual cap. This policy, which is contractual for the current Chief Executive Officer and Chief Financial Officer & Chief Operating Officer, encourages the maximisation of profit, and ensures that Executive Directors are aligned with all stakeholders in the business	Bonus is determined by Group performance measured over one year on the following basis: – below a 'profit floor' set by the Committee each year, no bonus is triggered – above the floor, an escalating percentage of profits is payable into a bonus pool for progressively higher profit before tax performance – profit for bonus calculations may be adjusted by the Committee where appropriate and does not include business that has not been invoiced – for Executive Directors with revenue-generating broking responsibilities, a further key determinant of the annual bonus is the significance of personally-generated broking revenues – a proportion of an individual's share of the bonus pool may be based on the achievement of personal objectives set by the Committee at the start of the year
Long-term incentives	– To incentivise and reward significant long-term financial performance and share price performance relative to the stock market – To encourage share ownership and provide further alignment with shareholders	– Awards are performance-related and are normally structured as nil cost options – Awards are granted each year following the publication of annual results – Clawback provision operates for overpayments due to misstatement or error	– Annual maximum limit of 150% of base salary for awards subject to long-term performance targets (200% of base salary in exceptional circumstances) – Dividend equivalents (in cash or shares) may accrue between grant and vesting, to the extent that shares under award ultimately vest	– Currently, the awards are subject to performance conditions measured on a combination of three-year EPS growth and relative TSR – The Committee may introduce new measures or reweight the current EPS and TSR performance measures so that they are directly aligned with the Company's strategic objectives for each performance period – Normally measured over a three-year performance period – 25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for the achievement of stretch performance targets
Pension	– To provide a market competitive pension arrangement	– Executive Directors participate in a Company defined contribution pension scheme and/or receive a cash allowance in lieu of pension contributions	– Employer contributions are up to 15% of basic salary or an equivalent cash allowance net of employer's NI	n/a

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework

Non-Executive Directors’ fees	– To attract and retain high calibre Non-Executive Directors through the provision of market competitive fees	– Reviewed annually
		– Paid monthly
		– Fees are determined taking into account:
		  – the experience, responsibility, effectiveness and time commitments of the Non-Executive Directors
		  – the pay and conditions in the workforce
		– Additional fees may be payable in relation to extra responsibilities undertaken such as chairing a Board Committee and/or a Senior Independent Director role or being a member of a Committee
		– Any reasonable business-related expenses (including tax thereon) can be reimbursed if determined to be a taxable benefit
			– As for the Executive Directors, there is no prescribed maximum annual increase
			– Fee increases are guided by the general increase for the broader workforce but on occasion may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role
				n/a

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

Notes to the Policy table:

1 A description of how the Company intends to implement the above Policy for 2020 is set out in the Annual report on remuneration on pages 110 to 118.

2 The 2020 annual bonus is focused on profit before taxation (‘PBT’) performance. PBT is a key financial metric and is used to reflect how successful the Company has been in managing its operations.
The Long-Term Incentive Plan (‘LTIP’) performance measures, earnings per share (‘EPS’) and total shareholder return (‘TSR’), reward significant long-term returns to shareholders and long-term financial growth. EPS growth is derived from the audited financial statements while TSR performance is monitored on the Committee’s behalf by its remuneration advisor, currently FIT Remuneration Consultants LLP.
Targets are set on a sliding scale that takes account of internal strategic planning and external market expectations for the Company. Only modest rewards are available for achieving threshold performance with maximum rewards requiring substantial out-performance of challenging strategic plans approved at the start of each year.

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

4 The Policy for the Executive Directors is designed with regard to the policy for employees across the Group as a whole and is consistent between the Executive Directors and the remainder of the workforce. The annual bonus plan operates on a similar profit-driven basis across the Group and there is a relatively high level of employee share ownership. The key differences in policy for Executive Directors relate to participating in the LTIP awards, which have strict vesting conditions. This is considered appropriate to provide a link for a proportion of performance pay with the longer-term strategy thereby creating stronger alignment of interest with shareholders. The Committee reviews the pay and incentives structures for the wider workforce and does not formally consult with employees in respect of the design of the Company’s Executive Director Remuneration Policy, although the Committee will keep this under review.

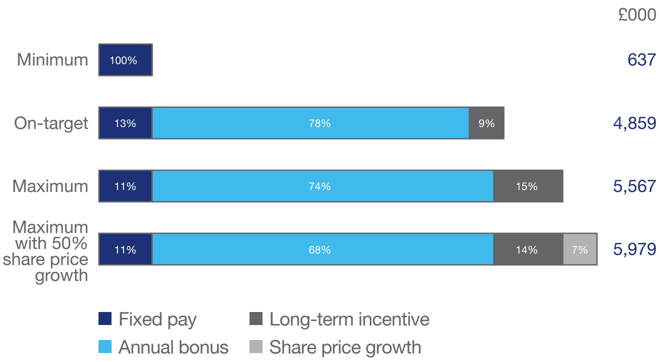
5 For the avoidance of doubt, in approving this Policy, authority is given to the Company to honour any commitments entered into in the previous remuneration policy or with current or former Directors (such as, the payment of a pension or the vesting or exercise of past share awards) that have been disclosed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

Directors' remuneration scenarios

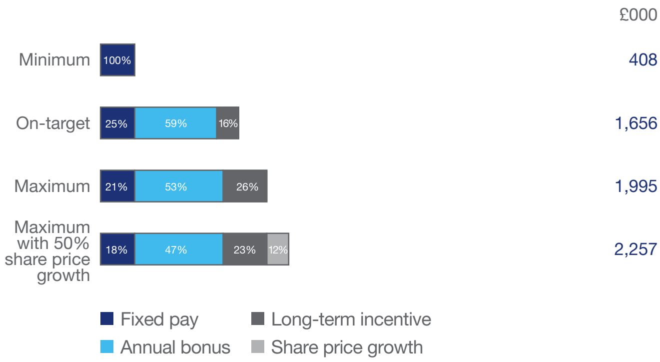
The Company's Policy results in a proportionate breakdown of total remuneration such that, in line with most other wholesale brokerage and agency companies, a very high proportion of the package is performance-related.

The charts below show an estimate of the potential remuneration payable for the Executive Directors in office on 1 January 2020 at different levels of performance. The charts highlight that the performance-related elements of the package comprise a highly significant portion of the Executive Directors' total remuneration at target and maximum performance.

Chief Executive Officer



Chief Financial Officer & Chief Operating Officer



1 Basic salary levels applying on 1 January 2020.
2 The value of taxable benefits is estimated at 2019 values.
3 The value of the pension receivable is up to 15% of basic salary.
4 – Minimum performance assumes no award is earned under the annual bonus plan and no vesting is achieved under the LTIP;
– On-target performance assumes an annual bonus calculated by reference to market expectations at the start of 2020 and 50% being achieved under the LTIP; and
– Maximum performance assumes profit before taxation outperforms consensus and full vesting under the LTIP. It should, however, be noted that there is in fact no upper limit as explained on page 112 and the above charts are purely for illustrative purposes.
5 The final column shows share price appreciation on the LTIP of 50%.

Directors' recruitment and promotions

The Committee has the objective to attract and retain the best talent in our markets, while at the same time ensuring executive pay is aligned to the corporate plan and business goals as well as supporting the interests of shareholders.

If a new Executive Director was appointed, the Company would seek to align the remuneration package with the Policy approved by shareholders. An LTIP award could be made shortly following an appointment (assuming the Company is not in a closed period).

Flexibility is retained to offer remuneration on appointment in respect of remuneration arrangements forfeited on leaving a previous employer. The Committee will look to replicate the arrangements being forfeited as closely as possible and, in doing so, will take account of relevant factors including the nature of the deferred remuneration, performance conditions and the time over which they would have vested or been paid. Such buy-out awards may not be subject to the caps in this Policy.

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

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

Directors' service contracts and payments for loss of office

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

Provision	Detailed terms
Notice period	One year by the Company or the Director.
Termination payment	Chief Executive Officer: The Company may elect to pay in lieu of notice: – an amount equivalent to 12 months' base salary plus the cost of contractual benefits; plus – an amount equivalent to 50% of the last bonus received. In addition: – if not already paid, any bonus in respect of the prior year is payable (if not agreed, an amount equal to the last bonus received); and – a pro-rated bonus for the period of the year worked is payable.
	Chief Financial Officer & Chief Operating Officer: The Company may elect to pay in lieu of notice: – an amount equivalent to base salary, benefits and bonus for the relevant period of notice.
	The Committee recognises that it is unusual in the context of listed PLCs to pay an amount in lieu of annual bonus for the notice period for the Chief Executive Officer and the Chief Financial Officer & Chief Operating Officer but considers that the policy is appropriate for the following reasons: – salary forms a lower proportion of remuneration than in most other UK companies; – typically, in the shipbroking industry, income from business conducted is received over a number of years in arrears; – bonuses are only payable if profit thresholds and targets are achieved i.e. there is no automatic entitlement to a bonus; and – unvested awards under the LTIP are capable of vesting subject to performance. For unvested entitlements to share awards under the 2014 Clarkson PLC LTIP, the rules contain discretionary provisions setting out the treatment of awards where a participant ceases to be employed by the Group for designated reasons. In the case of the participant's ill health, injury, disability, redundancy, retirement, a sale of their employing company or business in which they were employed or for any other reason at the discretion of the Committee (good leaver circumstances) then he will be entitled to keep his award as described below: – performance-related awards will normally vest at the normal vesting dates (unless the Committee determines that they should vest upon cessation) subject to the satisfaction of the relevant performance conditions and time pro-rating (unless the Committee decides to disapply time pro-rating). In the case of, death or ill health, awards will vest at cessation subject to the relevant performance conditions and will not be subject to a time pro-rated reduction; and – deferred bonus awards will vest in full on the normal vesting date.
Change of control	Chief Executive Officer: If, within 18 months of a change of control, the Company gives the Chief Executive Officer notice (except for reasons of gross misconduct or material breach of contract) or the Chief Executive Officer gives notice as a result of a material breach of his contract or the Company limits his ability to earn future bonuses, the Chief Executive Officer will, within 30 days of termination, receive an amount equivalent to one year's basic salary, 150% of the last annual bonus received and the gross annual value of contractual benefits (pro-rated). In these circumstances, the Chief Executive Officer's notice period is reduced to four weeks.
	Chief Financial Officer & Chief Operating Officer: Within one year of a change of control, the executive or the Company may give notice (of not less than four weeks in the case of the former) whereupon the executive will receive immediately an amount equivalent to one year's basic salary, contractual benefits, employer pension contributions and annual bonus.
	All unvested awards under the 2014 Clarkson PLC LTIP would vest. In respect of performance-related awards, the extent of vesting would be subject to any performance conditions attaching to the relevant award having been achieved and any time pro-rating applied at the discretion of the Committee. In August 2008 it was contractually agreed with the current Chief Financial Officer & Chief Operating Officer, Jeff Woyda, that no time pro-rating will be applied to his LTIP awards. The Committee recognises that it is now unusual, in the context of listed PLCs, for service contracts to contain change of control provisions and will therefore avoid such provisions for future executive appointments to the Board.

Details of the current Executive Directors' service contracts are as follows:

	Date of contract	Unexpired term	Notice period
Andi Case	23 June 2008[1]	12 months	12 months
Jeff Woyda	3 October 2006	12 months	12 months

1 The effective date of the contract is 17 June 2008.

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

The relevant legislation does not require the inclusion of a cap or limit in relation to payments for loss of office. The Committee will take all relevant factors into account in deciding whether any discretion should be exercised in an individual's favour in these circumstances, and the Committee will aim to ensure that any payments made are, in its view, appropriate. The Committee may also, after taking appropriate legal advice, sanction the payment of additional sums in the settlement of potential legal claims, including legal, outplacement and other fees.

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

	Date of initial appointment	Date current term commenced	Unexpired term at 31 December 2019	Notice period
Sir Bill Thomas	13 February 2019	13 February 2019	26 months	3 months
Peter Backhouse	12 September 2013	12 September 2019	33 months	3 months
Marie-Louise Clayton	1 January 2017	1 January 2020	36 months	3 months
Dr Tim Miller	22 May 2018	22 May 2018	17 months	3 months
Birger Nergaard	2 February 2015	2 February 2018	13 months	3 months
Heike Truol	31 January 2020	31 January 2020	N/A	3 months

Non-Executive Directors are appointed by letter of appointment for a fixed term not exceeding three years, renewable on the agreement of both the Company and the Director, and are subject to re-election at each AGM. Each appointment can be terminated before the end of the three-year period with three months' notice due.

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

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

Dr Tim Miller
Remuneration Committee Chair
6 March 2020

Directors' report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2019. The Directors' report and the Strategic report (pages 10 to 77) 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 9.8.4R, is incorporated below by reference.

	Detail	Section	Location
Information incorporated by reference			
As permitted by the Companies Act 2006, the disclosures to the right, which are included 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 39 and 44 to 49
	An indication of the activities of the Company and its subsidiary undertakings in the field of research and development.	Strategic report	Pages 18 to 39
	Employment of disabled persons.	Strategic report	Page 56
	Employee engagement.	Strategic report	Page 57
	Engagement with suppliers, customers and others.	Strategic report	Pages 54 to 64
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 sections of the 2019 annual report set out to the right:	Details of long-term incentive schemes.	Directors' remuneration report	Pages 106 to 125
	Any waiver of emoluments by a Director of the Company or any subsidiary undertaking.	Directors' remuneration report	Page 112
Directors			
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	Pages 80 to 83, 89, 100 and 108
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 2020 Notice of AGM sets out the reasons why the Board believes each Director should be re-elected (or elected in the case of Heike Truol).	Corporate governance	Page 93
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 was maintained by the Company throughout 2019 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	Pages 114 to 116

	Detail	Section	Location
Shares			
Share capital	At 31 December 2019, the Company's issued share capital consisted of 30,370,776 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 25 to the consolidated financial statements	Page 168
Rights attaching to shares	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.		
	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: – 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. Certain restrictions were placed on the transfer of shares arising from the acquisition of RS Platou ASA. As of 2 February 2019, these restrictions were no longer in place. 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.		
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 2020 AGM. At the 2019 AGM, the Directors were authorised to allot shares up to an aggregate nominal amount of £2,527,088 or up to £5,054,176 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 £379,063.		
Purchase of own shares	At the 2019 AGM, the Company obtained shareholder approval to purchase up to 3,032,505 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.		
	At the 2020 AGM, the Directors will again seek authority to purchase the Company's own shares.		
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.		

	Detail	Section	Location
Substantial shareholders	As of 31 December 2019, the Company had been notified under the Disclosure Guidance and Transparency Rules of the following holdings of voting rights in its issued share capital:		

Shareholder	%of total voting rights
Franklin Templeton Institutional, LLC	9.66
RS Platou Holdings AS	6.63
Legg Mason, Inc	5.46
Invesco Ltd	5.02
Heronbridge Investment Management LLP	5.01
Kames Capital plc	3.57

Between 31 December 2019 and the date of this report, the Company received the following notifications:

Shareholder	% of total voting rights
Heronbridge Investment Management LLP	4.99
Invesco Ltd	Less than 5%

	Detail	Section	Location
Significant agreements	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 proposed Directors’ Remuneration Policy. 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. 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.	Directors’ remuneration report	Pages 124 to 125
Dividend	The Directors recommend a final dividend of 53p per ordinary share for the year ended 31 December 2019. The interim dividend paid during the year was 25p which, together with the final dividend, will provide a total dividend of 78p per ordinary share for the year (2018: 75p). Subject to shareholder approval at the AGM, the final dividend will be paid on 29 May 2020 to shareholders on the register at the close of business on 15 May 2020.		
External Auditor	The Board recommend that PricewaterhouseCoopers LLP be reappointed as the Company’s Auditor with effect from the 2020 AGM, at which resolutions regarding PwC’s reappointment and to authorise the Board to set their remuneration will be proposed.	Audit and Risk Committee report	Page 105
Articles of Association	The Company’s Articles of Association were adopted at the 2019 AGM. Any amendments to the Articles of Association can only be made by a special resolution at a general meeting of shareholders.		
Political donations	The Group did not make any political donations or incur any political expenditure in the UK or the EU during 2019.		
Financial instruments	Our risk management objectives and policies in relation to the use of financial instruments can be found in the notes to the consolidated financial statements.	Note 28 to the consolidated financial statements	Page 170

	Detail	Section	Location
Emissions reporting	Details relating to required emissions reporting are set out within the Our impact section.	Our impact	Pages 60 to 61
Corporate governance statement	The Corporate governance report is incorporated by reference into this Directors' report and includes details of our compliance with the 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 78 to 125
Internal control and risk management systems	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 68 to 77
Annual General Meeting	The 2020 AGM will be held at 12 noon on 6 May 2020 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.	Our impact	Page 59
Events since the balance sheet date	Since 31 December 2019, there have been no material items to report.		
Disclosure of information to the Auditor	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 for Clarkson PLC	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, St Katharine Docks, London E1W 1BF. The Company's shares are listed on the London Stock Exchange under the ticker CKN, and the Company is a constituent 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 128.	Directors' report	Page 128
Branches	A number of the Company's subsidiary undertakings maintain branches outside of the UK.	Note W to the Parent Company financial statements	Pages 187 to 191

On behalf of the Board:

Rachel Spencer
Group Company Secretary
6 March 2020

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 Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 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 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 loss of the Group and loss of the Parent Company;
- 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 it faces.

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:

Sir Bill Thomas
Chair
6 March 2020

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 2019 and of the Group's loss 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 2019; the Consolidated income statement and the 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 and Risk Committee.

Basis for opinion

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

Independence

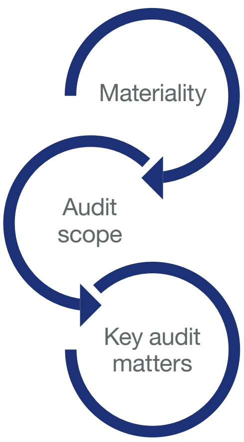
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities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

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

Other than those disclosed in 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 2019 to 31 December 2019.

Our audit approach

Overview



- Overall Group materiality: £2,350,000 (2018: £2,250,000), based on 5% of profit before taxation, adjusted for exceptional items and acquisition related costs ('underlying profit before taxation').
- Overall Parent Company materiality: £2,090,000 (2018: £1,980,000), based on 1% of total assets, reduced to an amount less than the Group overall materiality.

- Our audit included full scope audits of seven components (two of which are financially significant) and specified procedures on certain balances and transactions in respect of five other components. This gave us coverage of 84% of the Group's underlying profit before taxation (2018: 82%) and 79% (2018: 84%) of the Group's revenue.

- Risk of impairment of trade receivables (Group)
- Carrying value of goodwill (Group)
- Carrying value of investments (Parent Company)

Independent Auditors' report to the members of Clarkson PLC continued

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 trade regulations, 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, income tax, payroll tax and sales tax. 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;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates including the key audit matters described below.

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.

Key audit matter	How our audit addressed the key audit matter
Risk of impairment of trade receivables (Group) Refer to page 102 (Audit and Risk Committee report), note 15 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 £76.5m before provisions for Group expected credit losses of £14.2m. The macroeconomic environment means the Group has experienced continued uncertainty over the collectability of trade receivables from specific customers. Management applies 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 judgement. Specific factors which 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.	Our audit procedures included: – For specific provisions for expected credit losses, we selected a sample of items and understood management's rationale for why a provision was required. The provisions relate to 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; – Our testing procedures included verifying whether payments had been received since the year-end, reviewing historical payment patterns and inspecting any correspondence with customers on expected settlement dates; and – The remaining trade receivables which were not specifically provided for were subject to management's determined expected credit loss calculation. We examined and tested source data and the mathematical accuracy of management's supporting calculations; this 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. We tested adjustments made by management to reflect certain market conditions (both in terms of the Group's markets and territories where the receivables are due). From the work we performed we consider the level of provisioning to be consistent with the evidence obtained.

Independent Auditors' report to the members of Clarkson PLC continued

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill (Group) Refer to page 102 (Audit and Risk Committee report), note 14 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 is allocated across several cash generating units (CGUs), and is subject to an annual impairment test. Management prepared a value-in-use model ('discounted cash flow') to estimate the present value of forecast future cash flows for each CGU. This was then compared with the carrying value of the net assets of each CGU (including goodwill) to determine if there was an impairment. Determining if an impairment charge is required for goodwill involves significant judgements about forecast future performance and cash flows of the CGUs, including growth in revenues and operating profit margins. It also involves determining an appropriate discount rate and long-term growth rate. The risk that we focused on during the audit was that the goodwill is overstated and that an impairment charge may be required. In particular, we focused on the Offshore broking and Securities CGUs which have been most affected by challenging economic conditions, as described in the Business review section of this annual report. The Offshore broking and Securities CGUs had pre-impairment carrying values of £84.1m and £113.0m respectively and contained goodwill. Management's impairment test determined that the recoverable amount of the CGUs including the goodwill was lower than the carrying value. As a result, a pre-tax impairment charge of £47.5m was recognised in the Consolidated income statement.	Our audit procedures included: – For each CGU we obtained management's annual impairment assessment and checked the calculations were mathematically accurate and the methodology used was in line with the requirements of IAS 36 'Impairment of Assets'; – We evaluated and obtained corroborative evidence supporting the future cash flow forecasts of each CGU. We compared the forecasts used in the impairment model to the latest Board approved budget and management forecasts, and we compared prior year budget to actual data in order to assess historical estimation uncertainty and factor this into our challenge of current year projections. For the Offshore broking and Securities CGUs, we also considered available external market data to challenge the profile of future projections; – We challenged the reasonableness of the discount rates by comparing the cost of capital for the Group with comparable organisations and consulting with our own valuation experts; and – We considered the cyclical nature of each CGU and verified that this had been appropriately factored into the long-term forecasts. We found the Directors' assumptions to be supportable. For the Offshore broking and Securities CGUs we performed alternative sensitivity scenarios to ascertain the extent of changes in assumptions that would impact the amount of goodwill impairment recognised. Our findings were discussed with the Audit and Risk Committee and we concluded the impairment charge recognised was within an acceptable range. We evaluated the disclosures in note 14 regarding the related assumptions and sensitivities of both the impaired Offshore broking and Securities CGUs and the other CGUs and concluded these appropriately draw attention to the significant areas of estimation uncertainty. We also evaluated the presentation of the impairment charge as an exceptional item and concluded this was appropriate given its material amount.

Key audit matter	How our audit addressed the key audit matter
Carrying value of investments (Parent Company) Refer to page 102 (Audit and Risk Committee report) and notes A and F of the Parent Company financial statements for the Directors' disclosures of the related accounting policies, judgements and estimates for further information. As detailed in the 'Carrying value of goodwill' key audit matter above, an impairment of the Offshore broking and Securities goodwill arose due to challenging economic conditions. Accordingly, a corresponding impairment charge has therefore been recognised in the balance sheet of the Parent Company in relation to the original investment in Clarkson Platou AS (formerly RS Platou ASA). After the impairment charge of £67.1m, the carrying amount of investments in UK and overseas subsidiaries in the Parent Company balance sheet is £224.2m as at 31 December 2019. We consider this a key audit matter given the size of the balance and the significant judgements and estimates involved to determine whether the carrying value of investments is appropriate in the Parent Company balance sheet.	We obtained management's impairment of investment in subsidiaries assessment with supporting computations and: – Verified that the inputs to the assessment were mathematically accurate and, where appropriate, consistent with the goodwill impairment test set out in the key audit matter above; – Recalculated the charge based on consistent assumptions as used within the Group's impairment assessment; – Considered the intercompany receivable balance owed by Clarkson Platou AS to Clarkson PLC and challenged the recoverability in accordance with IFRS 9; – Compared the aggregate carrying value of the investment and the intercompany receivable to the value-in-use and confirmed that the shortfall agrees to the impairment recognised; and – Verified the appropriate treatment of the commensurate transfer to the merger reserve in the Consolidated and Parent Company statements of changes in equity. Based on the work performed, we concur with the amount of impairment recognised and that the commensurate transfer to merger reserves is appropriate. We evaluated the disclosures made in note F and found that sensitivity disclosures appropriately draw attention to the significant areas of estimation uncertainty.

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 components, 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 components 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 components 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.

Our audit included full scope audits of seven components (two of which are financially significant) and specified procedures on certain balances and transactions in respect of five other components. This gave us coverage of 84% of the Group's underlying profit before taxation (2018: 82%) and 79% (2018: 84%) of the Group's revenue. The financially significant components were based in the UK and Norway. Our work included directly auditing the UK component and visits to Norway. We received reporting from our component audit teams. This, together with the additional procedures performed centrally 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.

Independent Auditors' report to the members of Clarkson PLC continued

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	£2,350,000 (2018: £2,250,000).	£2,090,000 (2018: £1,980,000).
How we determined it	5% of profit before taxation, adjusted for exceptional items and acquisition related costs ('underlying profit before taxation').	1% of total assets, reduced to an amount less than the Group overall materiality.
Rationale for benchmark applied	In our view, profit before taxation, adjusted for exceptional items and acquisition related costs ('underlying profit before taxation') represents the most 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 overall materiality.

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 £300,000 and £2,090,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £117,000 (Group audit) (2018: £110,000) and £105,000 (Parent Company audit) (2018: £100,000) 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 twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because 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 of the United Kingdom's withdrawal from the European Union 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.

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 2019 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 71 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 76 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 130, 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 102 describing the work of the Audit and Risk Committee does not appropriately address matters communicated by us to the Audit and Risk 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)

Independent Auditors' report to the members of Clarkson PLC continued

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, 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 and Risk 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 11 years, covering the years ended 31 December 2009 to 31 December 2019.

Christopher Burns (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 March 2020

Consolidated income statement
for the year ended 31 December

	Notes	2019 Before exceptional items and acquisition related costs £m	2019 Exceptional items (note 5) £m	2019 Acquisition related costs (note 6) £m	2019 After exceptional items and acquisition related costs £m	2018 Before acquisition related costs £m	2018 Acquisition related costs (note 6) £m	2018 After acquisition related costs £m
Revenue	3, 4	**363.0**	**–**	**–**	**363.0**	337.6	–	337.6
Cost of sales		**(14.3)**	**–**	**–**	**(14.3)**	(12.9)	–	(12.9)
Trading profit		**348.7**	**–**	**–**	**348.7**	324.7	–	324.7
Administrative expenses		**(298.2)**	**(47.5)**	**(1.6)**	**(347.3)**	(279.7)	(2.4)	(282.1)
Operating profit/(loss)	3, 4	**50.5**	**(47.5)**	**(1.6)**	**1.4**	45.0	(2.4)	42.6
Finance revenue	3	**1.3**	**–**	**–**	**1.3**	1.3	–	1.3
Finance costs	3	**(2.9)**	**–**	**–**	**(2.9)**	(1.3)	–	(1.3)
Other finance revenue – pensions	3	**0.4**	**–**	**–**	**0.4**	0.3	–	0.3
Profit/(loss) before taxation		**49.3**	**(47.5)**	**(1.6)**	**0.2**	45.3	(2.4)	42.9
Taxation	7	**(11.4)**	**–**	**0.3**	**(11.1)**	(10.7)	0.5	(10.2)
Profit/(loss) for the year		**37.9**	**(47.5)**	**(1.3)**	**(10.9)**	34.6	(1.9)	32.7
Attributable to:								
Equity holders of the Parent Company		**36.0**	**(47.5)**	**(1.3)**	**(12.8)**	31.7	(1.9)	29.8
Non-controlling interests		**1.9**	**–**	**–**	**1.9**	2.9	–	2.9
Profit/(loss) for the year		**37.9**	**(47.5)**	**(1.3)**	**(10.9)**	34.6	(1.9)	32.7
Earnings/(loss) per share								
Basic	8	**118.8p**			**(42.4p)**	105.2p		98.8p
Diluted	8	**118.6p**			**(42.4p)**	104.9p		98.6p

Consolidated statement of comprehensive income
for the year ended 31 December

	Notes	2019 £m	2018 £m
(Loss)/profit for the year		**(10.9)**	32.7
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on employee benefit schemes – net of tax	24	**(3.1)**	1.0
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on retranslation of foreign operations		**(16.4)**	4.0
Foreign currency hedges recycled to profit or loss – net of tax	26	**0.7**	(0.6)
Foreign currency hedge revaluations – net of tax	26	**0.9**	(1.4)
Other comprehensive (loss)/income		**(17.9)**	3.0
Total comprehensive (loss)/income for the year		**(28.8)**	35.7
Attributable to:			
Equity holders of the Parent Company		**(30.5)**	32.8
Non-controlling interests		**1.7**	2.9
Total comprehensive (loss)/income for the year		**(28.8)**	35.7

Consolidated balance sheet
as at 31 December

	Notes	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	10	**25.6**	27.0
Investment properties	11	**1.2**	1.2
Right-of-use assets	12	**53.4**	–
Intangible assets	13	**238.2**	293.4
Trade and other receivables	15	**2.1**	1.1
Investments	16	**4.8**	4.8
Employee benefits	24	**15.5**	18.2
Deferred tax assets	7	**9.1**	8.6
		349.9	354.3
Current assets			
Inventories	17	**1.1**	0.8
Trade and other receivables	15	**77.0**	77.0
Income tax receivable		**0.1**	1.2
Investments	16	**15.6**	9.7
Cash and cash equivalents	18	**175.7**	156.5
		269.5	245.2
Current liabilities			
Interest-bearing loans and borrowings	19	**(1.2)**	–
Trade and other payables	20	**(151.3)**	(135.4)
Lease liabilities	21	**(8.7)**	–
Income tax payable		**(9.1)**	(8.0)
Provisions	22	**(0.3)**	(0.2)
		(170.6)	(143.6)
Net current assets		**98.9**	101.6
Non-current liabilities			
Interest-bearing loans and borrowings	19	**(0.1)**	–
Trade and other payables	20	**(2.4)**	(10.5)
Lease liabilities	21	**(53.7)**	–
Provisions	22	**(1.5)**	(0.2)
Employee benefits	24	**(4.5)**	(4.2)
Deferred tax liabilities	7	**(6.0)**	(6.4)
		(68.2)	(21.3)
Net assets		**380.6**	434.6
Capital and reserves			
Share capital	25	**7.6**	7.6
Other reserves	26	**158.4**	237.1
Retained earnings		**211.5**	185.9
Equity attributable to shareholders of the Parent Company		**377.5**	430.6
Non-controlling interests		**3.1**	4.0
Total equity		**380.6**	434.6

The financial statements on pages 139 to 173 were approved by the Board on 6 March 2020, and signed on its behalf by:

Sir 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 Share capital £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2019		**7.6**	**237.1**	**185.9**	**430.6**	**4.0**	**434.6**
Impact of change in accounting policies	2	**–**	**–**	**(3.9)**	**(3.9)**	**–**	**(3.9)**
Adjusted balance at 1 January 2019		**7.6**	**237.1**	**182.0**	**426.7**	**4.0**	**430.7**
(Loss)/profit for the year		**–**	**–**	**(12.8)**	**(12.8)**	**1.9**	**(10.9)**
Other comprehensive (loss)/income:							
Actuarial loss on employee benefit schemes – net of tax	24	**–**	**–**	**(3.1)**	**(3.1)**	**–**	**(3.1)**
Transfer from merger reserve	26	**–**	**(67.1)**	**67.1**	**–**	**–**	**–**
Foreign exchange differences on retranslation of foreign operations	26	**–**	**(16.2)**	**–**	**(16.2)**	**(0.2)**	**(16.4)**
Foreign currency hedges recycled to profit or loss – net of tax	26	**–**	**0.7**	**–**	**0.7**	**–**	**0.7**
Foreign currency hedge revaluations – net of tax	26	**–**	**0.9**	**–**	**0.9**	**–**	**0.9**
Total comprehensive (loss)/income for the year		**–**	**(81.7)**	**51.2**	**(30.5)**	**1.7**	**(28.8)**
Transactions with owners:							
Share issues	26	**–**	**0.8**	**–**	**0.8**	**–**	**0.8**
Employee share schemes	26	**–**	**2.2**	**0.3**	**2.5**	**–**	**2.5**
Tax on other employee benefits	7	**–**	**–**	**0.8**	**0.8**	**–**	**0.8**
Tax on other items in equity	7	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**
Dividend paid	9	**–**	**–**	**(23.0)**	**(23.0)**	**(2.7)**	**(25.7)**
Contributions from non-controlling interests		**–**	**–**	**–**	**–**	**0.1**	**0.1**
Total transactions with owners		**–**	**3.0**	**(21.7)**	**(18.7)**	**(2.6)**	**(21.3)**
Balance at 31 December 2019		**7.6**	**158.4**	**211.5**	**377.5**	**3.1**	**380.6**

	Notes	Attributable to equity holders of the Parent Company Share capital £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 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 (loss)/income:							
Actuarial gain on employee benefit schemes – net of tax	24	–	–	1.0	1.0	–	1.0
Foreign exchange differences on retranslation of foreign operations	26	–	4.0	–	4.0	–	4.0
Foreign currency hedges recycled to profit or loss – net of tax	26	–	(0.6)	–	(0.6)	–	(0.6)
Foreign currency hedge revaluations – net of tax	26	–	(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	26	–	1.6	–	1.6	–	1.6
Employee share schemes	26	–	(1.2)	0.9	(0.3)	–	(0.3)
Tax on other employee benefits	7	–	–	(0.6)	(0.6)	–	(0.6)
Tax on other items in equity	7	–	–	(0.1)	(0.1)	–	(0.1)
Dividend paid	9	–	–	(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

Consolidated cash flow statement
for the year ended 31 December

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Profit before taxation		**0.2**	42.9
Adjustments for:			
Foreign exchange differences	3	**0.4**	(1.9)
Depreciation	3, 10, 11, 12	**13.3**	5.2
Share-based payment expense	23	**1.1**	1.4
Amortisation of intangibles	3, 13	**1.4**	1.7
Impairment of intangibles	3, 13	**47.5**	–
Difference between pension contributions paid and amount recognised in the income statement		**(0.2)**	(0.2)
Finance revenue	3	**(1.3)**	(1.3)
Finance costs	3	**2.9**	1.3
Other finance revenue – pensions	3	**(0.4)**	(0.3)
Increase in inventories	17	**(0.3)**	(0.1)
Increase in trade and other receivables		**(2.9)**	(16.5)
Increase/(decrease) in bonus accrual		**7.1**	(3.4)
Increase in trade and other payables		**8.0**	2.0
Increase in provisions		**0.2**	0.2
Cash generated from operations		**77.0**	31.0
Income tax paid		**(9.2)**	(8.3)
Net cash flow from operating activities		**67.8**	22.7
Cash flows from investing activities			
Interest received		**1.2**	0.9
Purchase of property, plant and equipment	10	**(3.9)**	(2.2)
Purchase of intangible assets	13	**(5.0)**	(3.9)
Proceeds from sale of investments		**10.9**	1.7
Proceeds from sale of property, plant and equipment		**0.1**	0.1
Purchase of investments		**(11.8)**	(8.0)
Transfer from current investments (funds on deposit)		**–**	3.8
Dividends received from investments	3	**0.1**	0.2
Net cash flow from investing activities		**(8.4)**	(7.4)
Cash flows from financing activities			
Interest paid and other charges		**(2.8)**	(0.8)
Dividend paid	9	**(23.0)**	(22.5)
Dividend paid to non-controlling interests		**(2.7)**	(2.9)
Proceeds from borrowings		**1.2**	–
Payments of lease liabilities		**(8.6)**	–
Proceeds from shares issued		**0.8**	1.6
Contributions from non-controlling interests		**0.1**	0.3
Net cash flow from financing activities		**(35.0)**	(24.3)
Net increase/(decrease) in cash and cash equivalents		**24.4**	(9.0)
Cash and cash equivalents at 1 January		**156.5**	161.7
Net foreign exchange differences		**(5.2)**	3.8
Cash and cash equivalents at 31 December	18	**175.7**	156.5

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 2019 were authorised for issue in accordance with a resolution of the Directors on 6 March 2020. 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 2019. 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 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. These notes form an integral part of the financial statements on pages 139 to 173.

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 40 to 43. 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 2019, IFRS 16 'Leases' has been applied, as has IFRIC 23 'Uncertainty over Income Tax Treatments'. No adjustments or restatements in relation to comparative information have been required to be made as a result of first time application of this new standard and Interpretation.

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 W 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 2019, that had a material impact on the Group or Parent Company.

– IFRS 16 'Leases', effective and applied from 1 January 2019.

  This 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.

  The Group has adopted IFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The standard permits a choice on initial adoption, on a lease-by-lease basis, to measure the right-of-use asset at either its carrying amount as if IFRS 16 had been applied since the commencement of the lease, or an amount equal to the lease liability, adjusted for accruals or prepayments. The majority of right-of-use assets were measured as if IFRS 16 had been applied since commencement of the lease. All of the right-of-use assets were in relation to properties.

  On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.5%.

2.2 Statement of accounting policies continued

The Group is using practical expedients on transition to leases previously classified as operating leases, including:

i) accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
ii) excluding initial direct costs from the initial measurement of the right-of-use asset; and
iii) using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to IFRS 16, the following adjustments were made:

	£m
Right-of-use assets	53.7
Deferred tax assets	0.5
Prepayments	(0.9)
Other payables – current	0.3
Lease liabilities – current	(8.5)
Other payables – non-current	8.1
Lease liabilities – non-current	(54.5)
Provisions – non-current	(1.3)
Retained earnings	2.6

A reconciliation of operating lease commitments at 31 December 2018 to lease liabilities on transition is as follows:

	£m
Lease commitments at 31 December 2018	83.6
Impact of discounting	(9.4)
Short-term leases not recognised	(0.4)
Non-lease components reassessed	(13.0)
Recognition of extension options	3.0
Other adjustments	(0.8)
Lease liabilities at 1 January 2019	63.0
Split:	
Lease liabilities – current	8.5
Lease liabilities – non-current	54.5
	63.0

For the current period, there was no significant impact on profit before taxation; however, the unwinding of the discount on the lease liabilities has resulted in a £2.1m charge being included in finance costs, whereas under IAS 17 all operating leases were included in administrative expenses. There is no effect on overall cash flows from implementing IFRS 16; however, there is a presentational change in that £10.7m of cash outflows are now disclosed under financing whereas under IAS 17 these would have been shown as operating cash outflows.

– IFRIC 23 'Uncertainty over Income Tax Treatments' is effective from 1 January 2019 and clarifies how the recognition and measurement requirements of IAS 12 'Income taxes' are to be applied where there is uncertainty over income tax treatments.

  The Group has applied this Interpretation as of 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in this Interpretation.

  As a result of this Interpretation, the Group has recognised £1.3m of tax uncertainties as at 1 January 2019.

New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2019 and not early adopted

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*
– Amendments to IFRS 3, 'Business combinations', effective from 1 January 2020*
– Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', regarding the definition of materiality, effective from 1 January 2020
– Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instrument: Disclosures', effective from 1 January 2020

* 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

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. 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.

2 Statement of accounting policies continued

Adoption of IFRS 16 'Leases'

Key judgements made in calculating the initial impact of adoption include determining the lease term where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Estimates include calculating the discount rate which is based on the incremental borrowing rate.

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 15 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 14 for further details.

Employee benefits

The determination of the Group's defined benefit obligation depends on certain assumptions, such as the selection of the discount rate, inflation rates and mortality rates. These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's financial statements within the next year. See note 24 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

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

2.6 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.

2 Statement of accounting policies continued

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.

Financial assets at fair value through profit or loss (FVPL)

These assets are measured at fair value. Net gains and losses are recognised in profit or loss in revenue in relation to the convertible bonds business and in finance revenue or finance costs for the rest of the assets. Any interest or dividend income are recognised in profit or loss in finance revenue or finance costs.

2 Statement of accounting policies continued

Financial assets at fair value through other comprehensive income (FVOCI)

These assets are 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. 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.

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, recognised within revenue, 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.

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.

Notes to the consolidated financial statements continued

2 Statement of accounting policies continued

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 8 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.

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. 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.

2 Statement of accounting policies continued

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 15.

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 and mainly arise in broking and financial. In research, amounts invoiced ahead of performance obligations being satisfied are included as contract liabilities.

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.

2 Statement of accounting policies continued

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable; variable lease payments that depend on an index or rate; amounts expected to be payable by the lessee under residual value guarantees; the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) if one of the following occur:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate.
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation.

Whenever the Group incurs an obligation for costs to restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 with a corresponding entry within the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset and starts at the commencement date of the lease. See note 2.8 for the policy on impairment.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

All of the Group's leases are classified as operating leases with rental income from these leases recognised on a straight-line basis over the term of the relevant lease.

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.

3 Revenue and expenses

	2019 £m	2018 £m
Revenue		
Revenue from contracts with customers	**362.6**	337.3
Revenue from other sources: Rental income	**0.4**	0.3
	363.0	337.6

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 2020 is US$113m/£85m (2018 for 2019: US$107m/£84m). Revenue is net of movements in the loss allowance for trade receivables.

	2019 £m	2018 £m
Finance revenue		
Bank interest income	**1.1**	0.8
Dividend income	**0.1**	0.2
Other finance revenue	**0.1**	0.3
	1.3	1.3

	2019 £m	2018 £m
Finance costs		
Bank interest charges	**0.2**	–
Interest expenses on lease liabilities	**2.1**	–
Other finance costs	**0.6**	1.3
	2.9	1.3

	2019 £m	2018 £m
Other finance revenue – pensions		
Net benefit income	**0.4**	0.3

Operating profit

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

	2019 £m	2018 £m
Depreciation	**13.3**	5.2
Amortisation of intangible assets	**1.4**	1.7
Impairment of intangible assets	**47.5**	–
Net foreign exchange losses/(gains)	**0.4**	(1.9)
Research and development	**11.2**	8.0
Short-term lease expense*	**0.4**	–
Operating lease expense – land and buildings**	**–**	12.2
Operating lease income – land and buildings**	**–**	(0.3)

* Not required under IAS 17.
** Not required under IFRS 16.

Notes to the consolidated financial statements continued

3 Revenue and expenses continued

	2019 £000	2018 £000
Auditors' remuneration		
Fees payable to the Company's Auditors for the audit of the Company's and Group financial statements	238	238
Fees payable to the Company's Auditors and their associates for other services:		
The auditing of financial statements of subsidiaries of the Company	317	280
Audit-related assurance services	55	64
Other services	–	14
	610	596

Audit-related assurance services consists of £40,000 (2018: £40,000) in relation to the half-year review and £15,000 (2018: £24,000) of other audit-related services. Other services relate to the provision of payroll services in China.

	2019 £m	2018 £m
Employee compensation and benefits expense		
Wages and salaries	197.4	186.3
Social security costs	17.0	16.5
Expense of share-based payments	1.1	1.4
Other pension costs	6.5	5.1
	222.0	209.3

The numbers above include remuneration and pension entitlements for each Director. Details are included in the Directors' remuneration report in the Directors' emoluments and compensation table on page 111.

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

	2019	2018
Broking	1,122	1,103
Financial	121	110
Support	229	234
Research	115	117
	1,587	1,564

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.

4 Segmental information continued

Business segments

	Revenue		Results	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Broking	**283.0**	251.7	**55.5**	44.0
Financial	**35.5**	46.1	**3.3**	8.0
Support	**27.7**	23.9	**3.1**	2.3
Research	**16.8**	15.9	**5.4**	5.0
Segment revenue/underlying profit	**363.0**	337.6	**67.3**	59.3
Head office costs			**(16.8)**	(14.3)
Operating profit before exceptional items and acquisition related costs			**50.5**	45.0
Exceptional items			**(47.5)**	–
Acquisition related costs			**(1.6)**	(2.4)
Operating profit after exceptional items and acquisition related costs			**1.4**	42.6
Finance revenue			**1.3**	1.3
Finance costs			**(2.9)**	(1.3)
Other finance revenue – pensions			**0.4**	0.3
Profit before taxation			**0.2**	42.9
Taxation			**(11.1)**	(10.2)
(Loss)/profit for the year			**(10.9)**	32.7

Business segments

	Assets		Liabilities	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Broking	**424.1**	373.7	**164.3**	93.8
Financial	**124.5**	159.3	**23.4**	15.5
Support	**30.2**	23.9	**11.2**	8.9
Research	**14.2**	12.1	**10.5**	6.8
Segment assets/liabilities	**593.0**	569.0	**209.4**	125.0
Unallocated assets/liabilities	**26.4**	30.5	**29.4**	39.9
	619.4	599.5	**238.8**	164.9

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 and impairment	
	Property, plant and equipment 2019 £m	**Intangible assets 2019 £m**	Property, plant and equipment 2018 £m	Intangible assets 2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Broking	**10.8**	**4.9**	1.5	3.9	**11.2**	4.3	***14.4**	1.6
Financial	**0.2**	**0.1**	0.1	–	**1.0**	0.3	***34.5**	0.1
Support	**2.4**	**–**	0.6	–	**0.9**	0.6	**–**	–
Research	**–**	**–**	–	–	**0.2**	–	**–**	–
	13.4	**5.0**	2.2	3.9	**13.3**	5.2	**48.9**	1.7

* Includes an impairment charge of £13.0m for Broking and £34.5m for Financial.

Financial statements

Notes to the consolidated financial statements continued

4 Segmental information continued

Geographical segments – by origin of invoice

	Revenue	
	2019 £m	2018 £m
Europe, Middle East and Africa*	**275.3**	259.6
Americas	**23.3**	22.7
Asia Pacific	**64.4**	55.3
	363.0	337.6

Geographical segments – by location of assets

	Non-current assets**	
	2019 £m	2018 £m
Europe, Middle East and Africa*	**282.5**	303.6
Americas	**10.9**	2.9
Asia Pacific	**31.9**	21.0
	325.3	327.5

* Includes revenue for the UK of £172.8m (2018: £158.1m) and non-current assets for the UK of £114.1m (2018: £88.7m).
** Non-current assets exclude deferred tax assets and employee benefits.

5 Exceptional items

As a result of the impairment testing of goodwill, an impairment charge was recognised of £47.5m (2018: £nil). See note 14 for further details.

6 Acquisition related costs

Included in acquisition related costs are cash and share-based payment charges of £0.3m (2018: £0.2m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £0.3m (2018: £0.5m) 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 £1.0m (2018: £1.7m) relating to amortisation of intangibles acquired as part of the Platou and other prior acquisitions.

7 Taxation

Tax charged in the Consolidated income statement is as follows:

	2019 £m	2018 £m
Current tax		
Tax on profits for the year	**11.3**	8.7
Adjustments in respect of prior years	**(0.4)**	(0.5)
	10.9	8.2
Deferred tax		
Origination and reversal of temporary differences	**0.2**	2.0
	0.2	2.0
Total tax charge in the income statement	**11.1**	10.2

7 Taxation continued

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

		2019 £m	2018 £m
Current tax			
Employee benefits	– other employee benefits	–	(0.3)
Other items in equity		1.1	0.1
		1.1	(0.2)
Deferred tax			
Employee benefits	– on pension benefits	(0.5)	0.2
	– other employee benefits	(0.8)	0.9
Foreign currency contracts		0.4	(0.5)
Other items in equity		(0.5)	–
		(1.4)	0.6
Total tax (credit)/charge in the statement of changes in equity		(0.3)	0.4

Reconciliation of tax charge

The tax charge in the Consolidated income statement for the year is higher (2018: higher) than the average standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are reconciled below:

	2019 £m	2018 £m
Profit before taxation	0.2	42.9
Profit at UK average standard rate of corporation tax of 19% (2018: 19%)	–	8.2
Effects of:		
Impairment charge not deductible for tax purposes	9.0	–
Expenses not deductible for tax purposes	1.8	1.6
Non-taxable income	0.1	(0.1)
Lower tax rates on overseas earnings	(1.2)	(1.2)
Tax losses not recognised	0.8	0.7
Adjustments relating to prior year	0.8	–
Other adjustments	(0.2)	1.0
Total tax charge in the income statement	11.1	10.2

Deferred tax

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

		2019 £m	2018 £m
Employee benefits	– on pension benefits	–	0.1
	– other employee benefits	(0.5)	1.6
Tax losses recognised		0.1	0.1
In relation to earnings of overseas subsidiaries		0.2	–
Intangible assets recognised on acquisition		(0.2)	(0.4)
Other temporary differences		0.6	0.6
Deferred tax charge in the income statement		0.2	2.0

Notes to the consolidated financial statements continued

7 Taxation continued

Deferred tax included in the balance sheet is as follows:

		2019 £m	2018 £m
Deferred tax assets			
Employee benefits	– on pension benefits	**0.7**	0.7
	– other employee benefits	**7.6**	6.4
Tax losses		**0.2**	0.3
Foreign currency contracts		**–**	0.2
Other temporary differences		**0.6**	1.0
		9.1	8.6
Deferred tax liabilities			
Employee benefits	– on pension benefits	**(2.6)**	(3.1)
In relation to earnings of overseas subsidiaries		**(1.3)**	(1.1)
Foreign currency contracts		**(0.1)**	–
Intangible assets recognised on acquisition		**–**	(0.2)
Other temporary differences		**(2.0)**	(2.0)
		(6.0)	(6.4)

Included in the above are deferred tax assets of £2.9m (2018: £3.5m) and deferred tax liabilities of £0.1m (2018: £0.2m) 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 £2.7m (2018: £3.5m) in respect of unused tax losses, which predominantly have either no expiry date or expiry dates of ten years or more.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

In November 2019, the Prime Minister announced that he intended to cancel the future reduction in corporate tax rate from 19% to 17%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. However, it is possible that the corporation tax rate remains at 19% after 1 April 2020.

8 Earnings/(loss) per share

Basic earnings per share amounts are calculated by dividing profit/(loss) 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/(loss) 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:

	2019 £m	2018 £m
Underlying profit for the year attributable to ordinary equity holders of the Parent Company	**36.0**	31.7
Reported (loss)/profit for the year attributable to ordinary equity holders of the Parent Company	**(12.8)**	29.8

	2019	2018
Weighted average number of ordinary shares (excluding share purchase trusts' shares) – basic	**30,263,972**	30,139,502
Dilutive effect of share options	**38,828**	36,011
Dilutive effect of acquisition related shares	**19,919**	45,020
Weighted average number of ordinary shares (excluding share purchase trusts' shares) – diluted	**30,322,719**	30,220,533

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 118,347 (2018: 129,075).

9 Dividends

	2019 £m	2018 £m
Declared and paid during the year:		
Final dividend for 2018 of 51p per share (2017: 50p per share)	**15.4**	15.2
Interim dividend for 2019 of 25p per share (2018: 24p per share)	**7.6**	7.3
Dividend paid	**23.0**	22.5
Proposed for approval at the AGM (not recognised as a liability at 31 December):		
Final dividend for 2019 proposed of 53p per share (2018: 51p per share)	**16.1**	15.4

10 Property, plant and equipment

31 December 2019

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost					
At 1 January 2019	**7.9**	**18.3**	**22.7**	**1.4**	**50.3**
Additions	**1.6**	**0.5**	**1.5**	**0.3**	**3.9**
Disposals	**–**	**(0.1)**	**(0.5)**	**(0.2)**	**(0.8)**
Foreign exchange differences	**(0.2)**	**(0.2)**	**(0.4)**	**–**	**(0.8)**
At 31 December 2019	**9.3**	**18.5**	**23.3**	**1.5**	**52.6**
Accumulated depreciation					
At 1 January 2019	**1.6**	**6.1**	**14.9**	**0.7**	**23.3**
Charged during the year	**0.2**	**1.6**	**2.9**	**0.3**	**5.0**
Disposals	**–**	**(0.1)**	**(0.4)**	**(0.2)**	**(0.7)**
Foreign exchange differences	**(0.1)**	**(0.2)**	**(0.4)**	**0.1**	**(0.6)**
At 31 December 2019	**1.7**	**7.4**	**17.0**	**0.9**	**27.0**
Net book value at 31 December 2019	**7.6**	**11.1**	**6.3**	**0.6**	**25.6**

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

Notes to the consolidated financial statements continued

11 Investment properties

	2019 £m	2018 £m
Cost		
At 1 January	**2.1**	2.0
Foreign exchange differences	**–**	0.1
At 31 December	**2.1**	2.1
Accumulated depreciation		
At 1 January	**0.9**	0.9
Charged during the year	**–**	–
At 31 December	**0.9**	0.9
Net book value at 31 December	**1.2**	1.2

The fair value of the investment properties at 31 December 2019 was £2.3m (2018: £2.4m). This was based on valuations from independent valuers who have the appropriate professional qualifications and recent experience of valuing properties in the location and of the type being valued.

12 Right-of-use assets

	Leasehold properties 2019 £m	Leasehold properties 2018 £m
Cost		
Adoption of IFRS 16 as at 1 January	**53.7**	–
Additions	**9.5**	–
Foreign exchange differences	**(1.7)**	–
At 31 December	**61.5**	–
Accumulated depreciation		
Charged during the year	**8.3**	–
Foreign exchange differences	**(0.2)**	–
At 31 December	**8.1**	–
Net book value at 31 December	**53.4**	–

See note 2 for further information on the adoption of IFRS 16.

13 Intangible assets

31 December 2019

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2019	299.4	36.5	335.9
Additions	0.3	4.7	5.0
Foreign exchange differences	(11.5)	(0.8)	(12.3)
At 31 December 2019	288.2	40.4	328.6
Accumulated amortisation and impairment			
At 1 January 2019	12.4	30.1	42.5
Charged during the year	–	1.4	1.4
Impairment	47.5	–	47.5
Foreign exchange differences	–	(1.0)	(1.0)
At 31 December 2019	59.9	30.5	90.4
Net book value at 31 December 2019	228.3	9.9	238.2

13 Intangible assets continued

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

In 2019 the Group made acquisitions resulting in goodwill of £0.3m. The total consideration was £0.3m, of which £0.2m is deferred.

The other intangible asset additions for 2019 and 2018 relate to development costs which will be amortised based on their estimated useful life, which will not exceed five years, when ready for use. The net book value of other intangible assets also includes £nil (2018: £0.6m) relating to customer relationships, £nil (2018: £0.3m) relating to forward order book and £nil (2018: £0.1m) relating to trade name which were identified as part of a previous acquisition.

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.

14 Impairment testing of goodwill

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

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

	2019 £m	2018 £m
Dry cargo chartering	**12.0**	12.0
Container chartering	**1.8**	1.8
Tankers chartering	**10.7**	11.3
Specialised products chartering	**12.4**	12.2
Gas chartering	**2.7**	2.7
Sale and purchase broking	**46.6**	49.1
Offshore broking	**65.3**	80.8
Securities	**70.6**	110.9
Port and agency services	**2.9**	2.9
Research services	**3.3**	3.3
	228.3	287.0

The movement in the aggregate carrying value is analysed in more detail in note 13.

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.

Notes to the consolidated financial statements continued

14 Impairment testing of goodwill continued

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% (2018: 9.8%), port and agency services is 9.8% (2018: 9.8%), research services is 9.8% (2018: 9.8%) and for securities is 9.3% (2018: 9.4%). 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 projections 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% (2018: 1.7%) across all CGUs.

The results of the Directors' review of goodwill indicate remaining headroom for all CGUs other than offshore broking and securities. There are no reasonably possible changes in assumptions for all CGUs other than offshore broking and securities that could give rise to the recoverable amount of the CGU being lower than the carrying amount.

Recognising the continued challenging trading conditions in the offshore broking and securities markets, the Directors have revised the estimate of future cash flows expected from these CGUs. Following these revisions, an impairment loss has been recognised, shown as an exceptional item (note 5), as follows:

31 December 2019

	Reportable segment	Goodwill impairment £m	Recoverable amount (value-in-use) £m	Discount rate %
CGU				
Offshore broking	**Broking**	**13.0**	**71.1**	**9.8**
Securities	**Financial**	**34.5**	**78.5**	**9.3**
At 31 December 2019		**47.5**	**149.6**	

The recoverable amount continues to be subject to sensitivities. An increase in the discount rate of 0.5%, i.e. to 10.3% for offshore broking and 9.8% for securities, would decrease value-in-use by £4.1m for offshore broking and £5.4m for securities. An increase in long-term growth rate to 2.0% would increase value-in-use by £3.4m for offshore broking and £4.1m for securities.

There were no impairment losses arising in 2018.

In light of global macro-economic and geopolitical 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.

15 Trade and other receivables

	2019 £m	2018 £m
Non-current		
Other receivables	**1.3**	1.1
Foreign currency contracts	**0.8**	–
	2.1	1.1
Current		
Trade receivables	**62.3**	61.7
Other receivables	**6.1**	5.1
Prepayments	**4.7**	6.3
Contract assets	**3.9**	3.9
	77.0	77.0

Trade receivables are non-interest bearing and are generally on terms payable within 90 days. As at 31 December 2019, the allowance for impairment of trade receivables was £14.2m (2018: £14.4m). The allowance is based on experience and ongoing market information about the creditworthiness 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 £0.9m (2018: £0.8m) 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 20.

15 Trade and other receivables continued

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 2019 and the corresponding historical credit losses experienced within this period. These are then adjusted, if necessary, to reflect current and forward-looking information, such as the general economic condition of the market in which the debtor operates.

The following table shows the exposure to credit risk and expected credit losses of trade receivables as at 31 December:

			2019			2018
	Expected loss rate	**Gross carrying amount £m**	**Loss allowance £m**	Expected loss rate	Gross carrying amount £m	Loss allowance £m
0 – 3 months	**2.9%**	**54.5**	**1.6**	3.6%	55.5	2.0
3 – 12 months	**26.6%**	**12.8**	**3.4**	33.3%	12.3	4.1
Over 12 months	**100.0%**	**9.2**	**9.2**	100.0%	8.3	8.3
		76.5	**14.2**		76.1	14.4

Movements in the loss allowance for trade receivables were as follows:

	2019 £m	2018 £m
At 1 January	**14.4**	13.3
Release of loss allowance	**(6.1)**	(6.3)
Receivables written off during the year as uncollectible	**(2.1)**	(1.8)
Increase in loss allowance	**8.6**	8.3
Foreign exchange differences	**(0.6)**	0.9
At 31 December	**14.2**	14.4

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.

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

	2019 £m	2018 £m
US dollar	**43.9**	50.2
Sterling	**11.5**	6.1
Norwegian krone	**4.6**	3.2
Other currencies	**2.3**	2.2
	62.3	61.7

16 Investments

	2019 £m	2018 £m
Non-current		
Financial assets at fair value through profit or loss	**1.0**	1.0
Financial assets at fair value through other comprehensive income	**3.8**	3.8
	4.8	4.8
Current		
Funds on deposit	**2.5**	1.7
Financial assets at fair value through profit or loss	**13.1**	8.0
	15.6	9.7

The Group held deposits totalling £2.5m (2018: £1.7m) with maturity periods greater than three months. The financial asset at fair value through other comprehensive income represents an investment in Cargometrics Technologies LLC. The non-current financial assets at fair value through profit or loss relate to equity and other investments. Current financial assets at fair value through profit or loss relate to convertible bonds in the Financial segment.

Notes to the consolidated financial statements continued

17 Inventories

	2019 £m	2018 £m
Finished goods	**1.1**	0.8

The cost of inventories recognised as an expense and included in cost of sales amounted to £8.8m (2018: £6.7m).

18 Cash and cash equivalents

	2019 £m	2018 £m
Cash at bank and in hand	**173.4**	154.0
Short-term deposits	**2.3**	2.5
	175.7	156.5

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 £175.7m (2018: £156.5m).

Included in cash at bank and in hand is £2.0m (2018: £1.9m) of restricted funds relating to employee taxes and other commitments.

19 Interest-bearing loans and borrowings

	2019 £m	2018 £m
Current		
Bank loans	**1.2**	–
Non-current		
Bank loans	**0.1**	–

The current bank loans are repayable on demand, with interest being charged at LIBOR plus 0.4%.

Non-current bank loans are due for repayment within five years. Interest is being charged between 3.29% and 4.75%.

20 Trade and other payables

	2019 £m	2018 £m
Current		
Trade payables	**17.0**	12.1
Other payables	**13.9**	7.4
Other tax and social security	**4.7**	5.9
Deferred consideration	**0.2**	–
Foreign currency contracts	**0.1**	0.7
Accruals	**109.1**	103.8
Deferred income	**0.1**	0.1
Contract liabilities	**6.2**	5.4
	151.3	135.4
Non-current		
Other payables	**2.4**	9.9
Foreign currency contracts	**–**	0.6
	2.4	10.5

Included in accruals are bonuses which will be paid out subsequent to the year-end.

Terms and conditions of the financial liabilities:

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

21 Lease liabilities

	2019 £m	2018 £m
Current		
Lease liabilities	**8.7**	–
Non-current		
Lease liabilities	**53.7**	–

The 2018 information above is under IAS 17 'Leases', whereby only leases classified as 'finance leases' were recognised as lease liabilities. On 1 January 2019, IFRS 16 'Leases' came into effect, resulting in leases previously classified as operating under IAS 17 'Leases' being recognised as a lease liability on the balance sheet. See note 2 for further details.

22 Provisions

	2019 £m	2018 £m
Current		
At 1 January	**0.2**	0.1
Arising during the year	**0.1**	0.1
At 31 December	**0.3**	0.2
Non-current		
At 1 January	**0.2**	0.1
Adoption of IFRS 16 at 1 January 2019	**1.4**	–
Adjusted balance at 1 January	**1.6**	0.1
Utilised during the year	**(0.1)**	–
Arising during the year	**–**	0.1
At 31 December	**1.5**	0.2

Provisions have been recognised for the dilapidation of various leasehold premises which will be utilised on cessation of the lease and for certain employee benefits.

23 Share-based payment plans

	2019 £m	2018 £m
Expense arising from equity-settled share-based payment transactions	**1.1**	1.4

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2019 or 2018.

Share options

Long-term incentive awards

Details of the long-term incentive awards are included in the Directors' remuneration report on page 121. Awards made to the Directors are given in the Directors' remuneration report on page 114. 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.

Notes to the consolidated financial statements continued

23 Share-based payment plans continued

Movements in the year

The following table illustrates the number of, and movements in, share options during the year:

	Outstanding at 1 January 2019	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31 December 2019	Exercisable at 31 December 2019	Weighted average contractual life Years
Long-term incentive awards[1]	**145,377**	**57,033**	**(47,433)**	**–**	**154,977**	**16,302**	**8.25**
2016 ShareSave[2]	**50,652**	**–**	**(521)**	**(45,718)**	**4,413**	**–**	**0.33**
2017 ShareSave[3]	**87,054**	**–**	**(25,436)**	**–**	**61,618**	**–**	**1.25**
2018 ShareSave[4]	**162,334**	**–**	**(84,848)**	**–**	**77,486**	**–**	**2.33**
2019 ShareSave[5]	**–**	**215,754**	**(688)**	**–**	**215,066**	**–**	**3.33**
	445,417	**272,787**	**(158,926)**	**(45,718)**	**513,560**	**16,302**	

The weighted average share price at the date of exercise was £27.77.

There is one exercise price for each type of share option award, as follows: [1] £nil, [2] £17.19, [3] £22.50, [4] £22.12, [5] £18.30.

	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.

Significant inputs

The inputs into the models used to value options granted in the period fell within the following ranges:

	2019	2018
Share price at date of grant (£)	**23.70–24.45**	25.05–27.75
Exercise price (£)	**0.00–20.74**	0.00–22.12
Expected term (years)	**2.0–3.3**	3.0–3.3
Risk-free interest rate (%)	**0.3–0.8**	0.9–0.9
Expected dividend yield (%)	**0.0–3.1**	0.0–3.0
Expected volatility (%)	**34.0–34.5**	35.3–36.1

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, 316,338 shares (2018: 243,581 shares) at a weighted average price of £23.67 (2018: £30.57) were awarded to employees in settlement of 2018 (2017) cash bonuses. There was no expense in 2019 nor 2018 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 2019 charge in relation to such awards is £0.3m (2018: £0.4m).

24 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. Responsibility for governance of each scheme lies with the respective board of trustees in accordance with the rules applicable to that scheme. Currently each board of trustees includes a representative of the relevant principal employer. 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 on an ongoing basis of £7.3m (106%) as at 31 March 2019. Following the 2016 valuation, Clarkson PLC and the Trustees had agreed to cease funding with effect from 1 October 2016.

The valuation of the Plowrights scheme showed a pension surplus on an ongoing basis of £2.1m (105%) as at 31 March 2019. Clarkson PLC and the Trustees agreed to cease funding with effect from 1 December 2019. The expenses for the scheme will be met from the surplus assets.

The valuation of the Stewarts scheme showed a pension deficit on an ongoing basis of £0.9m as at 1 September 2018. Clarksons Platou (Offshore) Limited has agreed with the Trustees to pay contributions to remove the deficit over a period ending 31 October 2021 at the rate of £0.39m per annum which will include scheme expenses.

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 £0.7m.

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 2018, 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.

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 to 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:

24 Employee benefits continued

Recognised in the balance sheet

	2019 £m	2018 £m
Fair value of schemes' assets	**194.7**	188.8
Present value of funded defined benefit obligations	**(179.9)**	(168.0)
	14.8	20.8
Effect of asset ceiling in relation to the Plowrights scheme	**(3.8)**	(6.8)
Net benefit asset recognised in the balance sheet	**11.0**	14.0

The net benefit asset disclosed above is the combined total of the three schemes. The Clarkson PLC scheme has a surplus of £15.5m (2018: £18.2m), the Plowrights scheme has a surplus of £nil (2018: £nil) and the Stewarts scheme has a deficit of £4.5m (2018: £4.2m). As there is no right of set-off between the schemes, the benefit asset of £15.5m (2018: £18.2m) is disclosed separately on the balance sheet from the benefit liability of £4.5m (2018: £4.2m).

The surplus in the Clarkson PLC scheme is recognised, as there are future economic benefits available in the form of a reduction in future contributions to the defined contribution section of the scheme 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 Plowrights scheme and therefore the surplus of £3.8m (2018: £6.8m) cannot be recognised.

A deferred tax asset on the benefit liability amounting to £0.7m (2018: £0.7m) and a deferred tax liability on the benefit asset of £2.6m (2018: £3.1m) is shown in note 7.

Recognised in the income statement

	2019 £m	2018 £m
Recognised in other finance revenue – pensions:		
Expected return on schemes' assets	**5.2**	4.9
Interest cost on benefit obligation and asset ceiling	**(4.8)**	(4.6)
Recognised in administrative expenses:		
Past service cost	**–**	(0.1)
Scheme administrative expenses	**(0.3)**	(0.3)
Net benefit income/(charge) recognised in the income statement	**0.1**	(0.1)

Recognised in the statement of comprehensive income

	2019 £m	2018 £m
Actual return on schemes' assets	**20.5**	(2.1)
Less: expected return on schemes' assets	**(5.2)**	(4.9)
Actuarial gain/(loss) on schemes' assets	**15.3**	(7.0)
Actuarial (loss)/gain on defined benefit obligations	**(22.1)**	9.6
Actuarial (loss)/gain recognised in the statement of comprehensive income	**(6.8)**	2.6
Tax credit/(charge) on actuarial gain	**1.1**	(0.5)
Effect of asset ceiling in relation to the Plowrights scheme	**3.2**	(1.4)
Tax (charge)/credit on asset ceiling	**(0.6)**	0.3
Net actuarial (loss)/gain on employee benefit obligations	**(3.1)**	1.0
Cumulative amount of actuarial (losses)/gains recognised in the statement of comprehensive income	**(2.8)**	4.0

Schemes' assets

	2019 %	2019 £m	2018 %	2018 £m
Equities*	**2.8**	**5.5**	2.7	5.2
Government bonds*	**39.7**	**77.3**	43.1	81.2
Corporate bonds*	**32.9**	**64.0**	28.9	54.6
Property	**–**	**–**	0.2	0.5
Investment funds*	**23.7**	**46.2**	24.2	45.6
Cash and other assets	**0.9**	**1.7**	0.9	1.7
	100.0	**194.7**	100.0	188.8

* Based on quoted market prices.

24 Employee benefits continued

Net defined benefit asset

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

31 December 2019

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £m	Total £m
At 1 January 2019	**(168.0)**	**188.8**	**20.8**	**(6.8)**	**14.0**
Expected return on assets	**–**	**5.2**	**5.2**	**–**	**5.2**
Interest costs	**(4.6)**	**–**	**(4.6)**	**(0.2)**	**(4.8)**
Employer contributions	**–**	**0.5**	**0.5**	**–**	**0.5**
Administrative expenses	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
Benefits paid	**14.8**	**(14.8)**	**–**	**–**	**–**
Actuarial (loss)/gain	**(22.1)**	**15.3**	**(6.8)**	**3.2**	**(3.6)**
At 31 December 2019	**(179.9)**	**194.7**	**14.8**	**(3.8)**	**11.0**

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

The Group expects, based on the valuations and funding requirements including expenses, to contribute £0.4m to its defined benefit pension schemes in 2020 (2018 for 2019: £0.5m).

The principal weighted average valuation assumptions are as follows:

	2019 %	2018 %
Rate of increase in pensions in payment	**3.1**	3.2
Price inflation (RPI)	**3.0**	3.3
Price inflation (CPI)	**2.2**	2.3
Discount rate for scheme liabilities	**2.1**	2.9

The mortality assumptions used to assess the defined benefit obligation at 31 December 2019 is based on the 'SAPS' standard mortality tables (SP3A for the Clarkson PLC scheme with a scheme specific adjustment of 90%, SP3A Light for the Plowrights scheme and SP2A for the Stewarts scheme). The defined benefit obligation at 31 December 2018 is based on the 'SAPS Light' S2 series standard mortality table ('SAPS' for the Stewarts scheme). These tables have been adjusted to allow for anticipated future improvements in life expectancy using the standard projection model published in 2019 (31 December 2018: model published in 2018). Examples of the assumed future life expectancy are given in the table below:

		Additional years 2019	Additional years 2018
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	**21.8–23.4**	22.0–23.1
	– female	**23.7–25.1**	24.0–24.2
Pensioners retiring in 20 years' time	– male	**23.2–24.6**	23.4–24.4
	– female	**25.2–26.5**	25.5–25.7

Notes to the consolidated financial statements continued

24 Employee benefits continued
Experience adjustments

	2019 £m	2018 £m
Experience gain/(loss) on schemes' assets	**15.3**	(6.9)
(Loss)/gain on schemes' liabilities due to changes in demographic assumptions	**(1.6)**	1.2
(Loss)/gain on schemes' liabilities due to changes in financial assumptions	**(18.5)**	8.4
(Loss)/gain on schemes' liabilities due to experience adjustments	**(2.1)**	–
Gain/(loss) on asset ceiling	**3.3**	(1.5)
Actuarial (loss)/gain	**(3.6)**	1.2
Income tax on actuarial gain/(loss)	**0.5**	(0.2)
Actuarial (loss)/gain – net of tax	**(3.1)**	1.0

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 current and previous years. The sensitivities have been calculated using the same methodology as the main calculations. The weighted average duration of the defined obligation is 18 years.

	2019		2018	
	Change in assumption	Change in defined benefit obligation	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	**+0.25%**	**-3.9%**	+0.25%	-4.0%
	-0.25%	**4.2%**	-0.25%	+4.3%
Price inflation (RPI)	**+0.25%**	**3.2%**	+0.25%	+3.5%
	-0.25%	**-3.0%**	-0.25%	-3.3%

An increase of one year in the assumed life expectancy for both males and females would increase the benefit obligation by 4.2% (2018: 3.8%).

25 Share capital
Ordinary shares of 25p each, issued and fully paid:

	Number of shares	2019 £m	Number of shares	2018 £m
At 1 January	**30,325,058**	**7.6**	30,233,179	7.6
Additions	**45,718**	**–**	91,879	–
At 31 December	**30,370,776**	**7.6**	30,325,058	7.6

During the year, the Company issued 45,718 shares in relation to the 2016 ShareSave scheme. The difference between the exercise price of £17.19 and the nominal value of £0.25 was taken to the share premium account, see note 26.

Shares held by employee trusts
The trustees have waived their right to dividends on the unallocated shares held in the employee share trust.

26 Other reserves

31 December 2019

	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 2019	**30.7**	**(2.8)**	**3.6**	**2.0**	**(1.0)**	**177.5**	**27.1**	**237.1**
Total comprehensive income/(loss)	**–**	**–**	**–**	**–**	**1.6**	**(67.1)**	**(16.2)**	**(81.7)**
Share issues	**0.8**	**–**	**–**	**–**	**–**	**–**	**–**	**0.8**
Employee share schemes:								
Share-based payments expense	**–**	**–**	**1.1**	**–**	**–**	**–**	**–**	**1.1**
Transfer to profit and loss on vesting	**–**	**1.0**	**(1.7)**	**–**	**–**	**–**	**–**	**(0.7)**
Net ESOP shares utilised	**–**	**1.8**	**–**	**–**	**–**	**–**	**–**	**1.8**
Total employee share schemes	**–**	**2.8**	**(0.6)**	**–**	**–**	**–**	**–**	**2.2**
At 31 December 2019	**31.5**	**–**	**3.0**	**2.0**	**0.6**	**110.4**	**10.9**	**158.4**

26 Other reserves continued

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

Nature and purpose of other reserves

ESOP reserve

The ESOP reserve in the Group represents 2,228 shares (2018: 117,446 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 2019 was £0.1m (2018: £2.2m). At 31 December 2019 none of these shares were under option (2018: none). During the year the share purchase trusts acquired 246,902 shares at a weighted average price of £24.08 (2018: 350,000 shares at £30.38), offset with shares utilised to settle employee incentives, see note 23 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 23.

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 28.

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. During the year, the Company impaired its investment in relation to the Platou acquisition. As a result, a corresponding transfer was made out of this reserve to the profit and loss account. The transfer from merger reserve is different from the impairment charge recognised in the group due to the relative carrying values recorded in the Group and Parent Company accounts.

Currency translation reserve

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

27 Financial commitments and contingencies

Contingencies

The Group has given no financial commitments to suppliers (2018: none).

The Group has given no guarantees (2018: 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.

Notes to the consolidated financial statements continued

28 Financial risk management objectives and policies

The Group's principal financial liabilities comprise trade and other payables and lease liabilities. 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 2019 and 2018, 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 15; 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 revenue. 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 2019

	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	5 to 10 years £m	Total £m
Interest-bearing loans and borrowings	**–**	**1.2**	**0.1**	**–**	**1.3**
Trade and other payables	**30.9**	**–**	**2.4**	**–**	**33.3**
Deferred consideration	**–**	**0.2**	**–**	**–**	**0.2**
Gross settled foreign currency contracts:					
Outflow	**9.4**	**20.7**	**14.9**	**–**	**45.0**
Inflow	**(9.4)**	**(20.6)**	**(15.7)**	**–**	**(45.7)**
Lease liabilities	**2.8**	**8.5**	**37.8**	**24.1**	**73.2**
	33.7	**10.0**	**39.5**	**24.1**	**107.3**

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

28 Financial risk management objectives and policies continued

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
2019	**5%**	**1.2**	**(0.7)**
	(5%)	**(1.1)**	**0.7**
2018	5%	2.0	–
	(5%)	(1.8)	–

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 26). 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	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Foreign currency contracts	**0.8**	–	**0.1**	1.3

At 31 December 2019 the Group had forward contracts of US$40m due for settlement in 2020 at an average rate of US$1.33/£1, US$15m due for settlement in 2021 at an average rate of US$1.27/£1 and US$5m due for settlement in 2022 at an average rate of US$1.27/£1 (2018: 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).

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 2019 and 31 December 2018. 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.

Notes to the consolidated financial statements continued

29 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	
	2019 £m	2018 £m	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Assets						
Investments at fair value through profit or loss (FVPL)	**0.4**	0.5	**13.7**	8.5	**–**	–
Investments at fair value through other comprehensive income (FVOCI)	**–**	–	**–**	–	**3.8**	3.8
Foreign currency contracts	**–**	–	**0.8**	–	**–**	–
	0.4	0.5	**14.5**	8.5	**3.8**	3.8
Liabilities						
Other payables	**6.5**	1.3	**–**	–	**–**	–
Foreign currency contracts	**–**	–	**0.1**	1.3	**–**	–
	6.5	1.3	**0.1**	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

	2019					2018			
	Hedging instruments £m	**Fair value through profit or loss £m**	**Fair value through other compre-hensive income £m**	**Amortised cost £m**	**Total £m**	Fair value through profit or loss £m	Fair value through other compre-hensive income £m	Amortised cost £m	Total £m
Other receivables	**–**	**–**	**–**	**7.4**	**7.4**	–	–	6.2	6.2
Investments	**–**	**14.1**	**3.8**	**2.5**	**20.4**	9.0	3.8	1.7	14.5
Trade receivables	**–**	**–**	**–**	**62.3**	**62.3**	–	–	61.7	61.7
Foreign currency contracts	**0.8**	**–**	**–**	**–**	**0.8**	–	–	–	–
Cash and cash equivalents	**–**	**–**	**–**	**175.7**	**175.7**	–	–	156.5	156.5
	0.8	**14.1**	**3.8**	**247.9**	**266.6**	9.0	3.8	226.1	238.9

29 Financial instruments continued

Financial liabilities

	2019				2018			
	Hedging instruments £m	Fair value through profit or loss £m	Amortised cost £m	Total £m	Hedging instruments £m	Fair value through profit or loss £m	Amortised cost £m	Total £m
Interest-bearing loans and borrowings	–	–	1.3	1.3	–	–	–	–
Trade payables	–	–	17.0	17.0	–	–	12.1	12.1
Other payables	–	6.5	9.8	16.3	–	1.3	16.0	17.3
Foreign currency contracts	0.1	–	–	0.1	1.3	–	–	1.3
Deferred consideration	–	–	0.2	0.2	–	–	–	–
Lease liabilities*	–	–	62.4	62.4	–	–	–	–
	0.1	6.5	90.7	97.3	1.3	1.3	28.1	30.7

* See note 2 for the impact of the change in accounting policy following the adoption of IFRS 16.

The carrying value of current and non-current financial assets and liabilities is deemed to equate to the fair value at 31 December 2019 and 2018.

Net losses on financial assets at fair value through profit or loss amounted to £0.1m. There were no gains or losses recognised for financial assets at fair value through other comprehensive income. Net losses on financial liabilities at fair value through profit or loss amounted to £0.2m. Gains/(losses) on trade receivables (measured at amortised cost) are shown in note 15.

30 Related party transactions

As in 2018, 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.

	2019 £m	2018 £m
Short-term employee benefits	4.6	4.8
Post-employment benefits	0.1	0.1
Share-based payments	0.3	0.5
	5.0	5.4

Full remuneration details are provided in the Directors' remuneration report on pages 106 to 125.

31 Subsequent events

In February 2020 the Group acquired 100% of the issued share capital of Martankers I, S.L., a shipbroking company based in Madrid, Spain. The acquisition consisted of an initial cash payment of €1.36m with deferred amounts up to €1.73m.

Parent Company balance sheet
as at 31 December

	Notes	2019 £m	2018 £m
Non-current assets			
Property, plant and equipment	C	**12.9**	14.7
Investment properties	D	**0.3**	0.3
Right-of-use assets	E	**21.9**	–
Investments in subsidiaries	F	**224.2**	291.1
Employee benefits	P	**15.5**	18.2
Deferred tax assets	G	**1.8**	1.7
		276.6	326.0
Current assets			
Trade and other receivables	H	**17.5**	18.9
Investments	I	**0.5**	0.5
Cash and cash equivalents	J	**0.1**	0.1
		18.1	19.5
Current liabilities			
Trade and other payables	K	**(11.4)**	(15.1)
Lease liabilities	L	**(2.7)**	–
Income tax payable		**(0.4)**	–
		(14.5)	(15.1)
Net current assets		**3.6**	4.4
Non-current liabilities			
Trade and other payables	K	**–**	(7.6)
Lease liabilities	L	**(26.6)**	–
Provisions	M	**(1.0)**	–
Deferred tax liabilities	N	**(3.3)**	(3.7)
		(30.9)	(11.3)
Net assets		**249.3**	319.1
Capital and reserves			
Share capital	Q	**7.6**	7.6
Other reserves	R	**146.5**	212.4
Retained earnings		**95.2**	99.1
Total equity		**249.3**	319.1

The Company's loss for the year was £43.2m (2018: £6.9m).

The financial statements on pages 174 to 191 were approved by the Board on 6 March 2020, and signed on its behalf by:

Sir 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 Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2019		**7.6**	**212.4**	**99.1**	**319.1**
Impact of change in accounting policies	A	**–**	**–**	**(2.6)**	**(2.6)**
Adjusted balance at 1 January 2019		**7.6**	**212.4**	**96.5**	**316.5**
Loss for the year		**–**	**–**	**(43.2)**	**(43.2)**
Other comprehensive (loss)/income:					
Actuarial loss on employee benefit schemes – net of tax	P	**–**	**–**	**(2.5)**	**(2.5)**
Transfer from merger reserve	R	**–**	**(67.1)**	**67.1**	**–**
Total comprehensive (loss)/income for the year		**–**	**(67.1)**	**21.4**	**(45.7)**
Transactions with owners:					
Share issues	R	**–**	**0.8**	**–**	**0.8**
Employee share schemes		**–**	**0.4**	**–**	**0.4**
Tax on other employee benefits		**–**	**–**	**0.3**	**0.3**
Dividend paid	B	**–**	**–**	**(23.0)**	**(23.0)**
Total transactions with owners		**–**	**1.2**	**(22.7)**	**(21.5)**
Balance at 31 December 2019		**7.6**	**146.5**	**95.2**	**249.3**

	Notes	Attributable to equity holders of the Parent Company Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2018		7.6	210.9	126.5	345.0
Loss for the year		–	–	(6.9)	(6.9)
Other comprehensive income:					
Actuarial gain on employee benefit schemes – net of tax	P	–	–	1.0	1.0
Total comprehensive loss for the year		–	–	(5.9)	(5.9)
Transactions with owners:					
Share issues	R	–	1.6	–	1.6
Employee share schemes		–	(0.1)	1.0	0.9
Dividend paid	B	–	–	(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

Parent Company cash flow statement
for the year ended 31 December

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Loss before taxation		**(43.1)**	(8.1)
Adjustments for:			
Foreign exchange differences		**–**	(0.1)
Depreciation	C, D, E	**4.3**	2.3
Share-based payment expense		**0.3**	0.5
Impairment of investment in subsidiaries	F	**67.1**	–
Difference between pension contributions paid and amount recognised in the income statement		**0.1**	0.1
Finance revenue		**(30.7)**	(0.9)
Finance costs		**0.9**	–
Other finance revenue – pensions		**(0.5)**	(0.4)
Decrease in trade and other receivables		**0.8**	14.0
Decrease in bonus accrual		**(5.6)**	(1.9)
Increase in trade and other payables		**1.8**	4.5
Cash (utilised)/generated from operations		**(4.6)**	10.0
Income tax received		**–**	5.5
Net cash flow from operating activities		**(4.6)**	15.5
Cash flows from investing activities			
Interest received		**0.2**	0.2
Purchase of property, plant and equipment	C	**(0.3)**	(0.5)
Transfer from current investments (funds on deposit)		**–**	5.0
Dividends received from investments		**30.5**	0.7
Net cash flow from investing activities		**30.4**	5.4
Cash flows from financing activities			
Interest paid		**(0.9)**	–
Dividend paid	B	**(23.0)**	(22.5)
Payments of lease liabilities		**(2.7)**	–
Proceeds from shares issued		**0.8**	1.6
Net cash flow from financing activities		**(25.8)**	(20.9)
Net decrease in cash and cash equivalents		**–**	–
Cash and cash equivalents at 1 January		**0.1**	0.1
Net foreign exchange differences		**–**	–
Cash and cash equivalents at 31 December	J	**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:

Application of IFRIC 23 'Uncertainty over Income Tax Treatments'
Upon initial application on 1 January 2019, the Parent Company recognised £0.9m of tax uncertainties.

Adoption of IFRS 16 'Leases'
On transition to IFRS 16, the following adjustments were made:

	£m
Right-of-use assets	24.1
Deferred tax assets	0.4
Prepayments	(0.9)
Lease liabilities – current	(2.7)
Other payables – non-current	7.6
Lease liabilities – non-current	(29.3)
Provisions – non-current	(1.0)
Retained earnings	1.8

A reconciliation of operating lease commitments at 31 December 2018 to lease liabilities on transition is as follows:

	£m
Lease commitments at 31 December 2018	50.2
Impact of discounting	(5.2)
Non-lease components reassessed	(13.0)
Lease liabilities at 1 January 2019	32.0
Split:	
Lease liabilities – current	2.7
Lease liabilities – non-current	29.3
	32.0

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 £43.2m (2018: £6.9m).

Critical accounting judgements and estimates
Impairment of investments in subsidiaries
Determining whether investments in subsidiaries are impaired requires an estimation of the value-in-use of the subsidiary. The value-in-use calculation requires estimation of future cash flows expected to arise for the subsidiary, 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.

Impairments of amounts owed by Group companies
The provision for impairment of amounts owed by Group companies represents management's best estimate of expected credit losses to arise on the receivable at the balance sheet date. Determining the amount of the provision involves a degree of judgement and there is a risk this estimate may materially change in the following year due to change in circumstances of the subsidiary.

Investments in subsidiaries
The Parent Company recognises its investments in subsidiaries at cost less provision for impairment. The Parent Company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, the Parent Company estimates the investment's recoverable amount. An investment's recoverable amount is the higher of its fair value less costs to sell and its value-in-use and is determined for an individual investment. Where the carrying amount of an investment exceeds its recoverable amount, the investment 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 investment.

Notes to the Parent Company financial statements continued

A Statement of accounting policies continued

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 Parent Company 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 investment's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the investment 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 investment in prior years.

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

	2019 £m	2018 £m
Declared and paid during the year:		
Final dividend for 2018 of 51p per share (2017: 50p per share)	15.4	15.2
Interim dividend for 2019 of 25p per share (2018: 24p per share)	7.6	7.3
Dividend paid	**23.0**	22.5
Proposed for approval at the AGM (not recognised as a liability at 31 December):		
Final dividend for 2019 proposed of 53p per share (2018: 51p per share)	16.1	15.4

C Property, plant and equipment

31 December 2019

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2019	1.9	14.4	7.0	23.3
Additions	–	–	0.3	0.3
At 31 December 2019	1.9	14.4	7.3	23.6
Accumulated depreciation				
At 1 January 2019	0.4	3.5	4.7	8.6
Charged during the year	0.1	1.0	1.0	2.1
At 31 December 2019	0.5	4.5	5.7	10.7
Net book value at 31 December 2019	1.4	9.9	1.6	12.9

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

D Investment properties

	2019 £m	2018 £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 2019 was £1.0m (2018: £1.0m). 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 Right-of-use assets

	2019 £m	2018 £m
Cost		
Adoption of IFRS 16 as at 1 January	**24.1**	–
At 31 December	**24.1**	–
Accumulated depreciation		
Charged during the year	**2.2**	–
Net book value at 31 December	**21.9**	–

See note A for further information on the adoption of IFRS 16.

F Investments in subsidiaries

	2019 £m	2018 £m
Cost		
At 1 January	**291.1**	291.1
Additions	**0.2**	–
Impairment	**(67.1)**	–
At 31 December	**224.2**	291.1

Due to the continued challenging trading conditions in the offshore broking and securities markets, the Company has revised the recoverable amount of its investment in Clarksons Platou AS, resulting in an impairment of £67.1m (2018: £nil). The recoverable amount is subject to sensitivities. An increase in the pre-tax discount rate of 0.5% would decrease value-in-use by £11.4m and an increase in long-term growth rate, from 1.7% to 2.0%, would increase value-in-use by £8.9m. The addition relates to a transfer from a subsidiary.

G Deferred tax assets

		2019 £m	2018 £m
Employee benefits	– other employee benefits	**1.5**	1.7
Other temporary differences		**0.3**	–
		1.8	1.7

Included in the above are deferred tax assets of £1.0m (2018: £1.3m) which are expected to be utilised 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.

H Trade and other receivables

	2019 £m	2018 £m
Prepayments and accrued income	**0.7**	1.6
Owed by Group companies	**16.8**	17.3
	17.5	18.9

The Company has no trade receivables (2018: none). Included in amounts owed by Group companies is a loan with no fixed maturity date of £3.8m (2018: £3.9m). Interest is being charged at LIBOR plus 3.0% (2018: LIBOR plus 3.0%). All other amounts owed by Group companies are payable on demand with no interest being charged. As at 31 December 2019, the Company calculated the expected credit loss of amounts owed by Group companies to be £0.1m (2018: £0.1m). Further details of related party receivables are included in note V.

Notes to the Parent Company financial statements continued

I Investments

	2019 £m	2018 £m
Funds on deposit	**0.5**	0.5

The Company held £0.5m (2018: £0.5m) in a deposit with a 95-day notice period. This deposit is held with an A-rated financial institution.

J Cash and cash equivalents

	2019 £m	2018 £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 (2018: £0.1m).

K Trade and other payables

	2019 £m	2018 £m
Current		
Owed to Group companies	**1.9**	1.8
Accruals	**8.8**	12.1
Deferred income	**0.7**	1.2
	11.4	15.1
Non-current		
Other payables	**–**	7.6

All amounts owed to Group companies are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Further details of related party payables are included in note V.

Other payables are non-interest bearing and are normally settled on demand.

L Lease liabilities

	2019 £m	2018 £m
Current		
Lease liabilities	**2.7**	–
Non-current		
Lease liabilities	**26.6**	–

The 2018 information above is under IAS 17 ‘Leases’, whereby only leases classified as ‘finance leases’ were recognised as lease liabilities. On 1 January 2019, IFRS 16 ‘Leases’ came into effect, resulting in leases previously classified as operating under IAS 17 ‘Leases’ being recognised as a lease liability on the balance sheet. See note 2 for further details.

M Provisions

	2019 £m	2018 £m
Non-current		
At 1 January	**–**	–
Adoption of IFRS 16 at 1 January 2019	**1.0**	–
Adjusted balance at 1 January 2019	**1.0**	–
Utilised during the year	**–**	–
At 31 December	**1.0**	–

Provisions have been recognised for the dilapidation of various leasehold premises which will be utilised on cessation of the lease.

N Deferred tax liabilities

	2019 £m	2018 £m
Employee benefits – on pension benefit asset	**2.6**	3.1
Other temporary differences	**0.7**	0.6
	3.3	3.7

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.

O Share-based payment plans

	2019 £m	2018 £m
Expense arising from equity-settled share-based payment transactions	**0.3**	0.5

For more information on the Parent Company share-based payment plans, see note 23 of the consolidated financial statements.

P 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. Responsibility for governance of each scheme lies with the respective board of trustees in accordance with the rules applicable to that scheme. Currently each board of trustees includes a representative of the relevant principal employer. 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 on an ongoing basis of £7.3m (106%) as at 31 March 2019. Following the 2016 valuation, Clarkson PLC and the Trustees had agreed to cease funding with effect from 1 October 2016.

The valuation of the Plowrights scheme showed a pension surplus on an ongoing basis of £2.1m (105%) as at 31 March 2019. Clarkson PLC and the Trustees agreed to cease funding with effect from 1 December 2019. The expenses for the scheme will be met from the surplus assets.

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 £0.7m.

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 2018, 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 to this scheme.

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

Notes to the Parent Company financial statements continued

P Employee benefits continued

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

	2019 £m	2018 £m
Fair value of schemes' assets	**182.4**	178.5
Present value of funded defined benefit obligations	**(163.1)**	(153.5)
	19.3	25.0
Effect of asset ceiling in relation to the Plowrights scheme	**(3.8)**	(6.8)
Net benefit asset recognised in the balance sheet	**15.5**	18.2

The net benefit asset disclosed above is the combined total of the two schemes. The Clarkson PLC scheme has a surplus of £15.5m (2018: £18.2m) and the Plowrights scheme has a surplus of £nil (2018: £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 Plowrights scheme and therefore the surplus of £3.8m (2018: £6.8m) cannot be recognised.

A deferred tax liability on the benefit asset of £2.6m (2018: £3.1m) is shown in note N.

Recognised in the income statement

	2019 £m	2018 £m
Recognised in other finance revenue – pensions:		
Expected return on schemes' assets	**4.9**	4.6
Interest cost on benefit obligation and asset ceiling	**(4.4)**	(4.2)
Recognised in administrative expenses:		
Past service cost	**–**	(0.1)
Scheme administrative expenses	**(0.3)**	(0.2)
Net benefit income recognised in the income statement	**0.2**	0.1

Recognised in the statement of comprehensive income

	2019 £m	2018 £m
Actual return on schemes' assets	**18.6**	(1.4)
Less: expected return on schemes' assets	**(4.9)**	(4.6)
Actuarial gain/(loss) on schemes' assets	**13.7**	(6.0)
Actuarial (loss)/gain on defined benefit obligations	**(20.0)**	8.6
Actuarial (loss)/gain recognised in the statement of comprehensive income	**(6.3)**	2.6
Tax credit/(charge) on actuarial gains/(losses)	**1.1**	(0.5)
Effect of asset ceiling in relation to the Plowrights scheme	**3.3**	(1.4)
Tax (charge)/credit on asset ceiling	**(0.6)**	0.3
Net actuarial (loss)/gain on employee benefit obligations	**(2.5)**	1.0
Cumulative amount of actuarial (losses)/gains recognised in the statement of comprehensive income	**(1.8)**	4.5

Schemes' assets

	%	2019 £m	%	2018 £m
Government bonds*	**41.9**	**76.2**	45.0	80.3
Corporate bonds*	**33.0**	**60.3**	29.6	52.8
Investment funds*	**24.3**	**44.4**	24.5	43.8
Cash and other assets	**0.8**	**1.5**	0.9	1.6
	100.0	**182.4**	100.0	178.5

* Based on quoted market prices.

P Employee benefits continued

Net defined benefit asset

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

31 December 2019

	Present value of obligation £m	Fair value of plan assets £m	Total £m	Impact of asset ceiling £m	Total £m
At 1 January 2019	(153.5)	178.5	25.0	(6.8)	18.2
Expected return on assets	–	4.9	4.9	–	4.9
Interest costs	(4.2)	–	(4.2)	(0.3)	(4.5)
Employer contributions	–	0.1	0.1	–	0.1
Administration expenses	–	(0.3)	(0.3)	–	(0.3)
Benefits paid	14.5	(14.5)	–	–	–
Actuarial (loss)/gain	(20.0)	13.7	(6.3)	3.3	(3.0)
At 31 December 2019	(163.2)	182.4	19.2	(3.8)	15.4

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

The Company expects, based on the valuations and funding requirements including expenses, to contribute £nil to its defined benefit pension schemes in 2019 (2018 for 2019: £0.1m).

The principal valuation assumptions are as follows:

	2019 %	2018 %
Rate of increase in pensions in payment	3.0	3.0
Price inflation (RPI)	3.0	3.3
Price inflation (CPI)	2.2	2.3
Discount rate for scheme liabilities	2.1	2.9

The mortality assumptions used to assess the defined benefit obligation at 31 December 2019 is based on the 'SAPS' standard mortality tables (SP3A for the Clarkson PLC scheme with a scheme specific adjustment of 90% and SP3A Light for the Plowrights scheme). The defined benefit obligation at 31 December 2018 is based on the 'SAPS Light' S2 series standard mortality table. These tables have been adjusted to allow for anticipated future improvements in life expectancy using the standard projection model published in 2019 (31 December 2018: model published in 2018). Examples of the assumed future life expectancy are given in the table below:

		Additional years 2019	Additional years 2018
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	22.9–23.4	23.1
	– female	24.8–25.1	24.2
Pensioners retiring in 20 years' time	– male	24.3–24.6	24.4
	– female	26.2–26.5	25.7

Notes to the Parent Company financial statements continued

P Employee benefits continued

Experience adjustments

	2019 £m	2018 £m
Experience gain/(loss) on schemes' assets	**13.7**	(5.8)
(Loss)/gain on schemes' liabilities due to changes in demographic assumptions	**(1.7)**	1.0
(Loss)/gain on schemes' liabilities due to changes in financial assumptions	**(16.2)**	7.5
Loss on schemes' liabilities due to experience adjustments	**(2.1)**	–
Gain/(loss) on asset ceiling	**3.3**	(1.5)
Actuarial (loss)/gain	**(3.0)**	1.2
Income tax on actuarial (loss)/gain	**0.5**	(0.2)
Actuarial (loss)/gain – net of tax	**(2.5)**	1.0

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 current and previous years. The sensitivities have been calculated using the same methodology as the main calculations. The weighted average duration of the defined obligation is 18 years.

	2019		2018	
	Change in assumption	Change in defined benefit obligation	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	**+0.25%**	**-3.8%**	+0.25%	-4.0%
	-0.25%	**+4.1%**	-0.25%	+4.2%
Price inflation (RPI)	**+0.25%**	**+3.5%**	+0.25%	+3.8%
	-0.25%	**-3.3%**	-0.25%	-3.6%

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligation by 4.2% (2018: 3.7%).

Q Share capital

	Number of shares	2019 £m	Number of shares	2018 £m
Ordinary shares of 25p each, issued and fully paid:				
At 1 January	**30,325,058**	**7.6**	30,233,179	7.6
Additions	**45,718**	**–**	91,879	–
At 31 December	**30,370,776**	**7.6**	30,325,058	7.6

During the year, the Company issued 45,718 shares in relation to the 2016 ShareSave scheme. The difference between the exercise price of £17.19 and the nominal value of £0.25 was taken to the share premium account, see note R.

R Other reserves

31 December 2019

	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Merger reserve £m	Total £m
At 1 January 2019	**30.7**	**2.2**	**2.0**	**177.5**	**212.4**
Total comprehensive loss	**–**	**–**	**–**	**(67.1)**	**(67.1)**
Share issues	**0.8**	**–**	**–**	**–**	**0.8**
Employee share schemes:					
Share-based payments expense	**–**	**0.9**	**–**	**–**	**0.9**
Transfer to profit and loss on vesting	**–**	**(0.5)**	**–**	**–**	**(0.5)**
Total employee share schemes	**–**	**0.4**	**–**	**–**	**0.4**
At 31 December 2019	**31.5**	**2.6**	**2.0**	**110.4**	**146.5**

R Other reserves continued

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

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. During the year, the Company impaired its investment in Platou. As a result, a corresponding transfer was made out of this reserve to the profit and loss account.

S Financial commitments and contingencies

Contingencies

The Company has given no financial commitments to suppliers (2018: none).

The Company has given no guarantees (2018: 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.

T Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans from Group companies, other payables and lease liabilities. 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 2019

	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	5 to 10 years £m	Total £m
Lease liabilities	**0.9**	**2.7**	**14.2**	**15.9**	**33.7**

Notes to the Parent Company financial statements continued

T Financial risk management objectives and policies continued

31 December 2018

	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Trade and other payables	–	–	7.6	–	7.6

Capital management

For information on the Parent Company capital management objectives, policies and processes, see note 28 of the consolidated financial statements.

U Financial instruments

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

Financial assets

	2019		2018	
	Amortised cost £m	**Total £m**	Amortised cost £m	Total £m
Owed by Group companies	**16.8**	**16.8**	17.3	17.3
Investments	**0.5**	**0.5**	0.5	0.5
Cash and cash equivalents	**0.1**	**0.1**	0.1	0.1
	17.4	**17.4**	17.9	17.9

Financial liabilities

	2019		2018	
	Amortised cost £m	**Total £m**	Amortised cost £m	Total £m
Other payables	**–**	**–**	7.6	7.6
Owed to Group companies	**1.9**	**1.9**	1.8	1.8
Lease liabilities	**29.3**	**29.3**	–	–
	31.2	**31.2**	9.4	9.4

See note A for the impact of the change in accounting policy following the adoption of IFRS 16 on the classification of financial liabilities.

V 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:

	2019 £m	2018 £m
Management fees charged	**2.9**	3.1
Rent receivable	**5.4**	5.1
Dividends received	**30.5**	0.7
Transfer of investment in subsidiaries	**0.2**	–

Balances with subsidiaries at 31 December were as follows:

	2019 £m	2018 £m
Amounts owed by related parties	**16.8**	17.3
Amounts owed to related parties	**(1.9)**	(1.8)
Deferred income	**(0.7)**	(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 30 to the consolidated financial statements.

W Subsidiaries

The Parent Company had the following subsidiaries at 31 December 2019. All shares in subsidiary companies are ordinary share capital, unless otherwise stated.

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Afromar Properties (PTY) Limited	South Africa	23 Halifax Street, Bryanston, Johannesburg, 2191, South Africa		100	Non-trading
Bonus Plus Investments Limited	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Non-trading
Boxton Holding AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Non-trading
Calypso Shipping Investments Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Australia Holdings Pty Ltd	Australia	Level 9, 16 St Georges Terrace, Perth WA 6000, Australia	100		Holding company
Clarkson Capital Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Clarkson Capital Markets LLC	United States	211 East 7th Street, Suite 620, Austin TX 78701-3218, United States		100	Provision of advice for shipping-related projects
Clarkson Dry Cargo Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Ewings Limited	United Kingdom	Hurst House, 15-19 Corporation Square, Belfast, Northern Ireland, BT1 3AJ, United Kingdom		100	Dormant
Clarkson Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Holding company
Clarkson iQ Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Logistics (HK) LImited	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Non-trading
Clarkson Logistics Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Market Analysis Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Morocco sarl	Morocco	8, Rue Ali Abderrazzak, 3è étage, Casablanca, 20000, Morocco		100	Shipbroking
Clarkson Overseas Shipbroking Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Holding company
Clarkson Port Services Ireland Limited	Ireland	Paramount Court, Corrig Road, Dublin 18, D18 R9C7, Ireland		100	Non-trading
Clarkson Port Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Provision of ship agency and port services
Clarkson Property Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Non-trading
Clarkson Research Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Clarkson Research Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Provision of research services and products relating to shipping and offshore
Clarkson Sale and Purchase Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Shipbrokers Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Shipbroking Group Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Clarkson Shipping Agency	Egypt	Tower B, 2nd Floor, 2 El Hegaz Street, Roxi, Heliopolis, Cairo, Egypt		48*	Shipping and maritime agency services

* Although the interest held is less than 50%, the Company is the beneficial owner of 100% of the share capital and voting rights.

Financial statements

Notes to the Parent Company financial statements continued

W Subsidiaries continued

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Clarkson Shipping Investments Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Clarkson Shipping Services Acquisition USA LLC	United States	1333 West Loop South, Suite 1525, Houston TX 77027, United States		100	Dormant
Clarkson Shipping Services India Private Limited	India	507-508 The Address, 1 Golf Course Road, Sector 56, Gurgaon, 122011, India		100	Shipbroking
Clarkson Tankers Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Clarkson Valuations Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Provision of valuation services to the shipping industry
Clarksons Platou (Africa) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Shipbroking
Clarksons Platou (Australia) Pty Limited	Australia	Level 9, 16 St Georges Terrace, Perth WA 6000, Australia		100	Shipbroking
Clarksons Platou (Brasil) Ltda	Brazil	Avenida Rio Branco, 89-1601, Centro, Rio De Janeiro, 20040-004, Brazil		100	Shipbroking
Clarksons Platou (Denmark) ApS	Denmark	c/o TMF Denmark A/S, Kobmagergade 60, 1. tv, 1150, Copenhagen, Denmark		100	Shipbroking
Clarksons Platou (Hellas) Ltd*	Marshall Islands	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, MH 96960, Marshall Islands		100	Shipbroking
Clarksons Platou (Italia) Srl	Italy	Piazza Rossetti Raffaele 3A, 16129, Genoa, Italy	100		Shipbroking
Clarksons Platou (Korea) Company Limited	Korea, Republic of	44/F Three IFC, Suite Number 4440, 10, Gukjegeumyung-ro, Youngdeungpo-gu, Seoul, 150-945, Republic of Korea		100	Shipbroking
Clarksons Platou (Nederland) B.V.	Netherlands	De Coopvaert, 6th Floor, Blaak 522, 3011 TA, Rotterdam, Netherlands		100	Shipbroking
Clarksons Platou (Offshore) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Shipbroking
Clarksons Platou (South Africa) (Pty) Limited	South Africa	23 Halifax Street, Bryanston, Johannesburg, 2191, South Africa		100	Shipbroking
Clarksons Platou (Sweden) AB	Sweden	Uppsala Castle, 752 37, Uppsala, Sweden		100	Shipbroking
Clarksons Platou (USA) Inc.	United States	251 Little Falls Drive, Wilmington, New Castle County DE 19808 USA		100	Holding company
Clarksons Platou AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway	100		Shipbroking
Clarksons Platou Asia Limited**	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Shipbroking
Clarksons Platou Asia Pte. Limited	Singapore	50 Raffles Place, #32-01 Singapore Land Tower, 048623 Singapore		100	Shipbroking
Clarksons Platou Commodities USA LLC	United States	Delaware: 251 Little Falls Drive, Wilmington, DE 19808, USA Texas: 211 East 7th Street, Suite 620, Austin, TX 78701-3218, USA		100	Introducing broker for LPG swaps
Clarksons Platou DMCC	United Arab Emirates	14th Floor Gold Tower, Jumeirah Lakes Towers, PO Box 102929, Dubai, United Arab Emirates		100	Shipbroking
Clarksons Platou Drift AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		25***	Provision of property-related services

* Has a branch in Greece.
** Has a branch in China.
*** Although the Company owns an indirect interest of less than 50%, the Company controls the entity through controlling interests in its parent companies.

W Subsidiaries continued

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Clarksons Platou Futures Limited*	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Brokerage of shipping-related derivative financial instruments
Clarksons Platou GmbH	Germany	Johannisbollwerk 20, 5.fl, Hamburg 20459, Germany		100	Shipbroking
Clarksons Platou Japan K.K.	Japan	Otemachi Financial City South Tower 15th Floor, 1-9-7 Otemachi, Chiyoda-ku, Tokyo, 100-0004, Japan		100	Shipbroking
Clarksons Platou Legal Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Provision of legal services to the shipping industry
Clarksons Platou Offshore (Asia) Pte. Limited	Singapore	12 Marina View, #29-01 Asia Square, Tower 2, 018961 Singapore		100	Shipbroking
Clarksons Platou Project Finance AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Shipping and offshore project syndication
Clarksons Platou Project Sales AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		41**	Equity placements for shipping, offshore and real estate projects and secondary trading of project ownership
Clarksons Platou Property Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		
Clarksons Platou Property Management AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		25**	Provision of property-related services
Clarksons Platou Real Estate AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		31**	Real estate project syndication
Clarksons Platou Real Estate Investment Management AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Management of companies and funds that invest in private companies investing in real estate and associated businesses
Clarksons Platou Securities (Canada), Inc.	Canada	144-4 Avenue SW, Suite 1600, Calgary, Alberta, T2P 3N4, Canada		100	Sourcing of investment banking business
Clarksons Platou Securities AS***	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Equity and fixed income sales and trading, research and corporate finance services, including equity and debt capital markets and M&A transactions
Clarksons Platou Securities, Inc.	United States	280 Park Ave, New York, NY 10017, United States		100	Equity and fixed income sales and trading, research and corporate finance services, including equity and debt capital markets and M&A transactions
Clarkson Shipbroking (Shanghai) Co. Limited	China	Room 111 Building 3 No.170, Hua Shan Road, Hongkou District, Shanghai, 200082, China		100	Shipbroking
Clarksons Platou Shipbroking (Switzerland) SA	Switzerland	Rue de la Fontaine 1, 1204 Geneva, Switzerland		100	Shipbroking

* Has branches in Singapore and Switzerland.
** Although the Company owns an indirect interest of less than 50%, the Company controls the entity through controlling interests in its parent companies.
*** Has a branch in the UK.

Notes to the Parent Company financial statements continued

W Subsidiaries continued

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Clarksons Platou Shipping Services USA LLC	United States	1333 West Loop South, Suite 1525, Houston TX 77027, United States		100	Shipbroking
Clarksons Platou Structured Asset Finance Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Provision of advice on finance structuring for shipping-related projects
Clarksons Platou Tankers AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Shipbroking
Coastal Shipping Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Company Event Management Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Event management services
Diligent Challenger Limited	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Non-trading
Enship Limited	United Kingdom	303 King street, Aberdeen, Scotland, AB24 5AP, United Kingdom		100	Dormant
Genchem Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Gibb Tools Limited	United Kingdom	271 King Street, Aberdeen, Scotland, AB24 5AN, United Kingdom		100	Supply of tools for industrial, commercial and retail use
H. Clarkson & Company Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Shipbroking
Halcyon Shipping Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
J.O. Plowright & Co. (Holdings) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Dormant
LevelSeas Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
LNG Shipping Solutions Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Shipbroking
LNG UK Plc	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Dormant
Manfin Consult AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Shipping and offshore project syndication
Marinet (Ship Agencies) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Maritech Development Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Developing and supporting electronic products and services for the shipping industry
Maritech Holdings Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom	100		Holding company
Maritech Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Developing and supporting electronic products and services for the shipping industry
Maritech Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Developing and supporting electronic products and services for the shipping industry
Michael F. Ewings (Shipping) Limited	United Kingdom	Hurst House, 15/19 Corporation Square, Belfast, Northern Ireland, BT1 3AJ, United Kingdom		100	Dormant
Norwegian Marine Services AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Shipping and offshore project syndication

W Subsidiaries continued

Company name	Country of incorporation	Registered office address	Proportion of shares held directly by the Parent Company (%)	Proportion of shares held by Group (%)	Principal activity
Oilfield Publications Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
RS Platou (USA), Inc.	United States	211 E. 7th Street Suite 620, Austin TX 78701, United States		100	Non-trading
RS Platou Africa Limited	Jersey	First Island House, 19-21 Peter Street, St Helier, Jersey		100	Non-trading
RS Platou AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Dormant
RS Platou Economic Research AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Dormant
RS Platou Hellas Limited	Cyprus	Arch. Makarios III, 58, IRIS TOWER, Floor 8, Nicosia, 1075, Cyprus		100	Non-trading
RS Platou Offshore AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Dormant
RS Platou Shipbrokers AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		100	Dormant
Samuel Stewart & Co. (London) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Seafix Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Provision of electronic products and services for the shipping industry
Shiplease Management AS	Norway	Munkedamsveien 62C, 0270 Oslo, Norway		50.01	Shipping and offshore project syndication
Shipvalue.net Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Small & Co.(Shipping) Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Stewart Offshore Ghana Limited	Ghana	Wesley House, Liberia Road, PO BOX 6274, Accra, North Accra, Ghana		75	Non-trading
Stewart Offshore Services (Jersey) Limited	Jersey	First Island House, 19-21 Peter Street, St Helier, Jersey		100	Non-trading
Stewart Offshore Services Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
The Stewart Group Limited	United Kingdom	Commodity Quay, St Katharine Docks, London, E1W 1BF, United Kingdom		100	Dormant
Tokyo Shipping & Trading, Limited	Hong Kong	3209-14, Sun Hung Kai Centre, 30 Harbour Way, Wanchai, Hong Kong		100	Shipbroking
VAXA Drift AS	Norway	c/o VAXA Property AS, Billingstadsletta 19, Billingstad, 1396, Norway		12.43*	Operation cost management for property SPV
VAXA Group AS	Norway	c/o VAXA Property AS, Billingstadsletta 19, Billingstad, 1396, Norway		12.43*	Holding company
VAXA Økonomi AS	Norway	c/o VAXA Property AS, Billingstadsletta 19, Billingstad, 1396, Norway		12.43*	Provision of accounting and financial advisory
VAXA Property AS	Norway	c/o VAXA Property AS, Billingstadsletta 19, Billingstad, 1396, Norway		12.43*	Property management services
Waterfront Services Limited	United Kingdom	Hurst House, 15/19 Corporation Square, Belfast, Northern Ireland, BT1 3AJ, United Kingdom		100	Dormant

No exemptions have been taken in respect of dormant subsidiaries from preparing and filing individual statutory accounts under s394A of CA06.

* Although the Company owns an indirect interest of less than 50%, the Company controls the entity through controlling interests in its parent companies.

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.
Aframax	A tanker size range defined by Clarksons as between 85-125,000 dwt.
AHTS	Anchor Handling Tug and Supply vessel. Used to tow offshore drilling and production units to location and deploy their anchors, and also perform a range of other support roles.
AIS	Automatic Identification System. A tracking system using transponders and GPS information to monitor live ship positions.
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.
Board	The Board of Directors of Clarkson PLC.
Bulk cargo	Unpackaged cargoes such as coal, ore and grain.
Bunkers	A ship's fuel.
Capesize (cape)	Bulk ship size range defined by Clarksons as 100,000 dwt or larger.
Cbm	Cubic metres. Used as a measurement of cargo capacity for ships such as gas carriers.
CEO	Chief Executive Officer, Andi Case.
CFO & COO	Chief Financial Officer & Chief Operating Officer, Jeff Woyda.
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.
Chair	Sir 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.
Charterer	Cargo owner or another person/company who hires a ship.
Charter party	Transport contract between shipowner and shipper of goods.
ClarkSea Index	A weighted average index of earnings for the main vessel types where the weighting is based on the number of vessels in each fleet sector.
Clean products	Refined oil products such as naphtha.
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.
Code	The UK Corporate Governance Code (July 2018).
CO_2	Carbon dioxide.
Crude oil	Unrefined oil.
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.
Dry (market)	Generic term for the bulk market.
Dry cargo carrier	A ship carrying general cargoes or sometimes bulk cargo.
DRR Regulations	Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.
Dwt	Deadweight tonne. A measure expressed in metric tonnes (1,000 kg) or long tonnes (1,016 kg) of a ship's carrying capacity, including bunker oil, fresh water, crew and provisions. This is the most important commercial measure of the capacity.
E&P	Exploration and Production.
EPC	Engineering, procurement and construction.
EPS	Earnings per share.
ESTs	Energy Saving Technologies.
ESG	Environmental, Social and Governance.
Executive Directors	Andi Case (CEO) and Jeff Woyda (CFO & COO). Peter M. Anker (President of Broking and Investment Banking) served as an Executive Director until his resignation with effect from 1 April 2019.
External audit	An independent opinion of the Group and Company's financial statements by an external firm; PricewaterhouseCoopers LLP.
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.
FFA	Forward Freight Agreement. A cash contract for differences requiring no physical delivery based on freight rates on standardised trade routes.
Financial Conduct Authority (FCA)	The FCA regulates the financial services industry in the UK.
Forward order book (FOB)	Estimated commissions collectable over the duration of the contract as principal payments fall due. The forward order book is not discounted.
Freight rate	The agreed charge for the carriage of cargo expressed per tonne of cargo (also Worldscale in the tanker market) or as a lump sum.
FSRU	Floating Storage and Regasification Unit. This vessel type acts as a floating discharge terminal, typically shore-side within a port, to allow a discharge solution for LNG carriers in ports which may only have seasonal gas import needs, or need a lower-cost solution than a land-based regasification terminal.
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.
FTSE SmallCap	The share index consisting of the 351st to the 619th largest companies listed on the London Stock Exchange main market.

GHG	Greenhouse Gas
Group	Clarkson PLC and its subsidiary undertakings.
Handysize	Bulk carrier size range defined by Clarksons as 10-40,000 dwt or tanker size range defined by Clarksons as 10-55,000 dwt.
Handymax	Bulk carrier size range defined by Clarksons as 40-65,000 dwt. Includes supramax and ultramax vessels.
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.
IMO	International Maritime Organization. A United Nations agency devoted to shipping.
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.
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.
KPIs	Key performance indicators.
Listing Rules	Set of regulations overseen by the UK Listing Authority (UKLA), which apply to any company listed on the London Stock Exchange.
Liquidity risk	The risk of the Group being unable to meet its cash and collateral obligations without incurring large losses.
LNG	Liquefied Natural Gas.
LPG	Liquefied Petroleum Gas.
LR1	Long Range 1. Coated products tanker defined by Clarksons as 55,000-85,000 dwt.
LR2	Long Range 2. Coated products tanker defined by Clarksons as 85,000-125,000 dwt.
LSE	London Stock Exchange.
MGC	Midsize Gas Carrier. Vessel defined by Clarksons as 20-45,000 cbm.
MR	Medium Range. A product tanker of around 45-55,000 dwt.
MT	Metric tonne (see tonne).
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries.
OSV	Offshore Support Vessels. Such as AHTSs and PSVs. Ships engaged in providing support to offshore rigs and oil platforms.
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.
Parent Company	Clarkson PLC as a standalone entity, registered in England and Wales under company number 1190238.
Product tanker	Tanker that carries refined oil products.
PSV	Platform Supply Vessel. Used in supporting offshore rigs and platforms by delivering materials to them from onshore.
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.
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.
Senior Independent Director (SID)	Peter Backhouse, who became the SID on 5 November 2013.
SBP	Share-based payments.
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.
Spot market	Short-term contracts for voyage, trip or short-term time charters, normally no longer than three months in duration.
Suezmax	A tanker size range defined by Clarksons as 125-200,000 dwt.
Supramax	A sub-sector of the wider handymax bulk carrier fleet defined by Clarksons as 50-60,000 dwt.
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

	2019* £m	2018* £m	2017* £m	2016* £m	2015* £m
Revenue	**363.0**	337.6	324.0	306.1	301.8
Cost of sales	**(14.3)**	(12.9)	(9.7)	(8.9)	(10.3)
Trading profit	**348.7**	324.7	314.3	297.2	291.5
Administrative expenses	**(298.2)**	(279.7)	(264.8)	(253.0)	(242.0)
Operating profit	**50.5**	45.0	49.5	44.2	49.5
Profit before taxation	**49.3**	45.3	50.2	44.8	50.5
Taxation	**(11.4)**	(10.7)	(12.0)	(11.2)	(12.6)
Profit for the year	**37.9**	34.6	38.2	33.6	37.9

* Before exceptional items and acquisition related costs.

Cash flow

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Net cash inflow from operating activities	**67.8**	22.7	48.0	45.6	24.7

Balance sheet

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Non-current assets	**349.9**	354.3	355.6	357.9	310.7
Inventories	**1.1**	0.8	0.7	0.7	0.9
Trade and other receivables (including income tax receivable)	**77.1**	78.2	61.5	59.0	63.0
Current asset investments	**15.6**	9.7	5.8	29.8	5.7
Cash and cash equivalents	**175.7**	156.5	161.7	154.0	168.4
Current liabilities	**(170.6)**	(143.6)	(140.3)	(172.4)	(168.5)
Non-current liabilities	**(68.2)**	(21.3)	(21.6)	(22.3)	(39.3)
Net assets	**380.6**	434.6	423.4	406.7	340.9

Statistics

	2019 Pence	2018 Pence	2017 Pence	2016 Pence	2015 Pence
Earnings per share – basic*	**118.8**	105.2	116.8	105.2	121.9
Dividend per share	**78.0**	75.0	73.0	65.0	62.0

* Before exceptional items and acquisition related costs.

Changes to IFRS have not been retrospectively adjusted.

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Shareholder information

Key dates

Event	Date
AGM	12 noon, 6 May 2020
Ex-dividend date for 2019 final dividend	14 May 2020
Dividend record date for 2019 final dividend	15 May 2020
Payment of 2019 final dividend	29 May 2020
2020 interim results	10 August 2020
Ex-dividend date for 2020 interim dividend	3 September 2020
Dividend record date for 2020 interim dividend	4 September 2020
Payment of 2020 interim dividend	18 September 2020

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, such as AGM voting results, financial highlights and FAQs
- News releases (current and historical)

Manage your shareholding online

You may prefer to manage your 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 the annual report and interim financial results.

Annual General Meeting

Our AGM will be held at 12 noon on Wednesday 6 May 2020 at the Company's London office at Commodity Quay, St Katharine Docks, London E1W 1BF.

Details of each resolution to be considered at the AGM 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 2020 AGM will be available on our website shortly after the meeting.

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' or callers 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 callers 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

ShareGift

ShareGift (operated by The Orr Mackintosh Foundation) is an independent registered charity which specialises in helping shareholders dispose of small shareholdings which are often difficult or uneconomical to sell. ShareGift sells aggregated unwanted shares and uses the proceeds to make donations to a wide range of registered charities. Should you wish to donate shares through ShareGift, a donation form can be obtained from Computershare. Further information can be found at www.sharegift.org/ or by calling ShareGift on 020 7930 3737.

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, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ
- By telephone: +44 (0)370 707 1055

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