Clarkson PLC
Annual Report 2015

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

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

Our values are:

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

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

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

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

Please visit
www.clarksons.com
for more information

Challenge & Opportunity

Clarksons' 164 year heritage means that we've seen challenging markets before – indeed we've survived and thrived, investing in the opportunities that these markets present to support long-term growth

Revenue

£301.8m

2014: £237.9m

Underlying profit before taxation

£50.5m

2014: £33.8m

Reported profit before taxation

£31.8m

2014: £25.2m

Dividend per share

62p

2014: 60p

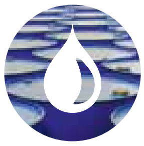
Contents

Please see our financial highlights for more information

Shipping powers the global economy

Ships transport raw materials and finished goods into homes, plants and factories worldwide. Around 85% of world trade is carried by sea – equivalent to more than a tonne of cargo for every individual on the planet, every year.

4.2bn
tonnes of dry cargo seaborne trade in 2015

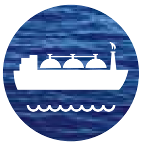


2.9bn
tonnes of oil and oil products transported in 2015 by deep sea tankers

2,500
different grades of cargo transported by chemical tankers globally

200%
expected increase in US LPG export capacity between 2013-2017

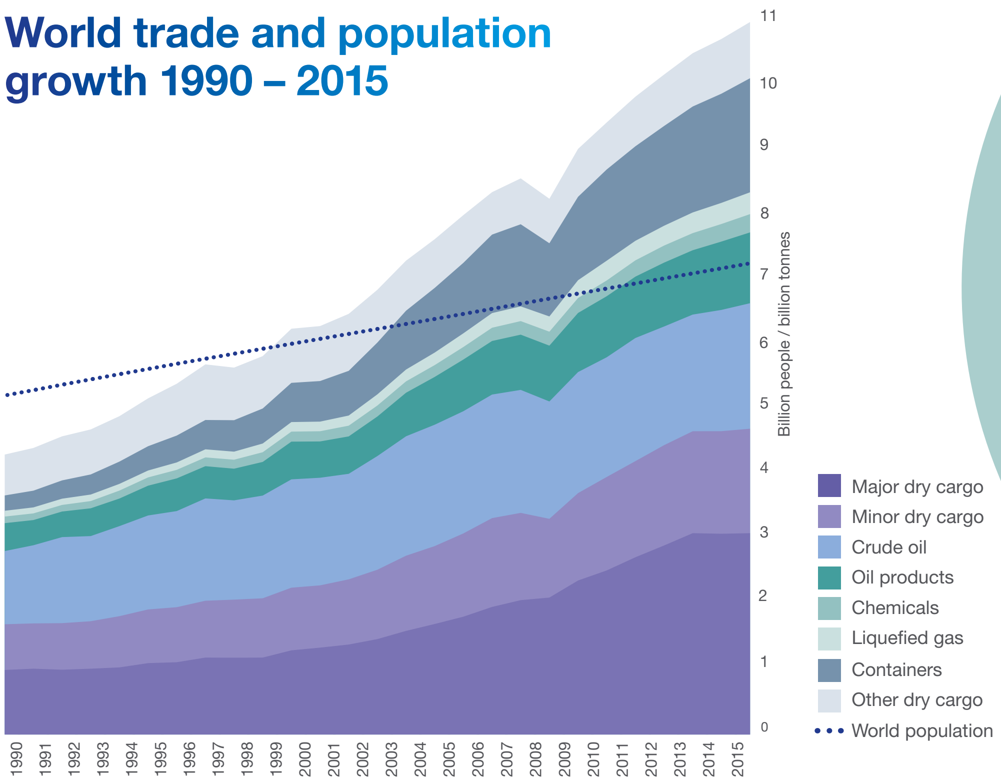
1.7bn
tonnes of containerised cargo moved in 2015



140m
tonnes of production under construction, LNG trade to increase by 50% by 2020

Our global reach

World trade and population growth 1990 – 2015



We are an integral part in the transport of world trade...

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

164
years

6
continents

46
offices

20
countries

1,379
employees

The strategic report on pages 2 to 37 was approved by the board on 4 March 2016, and signed on its behalf by:

Jeff Woyda
Chief financial officer and chief operating officer

Please see our business review on pages 14-27 for more information

...with unique breadth

With an industry-leading range of products and services that spans the maritime, offshore and financial markets, we are uniquely placed to deliver the best, bespoke commercial solutions to all our clients – large or small. We are the 'best in class' intermediary across all aspects of the shipping and offshore sectors.

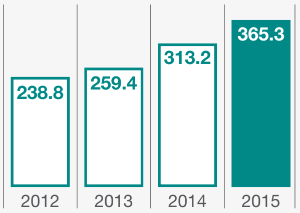
Sector | What we do | Our services | Revenue

Broking

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

- Containers
- Tankers
- Dry cargo
- Gas
- LNG
- Offshore
- Petrochemical gas
- Sale and purchase
- Shortsea
- Specialised products
- Market analysis
- Futures*

US$365.3m (£239.5m)



80% of 2015 revenue

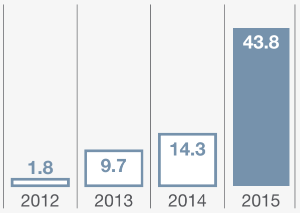
* Futures is now reported under broking, having previously been included under financial. Comparatives have been restated to reflect this.

Financial

From full investment banking services to project finance and tailored debt solutions, we help our clients fund transactions and conclude deals that would often be impossible via other, more traditional routes.

- Securities
- Project finance
- Debt and leasing solutions

US$43.8m (£28.7m)



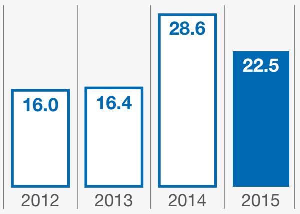
10% of 2015 revenue

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.

- Port and agency services
- Freight forwarding
- Tools and supplies
- Property services

£22.5m



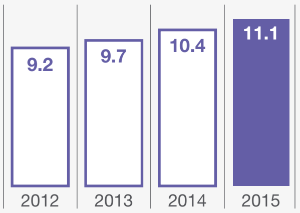
7% of 2015 revenue

Research

Clarksons Research is the market leader in providing timely and authoritative information on all aspects of shipping. We provide data on over 100,000 vessels and 6,000 offshore fields, 20,000 companies and 600 shipyards as well as extensive trade and commercial data and over 100,000 time series.

- Offshore and energy
- Shipping and trade
- Valuations

£11.1m



3% of 2015 revenue

Financial highlights

Revenue

£301.8m

Underlying profit before taxation

£50.5m

Reported profit before taxation

£31.8m

Underlying earnings per share

121.9p

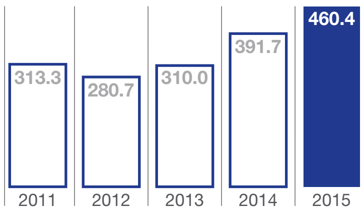
Reported earnings per share

68.2p

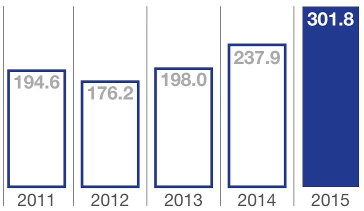
Dividend per share

62p

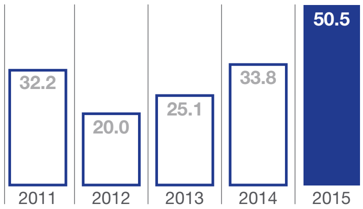
Revenue
US$460.4m



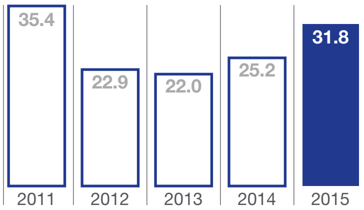
Revenue
£301.8m



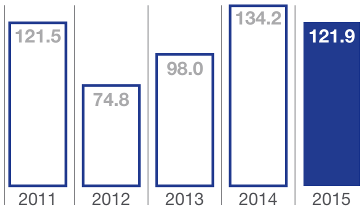
Profit before taxation*
£50.5m



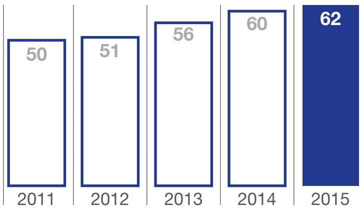
Profit before taxation**
£31.8m



Earnings per share*
121.9p

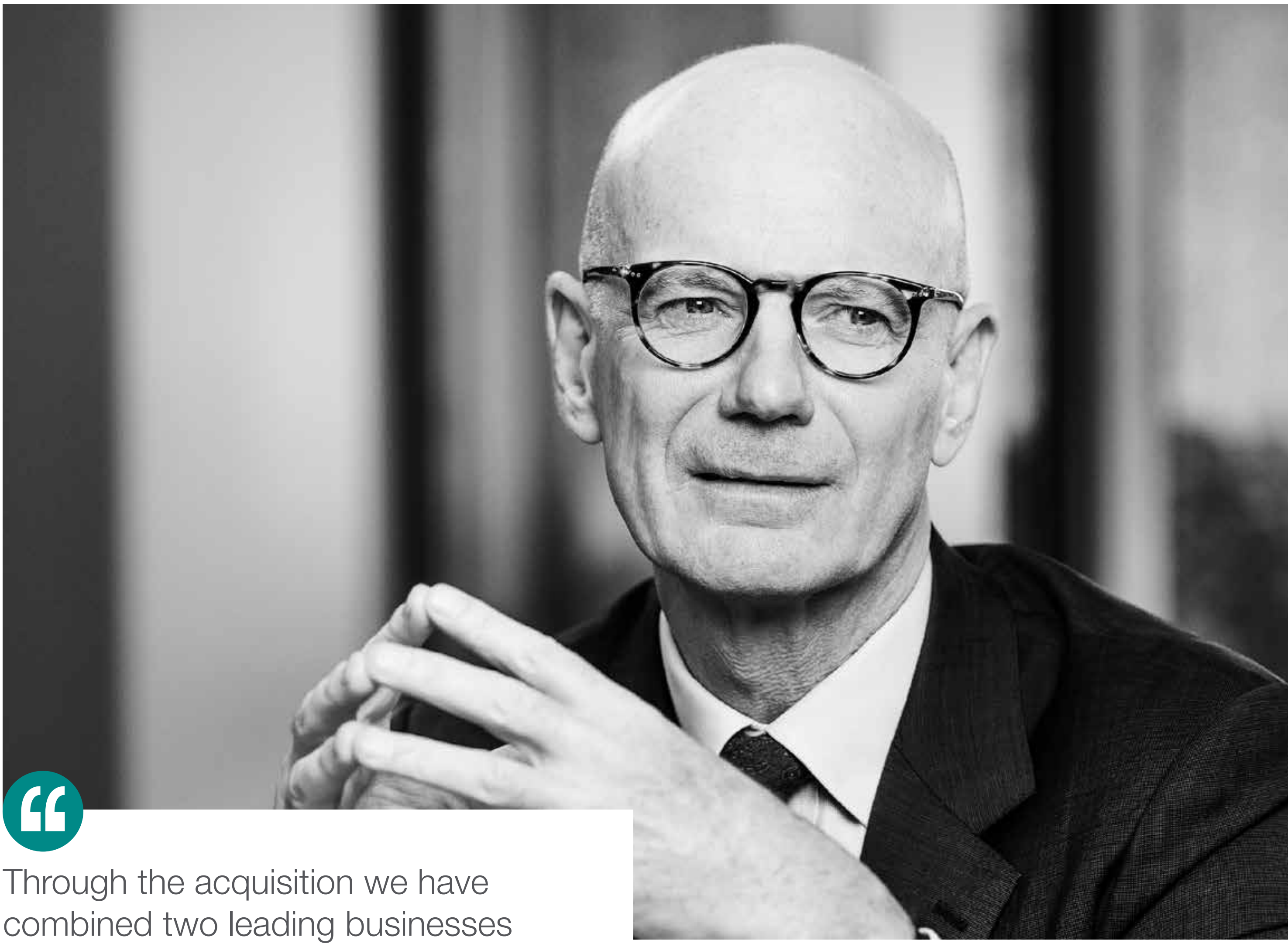


Dividend per share
62p



* before exceptional items and acquisition costs
** after exceptional items and acquisition costs

Chairman's review



Through the acquisition we have combined two leading businesses and highly experienced and proven management teams to create a fully integrated offer across shipping and offshore, broking and banking.

Overview

Whilst shipping and offshore markets have seen some good opportunities during 2015, overall there have been unprecedented challenges, so we are very pleased Clarksons has once again delivered a robust performance. Key to this has been sticking to our strategy of 'best in class' service offer, underpinned by unique breadth, global reach and the expertise of our people. Without losing sight of the really important day-to-day service, difficult times often require new solutions. The integrated tool box now available to clients, combined with real execution expertise, has been key to these results and is also essential for the way forward.

On 2 February 2015 we completed the acquisition of RS Platou ASA (Platou), a leading international broker and investment bank, focused on the offshore and shipping markets. Through this acquisition we have combined two leading businesses and highly experienced and proven management teams to create a fully integrated offer across shipping and offshore, broking and banking. The board firmly believes that this deal sets new standards in the broking industry. The integration of our two businesses has continued at great pace over the course of the year and is now effectively complete. On behalf of the board I would like to congratulate the entire team across the business on this significant achievement.

Results

The results in 2015 include 11 months' contribution from Platou.

Underlying profit before taxation was £50.5m (2014: £33.8m). Profit before taxation was £31.8m (2014: £25.2m).

Underlying earnings per share was 121.9p (2014: 134.2p) resulting in basic earnings per share of 68.2p (2014: 91.9p).

Dividend

Clarksons has increased the dividend every year since 2002 in line with its progressive dividend policy, and in 2015 again Clarksons intends to raise the dividend paid to our shareholders. The board is recommending a final dividend of 40p (2014: 39p). The interim dividend was 22p (2014: 21p), resulting in a 3% increase in the total dividend for the year to 62p (2014: 60p). The dividend will be payable on 3 June 2016 to shareholders on the register at 20 May 2016, subject to shareholder approval.

People

The most important core strength of the group is the quality of our people, who constitute the heart of everything we do, and I am delighted to confirm that the integration process has gone well. The combined team now fields experts across the globe in every part of our business: shipping and offshore, banking and broking, research and support.

Board

Following completion of the Platou acquisition, and as highlighted in my report last year, Peter M. Anker and Birger Nergaard joined the board. Their contribution and breadth of experience has been of great value.

During the course of the year we were delighted to announce the appointment of Jeff Woyda as chief operating officer of the group in addition to his role as chief financial officer. Jeff joined Clarksons in 2006 and has played a major role in the growth and development of the business in the last nine years. The board believes this appointment better reflects Jeff's remit and role within the business.

Outlook

The challenges witnessed across the global shipping markets have continued into 2016. The macro-economic environment remains very uncertain and as such we do not anticipate any changes to our markets in the near term.

Despite this backdrop, growth remains a central plank of our strategy. Market turbulence continues to drive a flight to quality which, as the market leader, we have benefited from. It has also encouraged the consolidation we have seen in the industry in recent years and of which we have been at the forefront. Over the course of 2015 we have taken significant strides to strengthen the fully integrated Clarksons' offer with the very best people supported by valued research and unique technology, positioning our business for the long-term.

Please see our business review on pages 14-27 for more information

Our strategy

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

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

...is underpinned by our key drivers...

Breadth

We provide a wide range of integrated services

With an industry-leading range of products and services that spans the maritime and financial markets, we are uniquely placed to deliver the best, bespoke commercial solutions to all our clients – large or small.

We are the 'best in class' intermediary across every sector of maritime trade – and no single company is our lead competitor in more than one market.

Reach

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

Ours is a global presence, enabling us to meet client needs wherever and whenever they arise. With 46 offices in 20 countries, we share understanding, culture, IT platforms and high standards of corporate governance across our business – a fine example of how joined-up thinking can deliver a truly local service, worldwide.

...and reinforced by our values

Integrity

Excellence

Our proven and robust strategy is focused on the development of our 'best in class' fully integrated service offer across the global shipping and offshore, broking and banking, research and support markets. We have delivered a consistently profitable and cash generative performance which bears comparison, not only in the shipping sector but across the FTSE.

Trust

We are the trusted source of essential shipping information

The industry's leading providers of data and market intelligence on the shipping and offshore industries, our research team is the largest commercially-led unit in the maritime world. Our databases track over 100,000 ships and 6,000 offshore fields and our Shipping Intelligence Network is viewed more than three million times per year.

Understanding

We build long-term relationships with clients

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

People

We empower everybody at Clarksons to fulfil their potential

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

Fairness

Transparency

See inside front cover for more information on our values

Our business model

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

Our key inputs

Financial
We have no bank borrowings and have cash available to fund the growth of the business.

Intellectual
Our research team is acknowledged as the market leader in providing validated and accurate data across all shipping sectors. We continually invest in both research staff and the technology we use to capture and deliver our market intelligence.

People
We aim to recruit and retain the best in the industry. Our people are one of our most important assets across all parts of the business from information providers to those who deal with clients.

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

Trade
The world relies upon the movement of trade – from raw materials, foodstuffs and household goods. It's simply what keeps the world moving and developing.

Our outputs

Financial
We aim to reward shareholders with dividends whilst maintaining a good financial standing and strong balance sheet.

62p
dividend per share

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

14,000
vessel positions updated every minute

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

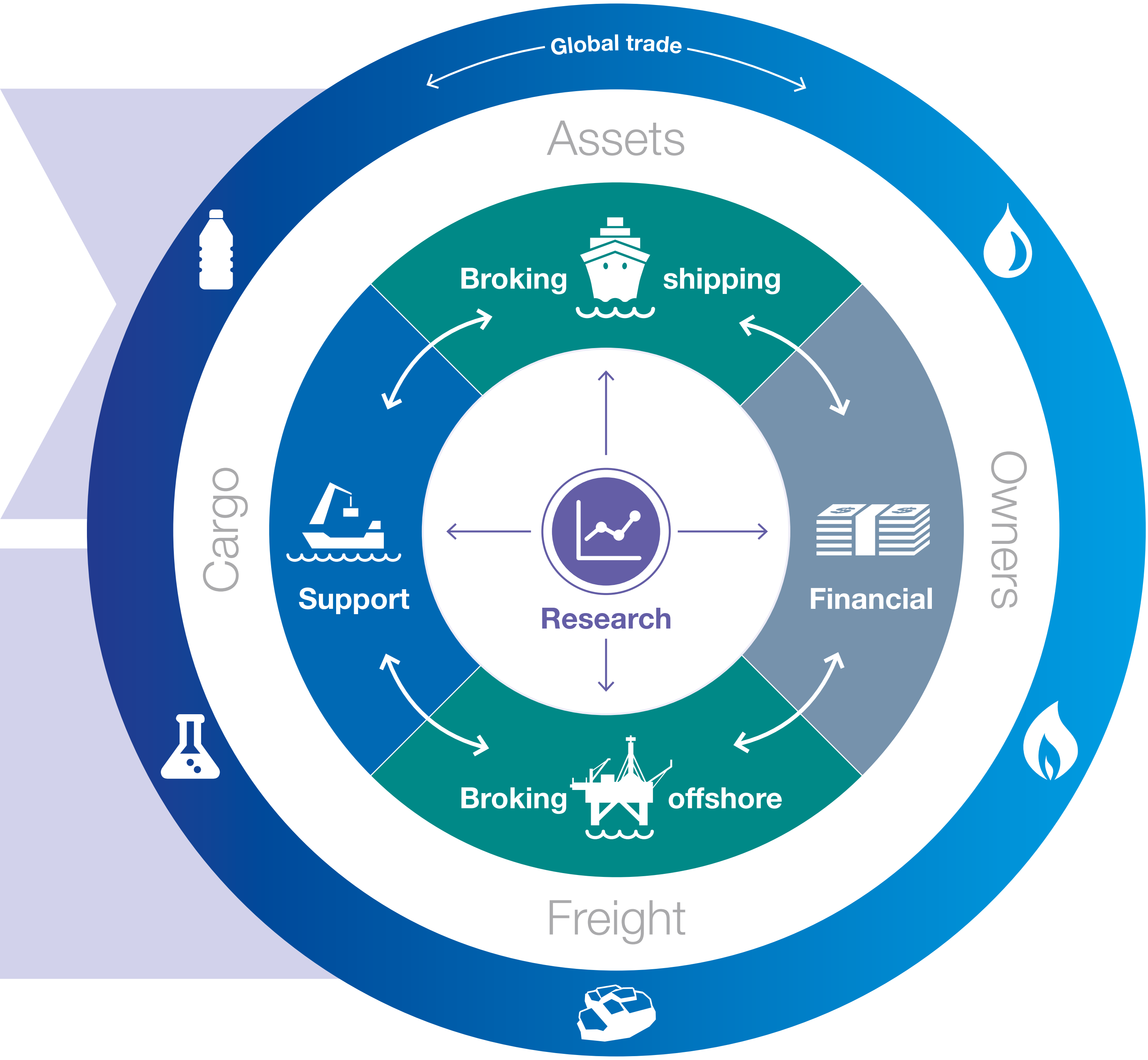
1,379
employees

Client relationships
We encourage a responsible approach to business, and foster close long-term mutually beneficial relationships with our customers.

5,234
multinational companies as clients

Trade
We enable global trade. An essential part of the supply chain, we have the necessary skills and information at our fingertips to ensure we know what commodities need moving to where and when and the best solutions for this.

100,000+
vessels in the world fleet


Global trade
Assets
Cargo
Owners
Freight
Broking shipping
Support
Financial
Research
Broking offshore

Chief executive's review

Challenge and opportunity have been our watchwords in 2015. The global shipping and offshore markets have faced severe challenges throughout the course of the year as the shift in oil and other commodity prices, coupled with the macro-economic environment, gave rise to a consequential change in the demand/supply balance in many market sub-sectors. Whilst these dynamics have regularly made global news headlines in 2015 and their impact has undoubtedly been felt by all connected to the sector, we must remember that ours is an industry which has experienced unparalleled market volatility over the years. At Clarksons, our long-standing strategic focus on developing 'best in class' client service, coupled with our unique product breadth and global reach, has allowed us to face these headwinds again and continue to invest in our business, ensuring we are positioned for future opportunity in whichever marine market it shows.

Despite the turbulent market environment, we have remained focused on our strategy for long-term growth and at the start of 2015 we were delighted to announce the completion of the transformational acquisition of RS Platou ASA (Platou) which has taken our capability and client offer to a new level. Both businesses are incredibly complementary with very little overlap in terms of service offer and geographic reach. The pace of integration has been good and over the course of the year we have successfully integrated our two businesses. Where each company had operations in the same city; Oslo, New York, Singapore and Dubai, we have brought together our teams into one office. We now have international reach across 20 countries through 46 offices, underpinning our ability to provide clients with invaluable global reach and insight at a local level.

As our business stands today our truly integrated service spans broking, financial, support and research in all the key global shipping and offshore sectors and across all areas of financing; public equity, private equity, debt capital markets, M&A, restructuring project finance and bank debt advisory. During the year we completed the rebranding of our broking and financial services operations as Clarksons Platou to reflect the strength of both brands in their respective marketplaces. This has further enhanced our 'best in class' position as we are now a market leader in each of our operations.

In the multi-cyclical shipping markets, this breadth of product offer is vital as our performance in 2015 has shown. The dry cargo markets have remained severely depressed, reflecting the slowdown in Chinese economic output, and the low oil price continues to put offshore operators under significant pressure. However, in contrast, the tankers, specialised products and gas markets have all performed well and the Clarksons teams have been at the forefront of market activity, once again taking increased market share.

As we highlighted over the course of the year, activity levels in the maritime capital markets have been negatively impacted. These markets became increasingly difficult in the second half of 2015 and volumes across Clarksons Platou Securities were substantially down on 2014. However, our teams have worked hard to maintain their leading positions for capital raising in the energy and maritime industries and completed a significant proportion of the corporate activity which took place in the sector. It is encouraging to see that even in these very difficult markets we have still been able to leverage our product portfolio and work closely with clients from our broking and support businesses, supporting them on the execution of their overall strategies.

Our strong client relationships have been built through many years of being the market-leading provider. In tighter, more difficult markets there is often a move to work with the teams who have the expertise, market understanding and placing power to execute in the most difficult of markets and can fully support clients across all their service requirements.

Research and analysis continue to play a crucial role in underpinning our full service client offer. We are the industry's leading provider of data and market intelligence on the shipping and offshore industries and our trusted research team is by far the largest commercially-led unit in the maritime world. Despite the challenging markets, the increasing strength of our research business reflects the importance we and our clients place on this valuable market insight.

Our long-standing focus and investment in technology has also ensured that the wealth of information across our business can be shared globally, further strengthening the quality of the offer and services that we can provide to our clients on a local basis. This is evident throughout all of our offices where open plan design and technology infrastructure is designed to facilitate the sharing of knowledge and expertise across both our different business divisions and global network to ensure a totally integrated and consistent global offer.

We are a people business. The quality of the people in our business is exceptional and the integration of the Platou team has strengthened that further. The 'Can Do' attitude of our combined team, their professionalism, dedication, commitment and sheer determination has been remarkable and allowed us to seize opportunities even in difficult markets and I would like to thank each and every one of them for their hard work over the course of the year.

As we look forward to 2016, the market outlook remains suppressed and the challenges in the dry cargo and offshore markets continue to dominate overall sentiment. However, our business model has proven to be robust and the strategic advances and investments we have continued to make ensure that we are 'fit for the future'. As we continue to see building blocks for the creation of healthier shipping markets, we feel best placed to capitalise on new opportunities.

“

At Clarksons, our long-standing strategic focus on developing ‘best in class’ client service, coupled with our unique product breadth and global reach, has allowed us to face these headwinds again and continue to invest in our business, ensuring we are positioned for future opportunity.

Breadth & Depth

We offer a truly integrated service spanning broking, financial, support and research in all the key global shipping and offshore sectors and across all areas of financing; public equity, private equity, debt capital markets, project finance and bank debt advisory. We are the 'best in class' intermediary across every sector of maritime trade and no single company is our lead competitor in more than one market.

Darin Wong
Sale and purchase broker
Singapore

Business review
Broking

Revenue
US$365.3m
2014: US$313.2m

Revenue
£239.5m
2014: £190.2m

Segment result
£49.1m
2014: £34.6m

Forward order book for 2016
US$151m*
At 31 December 2014 for 2015: US$110m*

* Directors' best estimate of deliverable FOB

Dry cargo

The dry cargo market endured one of its most difficult years in 2015, experiencing lows not seen since the mid-1980s. The Baltic Dry Index (BDI) established a new all-time low in February 2015 which has since dropped further in 2016. Charter rates across all four main vessel segments hovered around cash operating costs, causing a substantial decline in fleet valuations and exerting pressure on shipowner balance sheets.

The main cause of the weakness has been the slowdown in industrial activity within China, which has had a pronounced impact on the seaborne trade of dry commodities. China represents nearly 40% of the major bulk trade of iron ore, coal and grain and accounts for two-thirds of the iron ore trade alone. In 2015 total global dry cargo trade is estimated to have remained flat with levels from 2014, a material change from the 5-7% growth rate seen during the previous four years.

The dry cargo fleet grew by a net 3% in 2015 after taking into account a relatively high 4-5% of scrapping. Charter rates remained at low levels, irrespective of this scrapping, as the lack of any demand growth meant additional newbuilding tonnage could not be absorbed.

Against incredibly challenging trading conditions, the Clarksons Platou dry cargo team have worked hard to increase fixture volumes and build market share. Following the smooth and successful integration, we have further strengthened our combined team to ensure we have the right people to compete in what is a very challenging marketplace. Encouragingly we have also seen greater interaction between our teams across our expanded office network and this has been evidenced by the increasing number of deals co-broked between offices.

Dry cargo ships on the water

>10,600

Containers

2015 was another difficult year for the container shipping market, with volumes growing 2-3% compared to over 5% growth during 2014. Although boxship charter market earnings registered increases in the first half of the year, the second half saw earnings trend back down to historically low levels.

In early 2015, the more positive charter market was driven by limited supply side growth in the small and medium sized containership fleets. The key driver of the deterioration in the charter rate environment in the second half of 2015, however, was the significant slowdown in demand growth. In addition, sentiment weakened with regard to charterers' vessel demand, and idle capacity increased once again, reaching around 7% of the fleet late in the year.

The box freight market across 2015 was not only volatile but also subject to severe downward pressure, significantly impacting liner company performance. At the end of December 2015, the spot freight rate on the key Far East-Europe trade stood at US$313/TEU, 73% lower than the 2014 full year average, with rates having hit levels around historical lows on more than one occasion during the year.

On the demand side, the outlook has softened considerably. Global container trade growth is estimated at 2.5% in 2015, significantly down on original expectations. Volumes on the key Far East-Europe trade have contracted on the back of weak European economic performance, reduced Russian volumes and cutbacks in inventory stocking. Meanwhile, growth in intra-Asian volumes has slowed to around 3% due to slowing economic expansion in China and weaker economic progress elsewhere in Asia. Global container trade is expected to expand by around 4% in 2016, but this is clearly subject to downside risk.

On the supply side, the fully cellular fleet stood at 19.7 million TEU at the end of 2015 having grown by 8.1% in the full year. The order book of 3.8 million TEU represented 19% of fleet capacity at the end of 2015.

In this challenging trading environment the Clarksons Platou container team leveraged its truly global network to drive fixing volumes. Following the integration with our colleagues from Platou, we have seen greater interaction with our expanded securities business which has broadened our offer to our corporate clients. We have also strengthened the team further and expanded into Japan.

Tankers

The tanker market in 2015 had its best year since 2008. VLCC spot earnings averaged US$60,000/day, above the 2009-2014 average of US$23,000/day, and comparable to the 2003-2008 'bull market' average of US$68,000/day. There are several key drivers behind this market strength, some of which are expected to continue for 2016. Lower oil prices have catalysed demand with global oil consumption growing at an estimated 2% compared to 1% on average annually during the previous 10 years. Oil consumption in China is estimated to have grown over 5% in 2015, despite the general slowdown in its economy, as lower oil prices appear to have had a positive impact on demand.

Other key factors supporting the tanker market have been higher refining margins, increased long-haul trade from the Middle East and Atlantic Basin, a persistent contango in the oil futures curve supporting inventory-building and a lack of meaningful tonnage additions.

Crude tanker demand is estimated to have grown by 4-5% during 2015 compared to fleet growth of just 1-2%, causing a substantial increase in fleet utilisation. The clean products market saw demand increase by an estimated 6%, in line with the 6% supply growth. The combination of higher refining margins worldwide and new refinery capacity in the Middle East and Asia supported product carrier earnings. Stronger crude tanker rates helped drive product carrier rates higher—especially considering the switching capability between the crude aframax and clean aframax LR2 classes. LR2s averaged US$30,000/day in 2015, double the earnings average seen since the financial crisis while MRs earned US$21,500/day (also double the annual averages since 2008).

Global containership capacity expansion in 2015

>8%

Growth in crude tanker fleet

2.2%

Business review continued

Broking continued

Tankers continued

There has been a sizable increase in long-haul trade as OPEC has publicly sought to maintain and increase its market presence. Looking ahead there are signs of production risk in the US, with non-OPEC supply in 2016 projected to decline for the first time since 2008. This is supportive of continued long-haul movements on both crude tankers and product carriers. Potential output declines also position the US as a growing importer of oil after several years of declining imports.

Crude vessel additions are projected to increase meaningfully in 2016 as the fleet is expected to grow by 5-6% compared to 1-2% for 2015. Product carrier fleet growth is expected at 5%, below the 6% for 2015. While crude tanker supply growth increases in 2016, demand is projected to maintain pace with 2015 and thus the market outlook remains positive.

International agreements allowing for potentially higher Iran oil volumes are expected to lend some support while there are increasing geo-political risks particularly within the Middle East following the recent tensions between Saudi Arabia and Iran. It is early to provide a proper assessment but this is a development requiring close attention.

The Clarksons Platou tanker team has been at the forefront of all activity across the sector, leveraging its leading market position, unrivalled global market coverage and scale.

Specialised products

Despite volatile commodity markets and an uncertain economic outlook, we have seen overall improvements in seaborne cargo volumes within the specialised products industry.

Whilst the Clarksons Platou specialised products Spot Chemicals Index recorded an average decrease of 2% year-on-year and the Spot Edible Oils Index posted a gain over the same period of just 5%, the average price of 380 CST fuel oil has also fallen by 49%. The drop in the price of crude oil and the effect on marine fuel pricing has significantly reduced the cost base for our industry, with those owners operating predominantly on the spot charter markets gaining the most immediate benefit. The interlinked period charter markets experienced an increased appetite from market participants as they sought to gain access to the improved returns on offer. As a result, average one year time charter rates for benchmark units increased by 11% in 2015 when compared to 2014.

The fall in crude oil price has had numerous ramifications for chemical producers around the globe. Those producers using naphtha as a feedstock, primarily in Europe and Asia, have experienced lower feedstock costs but also lower end-product prices and therefore typically maintained their margins. Other key regions, such as the US, have seen their competitive advantage eroded somewhat as input costs for shale gas fed crackers have remained largely unchanged over the period. Whilst these shifts have resulted in some projects stalling in the planning phase, the region remains extremely competitive on a global scale and there have been a number of new project announcements in recent times.

The fleet of available specialised products tankers has seen moderate growth in 2015 of 4% to 47.9m dwt when compared to 2014. The end of year scheduled order book has now reduced from 14.6% of the in-service fleet by dwt in 2014 to 12.3% at the end of 2015. There have been pockets of fresh contracting activity, but in many cases this is now for vessels which are part of strategic tonnage replacement programmes by established operators, rather than new entrants into the marketplace.

The Clarksons Platou specialised products team has had a busy year and 2015 has seen us develop and expand our service offer in this market. The integration of the Platou team has played a key role in this with their strong relationships bringing new growth opportunities. Over the course of the year we also strengthened the team further with key hires.

New investment in US chemical projects as a result of shale gas

US$145bn

Gas

The biggest factor underpinning the strength of the market was the continued growth in US export volumes which ran at very close to terminal capacity levels to hit 20.8m mt from a base of 14.7m mt in 2014. Throughput of existing facilities was expanded as new terminal capacity commenced production.

Having broken previous market highs in 2014, the VLGC sector enjoyed another strong year. The continued fall in oil prices and bunkers served to further boost earnings with time charter equivalent earnings averaging over US$2.7m a month compared with US$2.3m last year. Despite the addition of 35 newbuildings during the course of the year, strong growth in LPG trade volumes combined with an increase in the percentage share of US exports headed for Asia (most notably China) continued to support tonne-mile demand growth. This strength was largely mirrored in the sizes below, particularly the LGCs.

The midsizes continued to benefit from the growth in LPG export volumes despite trade growth in ammonia proving fairly unsensational in 2015. The combination of minimal deliveries (three in the year), rising US exports and growing import demand in the Med and South America helped continue to underpin midsize requirements. The handysize sector, however, did not fare so well as there have been more additions, both in number and cubic size, to the fleet.

Smaller sized gas carriers have not performed as well as the larger units as the sector has been hit by the dual effects of fleet growth and a slowdown in trade. The exception to this has been the smaller semi-refrigerated and ethylene sectors which have performed better.

The Clarksons Platou gas team continued to grow and increase market share during 2015.

LNG

The expectation at the start of 2015 was for global LNG demand to grow by around 6% on the back of the new supply coming from Australia and Papua New Guinea. However, a decline in production from Yemen and Algeria resulted in a modest growth of approximately 2%. This meant that trade volume remained almost unchanged since 2011 in the range of 240-250 mt of LNG.

With the northern hemisphere experiencing its third consecutive mild winter, the consumer demand for heating and power generation remained low, adversely impacting LNG imports to key markets in the Far East. Japan and Korea, by far the largest importers of LNG, maintained very high inventories throughout the year and have therefore been all but absent from the spot market.

Nevertheless, the market has by no means been static. A number of new importing markets emerged in 2015 which were actively seeking new supply and thus impacted the dynamics in the spot shipping and trading marketplaces. Floating storage and regasification units played a major role in unlocking these new markets, which proved the centres for demand growth in 2015.

The spot market once again saw increased activity of approximately 30% from 2014 levels and 80% from 2013 levels. The decline in LNG imports in the Far East and the lower tonne-mile demand due to the closer proximity of new supply to the consumers, combined with the tonnage oversupply, pushed charter rates down. The spot market for modern tri-fuel carriers averaged approximately US$36,000/day, while steam powered LNG carriers on average earned approximately US$26,000/day (decline of approximately 50% from 2014 average in both segments). Modern tonnage dominated the spot market, with approximately 75% of fixtures concluded with modern tri-fuel tonnage, whilst steam turbine ships competed in a limited number of trades.

In 2015, the fleet expanded by approximately 7% with around a third of this expansion being speculative, adding pressure on the charter market. However, most of the speculative tonnage ordered in the 2011/2012 period has now been delivered, which should start easing pressure on rates going forward. Around 35 vessels are scheduled for delivery in 2016, of which only three remain without a charter.

Against this backdrop, the Clarksons Platou LNG team have worked hard to significantly increase volumes, despite the poor freight rates, and have taken market share in the sector.

Seaborne trade in 2015

c.79m mt

Spot fixtures concluded in 2015

↑30%

Business review continued

Broking continued

Sale and purchase

Secondhand

With dry cargo freight rates in the doldrums and the tanker markets (both crude and clean) continuing at firm levels, the secondhand sale and purchase markets were challenging for wet and dry over the course of 2015 but for differing reasons.

The complete disconnect between the performance of the wet and dry sale and purchase markets in all sizes is historically very unusual. Tonnage oversupply caused pain in dry cargo whilst at the same time the collapsing price of crude oil drove tanker rates back to historic highs.

Surprisingly this has translated into more sale and purchase activity within dry cargo than perhaps we might have expected. Poor charter rates coincided with traditional shipping banks coming under increased pressure to reduce their loan books and private equity seemingly unwilling to continue to plug the gap. The result in some instances has been forced decisions, as so-called 'distressed sellers' have had to exit their investments at any price or risk having their vessels taken by their lenders, who are becoming more active as the weeks go by.

Some of our more traditional, private family-owned clients have seen this as an opportunity to purchase modern assets at knockdown prices and so volatility has produced liquidity and those with cash reserves have been leveraging their strength at the expense of those without. We have been able to conclude a good number of transactions, albeit at reduced price levels, and have enjoyed growth in market share. There is no doubt that the increased level of information we have enjoyed from our new merged team has supported this.

In addition, 2015 saw a dramatic increase in the levels of tonnage being scrapped. Our market share in this sector has increased due to our specialist demolition desk where revenues have doubled.

For the tanker markets it has been more difficult as the lack of pressure on sellers, due to improved earnings, has resulted in them asking for higher prices throughout the year. These have become ever harder to achieve, with buyers questioning how long they might be able to enjoy these very positive earnings. Long-term uncertainty has had a negative effect on activity levels as buyers found themselves unable to find period employment beyond two years at anything close to the spot market. Nevertheless, we have once again concluded some very high value transactions.

Newbuilding

The Clarksons Platou newbuilding team performed well in 2015. Integration post-merger brought a number of key opportunities and the enlarged team delivered growth in new market sectors whilst at the same time continuing to drive heritage relationships.

Ordering volume globally fell year-on-year by some 30%. This was partly in response to an incredibly challenging dry cargo market but also a reduced appetite from the capital markets backed players that were responsible for driving significant volume into the global order book over the past two years.

Key industrial and end user relationships within the group were, however, capitalised upon and a number of notable projects were concluded. Clarksons Platou placed 25% of the global LPG order book in 2015, by capitalising on established project structures with major participants, and the continuing development of key private relationships. Similarly in the tanker segments, the group was the major service provider to the prominent Korean builders.

Looking forward, we expect that 2016 will continue to be challenging as regulatory shifts put pressure on shipyards to manage their cost base in an environment that is becoming increasingly price sensitive. It is likely that the market will need some time to adjust and re-establish fundamentals, but the team is well positioned to capitalise on all opportunities that present themselves.

Reported value of secondhand vessel sales in 2015

US$23.6bn

Shipyard deliveries in 2015

96.8m dwt

Offshore

2015 was a challenging year for the offshore market as charter and spot rates continued to fall.

The year started with falling utilisation and increasing availability of vessels as contracts came to an end. This trend continued and was exacerbated as contracts were terminated and renegotiated. Oil companies were aiming for 20-30% cost reduction across the board and continue to be relentless in their pursuit of these cost savings. Those national oil companies that are managing to maintain activity levels are more than offset by those state-owned companies which are struggling and super majors who are cutting back.

Towards the end of the year, the reduced oil price increased demand and this trend is expected to continue for 2016. Whilst much of the growth is being met by increased onshore and shallow water offshore production by Saudi Arabia and US shale gas, it is not clear how much further this can continue. If Iran becomes a significant supplier, it may create further demand for replacement offshore assets.

On the supply side, utilisation rates fell as increasing numbers of rigs and OSVs have been stacked up. As a result, we saw multiple bidders and as many as 30 rigs being offered for one job, implying further downward pressure on rates. The subsequent financial cost of not having regular revenues on assets is resulting in rig and OSV players having to restructure, to the potential benefit of the securities team. There are also some signs that owners are being more realistic about asset prices which may create opportunities for sale and purchase transactions.

Although not immune to the challenging markets, the Clarksons Platou offshore team has fared comparatively well. We have worked hard to further build and strengthen our significant share of the OSV chartering market and have seen good sale and purchase activity levels, albeit at comparatively low values. The strength of our teams coupled with our high quality analysis and research has positioned us to take advantage of the flight to quality in our markets and wherever there have been signs of activity the scale of our team and placing power has meant we have been at the forefront.

Futures

2015 started with levels very close to historic lows. The cape index opened at US$3,580 and, despite a brief move upwards in late January, maintained an average over the first half of the year below US$5,000. The panamaxes similarly averaged below US$5,000 for the same period whilst the supramaxes provided the only surprise in performing best over the first six months of all sizes at close to US$6,600.

Q3 provided some relief from the negativity of the first half and values on capes rose to nearly US$19,500 in August, whilst panamaxes peaked at US$9,403 and supramaxes at US$9,770. The anticipated spike in Q4 failed to materialise and the cape Q4 index declined steadily to end the year at US$4,028. Average value for the year on capes was US$6,996 whilst panamaxes averaged US$5,560 and supramaxes averaged US$6,965.

Volumes on freight swaps were generally similar to 2014 but the options market proved more interesting with volumes growing 68%.

Disappointing though the market was in 2015, we continued to build market share in the options market and offset some of the difficulties in the swaps market, where we continue to have a strong market share in all sizes.

Iron ore market volumes grew and ended the year at 844,119,300 mt (up 70.32% on 2014). Values deteriorated steadily with the year starting at US$71.20 for TSI 62% and ending the year at US$42.90. By comparison, 2014 values fell from an open of US$135 to a close of US$71.20. Our swaps volume in this growing area has improved and we have recently entered the iron ore options market where we expect further growth.

In these challenging markets we continue to see a flight to quality as clients want reassurance that they are working with expert teams at highly credible and sustainable brokerages.

Offshore proportion of the world's oil production

25%

Freight options growth in 2015

68%

Our team boasts some of the most experienced and knowledgeable people in the industry. We have invested heavily in research and technology to ensure they have the best tools at hand to enable them to offer the best client service, wherever they may be across our global network.

Experts & Expertise

Hans Lund

Securities credit analyst –
Clarksons Platou Securities AS
Oslo

Business review continued

Financial

Revenue

US$43.8m

2014: US$14.3m

Revenue

£28.7m

2014: £8.7m

Segment result

£1.2m profit

2014: £1.9m loss

Securities

The global stock markets have been severely depressed over the course of 2015 reflecting the tumbling oil price and broader global economic uncertainty. Investors' confidence by the end of 2015 was drained. Developments across various asset classes in the US and European financial markets were largely influenced by international factors, including a weakening global growth outlook and falling commodity prices.

The first half of 2015 was dedicated to integrating the former Clarkson Capital Markets (CCM) with the Platou markets group, establishing the Clarksons Platou securities group located in Oslo, New York and Houston. Our enlarged team has a strong sales force covering investors globally focused on energy and maritime industries, in addition to a strong research team providing industry leading research to our customers.

Corporate finance revenues in 2015 were driven by equity capital markets transactions, however the markets became increasingly difficult during the second half. Although volumes were substantially down from 2014, the securities group has strong market share in our core segments. We have maintained our leading position in raising capital for the energy and maritime industries, raising a total of US$1bn for companies within our core sectors. We have also continued to hold a very strong position in global shipping transactions working with the most active issuers listed in the US. On the fixed income side, securities has been one of the most active restructuring and divestment advisors, a position maintained during 2015. Commission from the secondary trading of equities has also increased compared to 2014.

Companies covered globally within maritime sectors

180

Project finance

The first half of 2015 was an active year in shipping project finance, with special focus on the tanker and feeder container segments. In the dry cargo market, the recent drop in secondhand and vessel resale values has once again created interesting opportunities for asset play projects that can be financed using 100% equity, as today's charter rates are not high enough to cover debt servicing as well as operating expenses.

The traditional shipping banks' appetite to look at new transactions has slowed down noticeably, as their exposure in offshore, container and dry cargo is challenging loan-to-values and earnings in the spot market are only enough to cover operating costs. In projects with newer vessels, long underlying time charters or bareboat charters to large owners, debt financing for projects is still available.

Over the course of 2015 we have grown our team with a new project sales desk designated to focus on increasing both our investor base and the liquidity of shares in the secondhand market within shipping/offshore and real estate.

Our real estate team had a very busy year in 2015 and delivered a strong performance. The Nordic real estate market reached all-time highs in the first half of the year, and yields on prime assets are under pressure from institutional funds seeking stable dividends in stable macro-economies like the Nordic.

Foreign investors have had an increasing appetite for the Norwegian market over recent years, and we saw this trend continue in 2015 with the year ending with record high transaction volumes. For the first time the Norwegian market outperformed the Swedish market, that has traditionally been one of the top five in Europe.

Debt and leasing solutions

2015 started with a wave of optimism from the debt and leasing markets. Many of the financial institutions that had slowed their lending in the wake of the financial crisis and enhanced regulatory pressure were showing signs of using their balance sheets with renewed vigour. However, as the year moved on, the traditional debt and leasing structures began to slow again and by the third quarter there was a very noticeable caution around the market. By the end of the year the traditional lenders were essentially inactive and looking into 2016, the outlook remains tight.

Against this challenging trading environment, we delivered a satisfactory trading performance, whilst rebranding our business as Clarksons Platou Debt and Leasing Solutions. The enlarged team focused on continuing the development of our excellent relations with alternative shipping lenders and Asia Pacific banks (in particular China). The new and enhanced relationships are allowing the desk to provide viable funding solutions to our clients and add further value to the Clarksons Platou platform.

2015 total KS market transaction volume (shipping)

US$462m

Marine finance loans in 2015

US$104.7bn

Our extensive geographic coverage spans 20 countries through 46 offices, underpinning our ability to provide clients with invaluable global support at a local level.

Global & Local

Innes Cameron
Director – Port Services
Aberdeen

Business review continued

Support

Revenue

£22.5m

2014: £28.6m

Segment result

£3.3m

2014: £4.0m

Port services

2015 was a good year for all our port services activities linked to conventional bulk shipping, although this has been heavily tempered by the downturn in the oil and gas market, which has negatively impacted the overall performance for the year. We continue to explore avenues away from oil and gas, whilst ensuring we are in a strong position to react when this market shows signs of recovery.

Agency

The southern Clarkson Port Services (CPS) offices performed well in 2015. Although shipments of grain were slow in the first half, they increased significantly in the second half, giving a strong result for the year. We have seen a return to our traditional mix of short and deep sea activity, and have benefited from taking over grain export agency business at the Tilbury grain terminal. Imports of animal feed have remained steady, supporting our Ipswich and west coast UK offices.

In contrast, the performance of our northern CPS offices has continued to be impacted by the weak oil price which has depressed industry activity in this region.

Coal import volumes have remained low, and the indication is that they will continue at this level in 2016 due to the closure or reduced operations of several coal fired power stations. Biomass has now largely replaced our coal volumes, with a notable new contract being awarded in Liverpool.

We have seen a growing confidence in offshore renewables, and an increased level of activity in preparation for new wind farm projects. CPS is well positioned for securing contracts in this sector during 2016.

Our newest acquisition in Belfast had an excellent year, performing well above expectations and supporting several oil rig and offshore projects in conjunction with their traditional bulk business. For 2016, we anticipate several opportunities for this success to continue.

Gibb Tools and Opex Industrial Supplies (Opex)

Gibb Tools and Opex had a weaker year than originally anticipated due to the low oil price and a market reluctance to invest, which affected our supply business.

However, our team has focused on preparations for the merger of these two supply-based businesses into a single headquarters in Aberdeen.

Stevedoring

Our stevedoring operation in Ipswich had a slow start to the year caused by markedly reduced grain export volumes. This was exacerbated by the weak euro making shortsea destinations unattractive. In contrast, the second half of the year saw much higher volumes giving us strong results for the year overall.

We won further customer support over the course of 2015, allowing us to expand our operations and take additional storage from the Ipswich Port Authority. We now have storage capacity for approximately 40,000 mt of bulk cargo.

Freight forwarding

Despite a good start to the year, our freight forwarding operation in Great Yarmouth suffered from lower volumes in the second half, primarily caused by lower activity levels from our major oil rig owners. As with other areas of our business, this is linked to reduced operations in the North Sea.

Property services

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

In 2014, the group signed a 15 year lease for a new flagship head office at Commodity Quay, St. Katharine Docks, commencing from the last quarter of 2014. The group moved into this new head office on 20 July 2015.

During the year, our teams in Oslo and Singapore moved into new premises, having signed leases for 12 and 5 years respectively.

The group also owns a number of freehold properties which are either owner-occupied or let on a full commercial rent.

East Anglian grain shipping exporters using Clarksons' stevedoring facilities in 2015

<90%

Research

Revenue

£11.1m

2014: £10.4m

Segment result

£3.4m

2014: £3.5m

Research revenues grew strongly in 2015, reaching £11.1m (2014: £10.4m) and continuing a consistent long-term growth profile.

Despite challenging markets, underlying sales grew by 7% during the year, supported by demand for our market-leading shipping products, growth of offshore digital sales and a strong performance by our service contract and valuation business. Across 2015 there has also been a trend towards annuity based digital and service contract business, which has increased the amount of overall revenue being deferred.

Clarksons Research is respected worldwide as a market-leading provider of authoritative intelligence across shipping, trade, offshore and energy. Activities focus primarily on the collection, validation, management and analysis of integrated data about the shipping and offshore markets. Including wide ranging technical and commercial information in a fully integrated and relational format, the coverage and depth of the shipping research and trade database continues to expand and now includes coverage on over 100,000 vessels, over 40,000 companies, over 25,000 machinery models, over 600 active shipyards and fabricators, over 600,000 fixtures and over 100,000 time series.

The offshore and energy database provides comprehensive coverage of all offshore fields, projects, platforms, subsea infrastructure, rigs, support vessels and construction vessels, wholly integrated within a Geographical Information System. Clarksons Research continues to invest heavily to expand its wide ranging proprietary database, to develop and enhance its product offering and to support and promote the Clarksons group across the global shipping and offshore industries. The provision of data to the expanded Clarksons group was also enhanced during 2015.

The majority of Clarksons Research sales are derived from annuity revenue, with high customer retention levels. The client base is broad and diversified with excellent market penetration across the financial, asset owning, insurance, equipment supplier, governmental, private equity, energy, commodity, shipyard, fabrication and oil service sectors. There is also broad geographical spread and a strong position in expanding markets, with sales to the Asia Pacific region growing by over 24% in 2015. We continue to broaden our geographic footprint, with the expansion of operations in both Shanghai and Singapore during 2015.

Research derived its income from the following principal areas:

Digital

Sales from digital products increased by an encouraging 9% during the year. Our flagship maritime commercial database, Shipping Intelligence Network, has benefited from the roll out of a major upgrade during 2015 which has been well received by our client base. There was robust growth from our market-leading online vessel register, World Fleet Register, with further innovations to the system planned for 2016. Our digital offering across offshore, including World Offshore Register, continues to gain traction and our position as the leading provider of offshore data to the insurance market has been consolidated. Clarksons Research continues to develop new proprietary data areas within their offering including the utilisation of AIS data, additional company information, trade and commodity flows, the tracking of capital market activity, machinery and environmental packages on board ships and subsea and pipeline infrastructure.

Publications

Clarksons Research produces weekly, monthly, quarterly and annual publications, registers and maps, available both in print and within our digital offering. In 2015 our well-established shipping range was supplemented by new publications covering global trade and the capital markets. Our comprehensive offshore offering, including Offshore Drilling Rig Monthly and Offshore Support Vessel Monthly, continues to gain traction. Publications remain an important aspect of our overall offering, besides generating important provenance and profile.

Services

Clarkson Research continues to expand its provision of customer service contracts to a range of large corporate and institutional clients in both the shipping and offshore industries. A specialist team concentrates on managing retainers and providing bespoke research, consultancy, valuations and data for banks, shipyards, fabricators, engineering companies, insurers, governments, asset owners and other corporates. Clarkson Research continues to be a leading provider of data to clients, producing capital market prospectuses across a range of issuance types and exchanges. Clarksons Valuations has been expanded and remains the leading provider of asset valuation services to the industry, including to many of the world's leading ship finance banks and public listed shipping companies, and performed particularly strongly across 2015.

Clarkson Research Services is the largest commercially-led research unit in the maritime world, providing historical intelligence through registers, databases, periodicals and on a more bespoke level through validation and consulting. Not only do we have a research team dedicated to publishing and consulting, but also dedicated analysts within every commercial team across the enlarged group. This quality and depth of research is unique and central to the group's strategy.

Ideas & Insights

Henriette van Niekerk
Director – Dry cargo analysis
London

Financial review

The group has delivered revenue growth of 27% to £301.8m and reported profit before taxation growth of 26% for 2015. We remain strongly cash generative and the balance sheet quality continues to improve, supporting long-term growth and investment in our business.

Results

The increase in group revenue of 27% to £301.8m (2014: £237.9m) reflects a consistent performance within the underlying business from higher transactional volumes, and is augmented by the inclusion of 11 months of trading from Platou, following completion of the acquisition in February 2015. Administrative expenses increased by 27% to £242.0m (2014: £191.3m), however post-acquisition cost synergies arising from integration will amount to an annualised benefit of some £4.0m. An additional interim dividend of £1.4m was received from The Baltic Exchange in December 2015. Underlying profit before taxation was £50.5m (2014: £33.8m), which, after acquisition costs of £16.2m (2014: £7.0m) and £2.5m (2014: £1.6m) of exceptional items, resulted in a reported profit before taxation of £31.8m (2014: £25.2m).

Please see our financial highlights for more information

Balance sheet effects of the Platou acquisition

The acquisition of the Platou group was completed during the first quarter. The balance sheet now combines the assets and liabilities of both Clarksons and Platou. The purchase price allocation has confirmed that a major proportion of the acquisition price, adjusted to the fair value at closing, relates to goodwill. A number of specifically identifiable intangible assets amounting to £21.9m were recognised on acquisition and are subject to amortisation over a two to four year period. Long-term interest-bearing bank loans and all bank overdrafts held by Platou have been repaid. Deferred consideration, in the form of vendor loan notes, is held on the balance sheet, repayable in two instalments in June 2016 and June 2017. Overall, the net assets of the group have increased by £173.6m. Merger relief was applied to the new shares issued by Clarkson PLC, resulting in an increase in other reserves.

Acquisition costs

Acquisition costs of £16.2m (2014: £7.0m) are shown in the income statement. The increase over 2014 reflects the costs incurred in respect of the acquisition of Platou and amortisation of the separately identifiable intangible assets. Estimated acquisition costs for 2016 will amount to £8.2m.

Exceptional items

Exceptional items comprise the additional rent and associated costs for Commodity Quay in London and the onerous lease provision for an office in Singapore. Also included are costs associated with the restructuring and integration of the two businesses. The release of the unutilised portion of the St. Magnus House dilapidation provision has been treated as exceptional other income.

Taxation

The group's effective tax rate, before exceptional items and acquisition costs, was 24.9% (2014: 25.9%). After exceptional items and acquisition costs, the rate was 29.8% (2014: 32.0%), which reflects the disallowable nature of certain acquisition costs.

Earnings per share (EPS)

Underlying basic EPS was 121.9p (2014: 134.2p). After exceptional items and acquisition costs, the basic EPS was 68.2p (2014: 91.9p).

Dividends

The board is recommending a final dividend of 40p (2014: 39p), which will be paid on 3 June 2016 to shareholders on the register at the close of business on 20 May 2016. The interim dividend was 22p (2014: 21p) which, subject to shareholder approval, would give a total dividend of 62p (2014: 60p). In taking its decision, the board took into consideration the 2015 performance, the strength of the group's balance sheet and its ability to generate cash and the forward order book. The dividend is covered 1.1 times by basic EPS (2014: 1.5 times).

Foreign exchange

The average sterling exchange rate during 2015 was US$1.53 (2014: US$1.65). At 31 December 2015 the spot rate was US$1.47 (2014: US$1.56).

Cash and borrowings

The group remains cash generative, ending the year with cash balances of £168.4m (2014: £152.9m). A further £5.4m (2014: £25.3m) was held in short-term deposit accounts, classified as current investments on the balance sheet. After deducting amounts accrued for performance-related bonuses, which are generally paid during the first half of 2016, net cash and available funds amounted to £91.6m (2014: £92.3m).

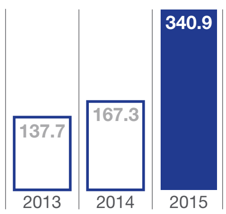
Balance sheet

Net assets at 31 December 2015 were £340.9m (2014: £167.3m). The balance sheet remains strong with net current assets and investments exceeding non-current liabilities (excluding pension provisions) by £36.2m (2014: £113.8m). The overall provision for impairment of trade receivables was £12.3m (2014: £9.9m) and the underlying US dollar balance increased by US$2.7m. The group's pension schemes have a combined liability before deferred tax of £4.1m (2014: £10.3m). This decrease is a result of the discount rate increasing from 3.4% to 3.8%, which is partially offset by the addition of the Stewarts scheme in the year.

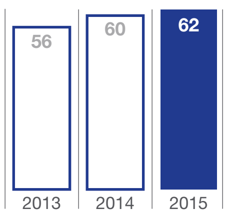
Key performance indicators (KPIs)

The KPIs used in the management of the business are all financial in nature and included on pages 3, 4 and 14. These include revenue, profit before taxation, earnings per share and the forward order book.

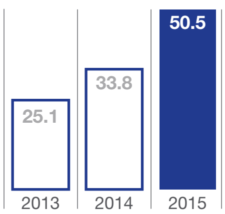
Net assets
£340.9m



Dividend per share
62p



Underlying profit before taxation
£50.5m



Risk management

As the world's leading provider of integrated shipping services, we have a clear strategy to maintain and extend our industry leadership. It is imperative that the integrity and reputation of the Clarksons brand is preserved through effective risk management, which underpins the successful delivery of this strategy. The breadth of products and services that we offer to our clients all over the world span the maritime and financial markets and has the potential to expose us to a number of business specific risks.

Details of the board and audit committee's responsibilities are shown on pages 40 to 42.

Risk management approach

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

Our risk assessment is formed in stages:

1. Identify the risks facing the group, analysed by business sector;
2. Assess the likelihood of each risk;
3. Evaluate the impact on the group over different aspects of the business;
4. Determine the strength and adequacy of the controls operating over the risk;
5. Assess the effect of any mitigating procedures;
6. Monitor the above periodically.

Our objective is to maintain an embedded control approach which is instilled in our employees from induction. This is done through an integration of culture and compliance where our objectives and values are clearly communicated and our training, systems, processes and internal controls are developed in accordance with our risk management model.

Please see our audit committee report on pages 58 to 59 for more information

Our robust risk management assessment process is dynamic, incorporating changes in our strategies and the external risk drivers in the global market in which we operate. It continues to be enhanced and developed to ensure it meets the needs of the group.

Viability statement

In accordance with provision C.2.2 of the 2014 revision of the Code, the board has assessed the prospects of the group over a longer period than the 12 months that has been the focus of the 'going concern' provision.

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

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

Based on their assessment of prospects and viability, the directors confirm that they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the three year period ending 31 December 2018.

Going concern

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

Review of principal risks

The following risks are not exhaustive, but rather a summary of those principal risks which have the potential to materially affect the achievement of the group's strategic objectives and impact its financial performance, reputation and brand integrity.

Principal risk	How we manage risk	Commentary
Strategic – Our priority is to ensure strategic decisions achieve our objectives		
Failure to achieve strategic objectives	Our decisions are founded on experience, due diligence and external expert advisors where necessary.	The strategic moves we have made have been into core business areas where we have a good level of understanding and built up knowledge. The Platou acquisition was a transformational deal, a unique opportunity to combine two leading businesses, generating significant organic revenue and margin growth potential and creating shareholder value over the medium-term. Our strong balance sheet ensures we are well placed to make further investments as and when they arise.

Principal risk	How we manage risk	Commentary
Reputational – We remain focused on maintaining and constantly strengthening our relationships with stakeholders		
Negative perception of the group as a result of employee conduct	Our commitment to training and an ethical work environment continues to promote high standards, consistency and a unified approach. Investment in compliance, quality assurance and legal functions act to ensure that best practices are applied throughout the group.	The group has built an enviable reputation over the past 164 years, and the protection of the Clarksons name is fundamental to our position as a market leader. No events arose during the year which adversely affected the reputation of the group.
Operational – Our reputation is built on strong execution of service		
Loss of regulatory licence	Suitably trained and qualified management across all regulated businesses are supported by compliance officers in London, New York and Oslo. Additionally we have an internal audit function for our securities business in Norway. External advisors are regularly consulted.	The proportion of the business covered by regulation has increased and we have entered new jurisdictions in our regulatory reporting requirements. All licences were maintained throughout the year.
Financial loss or operational disruption caused by a cyber event	The group's IT processes include penetration testing, a variety of security access controls and business continuity planning.	Continued investment in physical controls and increased awareness through regular internal communications has enabled us to identify and avoid actual cyber events. We have identified a number of attempts to access or compromise our systems during the year. None of these attempts have been successful.
Challenging market conditions	We are well diversified in the breadth of our global offering across multi-cyclical shipping markets putting us in the best possible position to mitigate downturns in specific markets.	Our results show the effectiveness of our strategy and business model against a backdrop of volatility in our markets, particularly those affected by falling commodity prices.
People – Our people are the assets of our business and are essential to our success		
Loss of key personnel	Competitive remuneration, extensive tools for trade, a good working environment and good career opportunities help us to retain staff. Teamwork on deals is actively encouraged. Cross-training, succession planning and documentation of key procedures is carried out to minimise the impact of losing personnel.	Our relative position in volatile markets and overall trading performance makes us appealing as an employer. Following the integration of the two businesses, significant synergies have been achieved. No key members of staff left to join a competitor and we continue to make significant hires.
Financial – We seek to maintain the strength of our balance sheet and results		
Adverse movements in foreign exchange rates	The group has policies for hedging currency exposures, including forward sale of US dollar revenues. We also sell US dollars on the spot market to meet local currency expenditure. We continually assess rates of exchange, non-sterling balances and asset exposures by currency.	During the year, the group has applied its hedging policy consistently. Details of the outstanding forward contracts is given in note 26.
Adverse financial commitments relating to pensions	All defined benefit schemes are closed to new entrants. We have in-house and outsourced global pension experts to help manage the schemes in place, including monitoring fund manager performance. Diversification of the investment funds which hold our schemes' assets reduces the impact of fund performance volatility. Regular review of pension fund liability to ensure any deficit is appropriately forecast and future funding requirements can be planned.	The group has three defined benefit schemes. Full details of the position at the year-end are set out in note 22.
Financial loss arising from a failure of a client to meet its obligations	We regularly monitor both local and global client debt levels using information from a range of sources.	There were no unexpected losses arising from a client failure during the year. The trade receivables at the year-end relate to a considerable number of clients, with limited concentration of exposure to the group.

Corporate and social responsibility

As the world's leading provider of integrated shipping services, Clarksons has an enviable, hard-earned reputation for integrity, excellence, fairness and transparency built over 164 years of servicing the international maritime markets.

These four key principles form our corporate values, detailed in the group's Code of Business Conduct and Ethics, which are delivered by our employees in their dealings with our clients, investors, colleagues and suppliers. This approach is mirrored by our commitment to corporate responsibility – aligning responsible business practices with a sustainable business model to deliver best value to all our stakeholders.

Our people

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

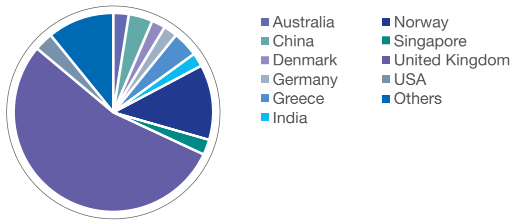
We aim to create a working culture that is inclusive for all and to maintain high standards and good employee relations. We believe that it is vital to look after our employees by making sure that they have a safe and suitable workplace. High standards of health and safety are maintained and designed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

Clarksons is an employer that depends on the maintenance of its reputation and market lead by entrusting it to more than 1,370 highly motivated employees around the world. For decades we have evolved a system in which advancement is based on individual ability or achievement. We have a wide range of different people with different life experiences and perspectives working throughout our global organisation. Our employees have a right to fair practices and behaviour in the workplace. They are protected from discriminatory issues and have a fair and equal chance to develop within the group. We seek to appoint the best candidate for each and every vacancy. All appointments within the group are based on merit, and candidates are considered against fair and objective criteria. We give full and fair consideration to all applications for employment and ensure that any reasonable adjustments are made to our interviewing processes, job content or workplace to accommodate an individual's relevant merits and capabilities.

As at 4 March 2016, there were eight directors of Clarkson PLC. Of the 1,379 employees within the group at 31 December 2015, 361 or 26% were female (299 or 28% in 2014). There were 271 managers within the group, of which 29 or 11% were female which is an increase of nine or 2% year-on-year on 2014. From new hires made in 2015, 30% were female.

We are a global business with an international workforce and the combination of languages, cultures and ideas brings a high level of diversity and cultural richness. Clarksons' employees represent 63 nationalities globally and in a reflection of this cultural diversity, our management team represents 23 of those nationalities. Our international presence also means that we can offer our employees the opportunity for mobility and development throughout the Clarksons group globally.

Management team by nationality



Clarksons has undergone significant growth over the last decade, including the Platou acquisition in 2015, which means that many staff have been employed for less than ten years. Nevertheless, we are proud that 20% of our workforce have been with the organisation for more than ten years and we now have up to five generations working together. This demonstrates that there is continuity of approach throughout the organisation and an understanding of people.

Participation in the company's ShareSave scheme allows UK employees to become more engaged in the company's performance, and offers the opportunity on maturity of the scheme, for employees to become shareholders in the company and to participate in its continued growth and success.

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

Nationalities represented across the group

63

Our investment in our people

We want to be recognised as the place where people are empowered to do their best work. We hire the brightest talents and give them the tools to shine – including leading edge IT systems, high quality training and development as well as financial reward. Clarksons is committed to investing in talent retention and staff development, ensuring that as we grow (both organically and through acquisition) the right people are identified and developed.

Employees are encouraged to maximise their career potential at Clarksons. We hold training events and seminars throughout our global offices. These seminars and events are led by in-house experts and/or external speakers, covering a wide range of topics on either an area of Clarksons' business or an area of personal development. All employees, regardless of department, are encouraged to attend these seminars as they provide a forum for interested individuals to further their knowledge of a subject.

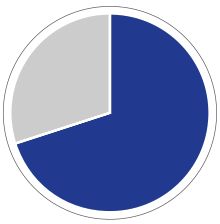
Our training blends the collective skilled counsel and guidance of our staff with the tutelage of external experts from all areas of the shipping, trading and commodity markets.

Our Trainee Broker Scheme is open to graduates and non-graduates. Trainees can expect excellent support and tuition so that they can acquire the necessary skills to perform at the highest level.

In addition to our Trainee Broker Scheme, we offer a number of internships to students each year. Through long-standing relationships with schools and academies we are able to offer regular work experience opportunities in our broking and research divisions.

Successful development of future leaders requires a talent pool from which to select the best individuals. Clarksons operates a prominent recruitment process which attracts in excess of 2,500 applications annually from graduates and non-graduates who wish to be considered for fast-track development roles. Our own analysis has determined that the ratio of male to female applicants is circa 70:30.

New hires by gender in 2015



Female executives with an interest in senior executive roles in shipping related businesses are in short supply, which is why Clarksons has taken steps to improve gender balance. We know that organisations globally are challenged with a lack of women in leadership positions. This is particularly true of the shipping industry which has historically been male dominated. However, shipping is the quintessential global industry and its multiculturalism has always been a benefit to career-minded individuals. Steps taken to tackle gender balance include the continued development of female role models within the business and identification of talented women in junior roles for future leadership. Of the nine high potential graduates recruited between 2014 - 2015 for the purpose of development into future leaders, four are female.

Our local community and charity support

Clarksons has a well-established history of supporting the communities in which its global offices are based as well as projects further afield. We fulfil our commitment to corporate responsibility in a number of ways including sponsorship and patronage of museums and sporting events, supporting employees' endeavours through sponsorship, supporting those employees who wish to volunteer their time and with direct donations to individual charities.

Clarksons' support has continued in 2015, where special attention has focused particularly on:

– Maritime causes;
– Children's charities; and
– Charities representing health issues.

During the year, donations were made to:

Marie Curie – UK

Founded more than 65 years ago, Marie Curie provides care and support for people living with any terminal illness and their families. Each year they care for more than 40,000 people across the UK. Marie Curie offers hospice care, in-home nursing and support, both via its Support Line and online community.

Clarksons chose to support Marie Curie in a number of ways during the year, following the loss of a colleague in early 2015.

As well as a direct donation from the company, individual employees have completed their own challenges. Three Gibbs' Tools employees participated in the Ben Nevis Challenge and raised the Clarksons flag at the summit.

Corporate and social responsibility continued

Peace Matunda School & Orphanage – Tanzania

Tanzania is listed by the UN as one of the 50 poorest and most underdeveloped countries in the world. Founded in 2005, the Peace Matunda School is a primary day school for over 200 children. The Peace Matunda Orphanage provides a home and positive family environment for 24 permanent residential children who are without the support of family. Clarksons' donation assisted with the provision of teaching and support staff.

Maritime London Officer Cadet Scheme (MLOCS) – UK

Founded in 1992, MLOCS' objectives are to support the training of UK-based mariners, to recognise and promote improvements and standards of expertise on merchant vessels and to provide a pool of UK seafarers who might look to the City of London for careers when coming ashore. Clarksons' sponsorship of a trainee cadet has continued for the second year running.

Kids Cancer Charity – UK

For more than 25 years, Kids Cancer Charity has been caring for and supporting families with teenagers affected by cancer. Today, the charity has a small service team who cover the UK assisted by many part-timers and volunteers. The charity is probably best known for the Holiday Programme which gives families a chance to get away from the pressures of hospital appointments and treatments. The aim of the charity is to provide memories that will last a lifetime for the families. Clarksons was pleased to support the Kids Cancer Charity through direct donation this year.

Salaam Baalak Trust – India

Inspired by Mira Nair's film 'Salaam Bombay' in 1988, the Salaam Baalak Trust (SBT) grew out of Nukkad – a street based intervention programme that began working with street children in and around New Delhi Railway Station. SBT is dedicated to the care and protection of neglected street children. SBT has supported children from all over India. Core to SBT's work is detoxification of children addicted to drugs and provision of educational facilities to children who are out of school. Clarksons' donation helped to finance the SBT's detoxification and education programme.

Cardiac Risk in the Young – UK

One of the largest charitable projects undertaken by Clarksons during 2015 was to raise funds for Cardiac Risk in the Young following the death of an employee in late 2014 from a heart attack as a result of peripheral arterial disease. A variety of fundraising events took place during 2015, the largest of which was 'Row for Roger'. This was an international effort – 10 teams from London, Singapore, Dubai and Houston went head-to-head to beat a container ship transiting the Panama Canal. Teams rowed against the clock, and each other, to cover the 77,000m distance in fewer than eight hours. The winning team completed the challenge in four hours, 35 minutes and 30 seconds.

Sailors' Society – International

Founded in 1818, the Sailors' Society is one of the largest and most comprehensive international seafarers' support charities. In April 2015, colleagues from Clarksons Platou Debt and Leasing Solutions completed the Virgin London Marathon, to raise funds for the Sailors' Society.

Norwegian Maritime Museum – Norway

Clarksons Platou is a patron of Norway's Maritime Museum in Oslo which focuses on important traits of Norwegian and international shipping throughout history. Platou was also involved in developing an interactive shipbroking exhibit at the museum.

As ever, both corporately and individually, Clarksons employees have contributed to a long list of charities by running, swimming, cycling, boxing, climbing and paddling through all weathers.

Some of the organisations benefiting from this incredible effort include:

- Parkinson's UK
- Childhood First
- Scope
- Cancer Research
- Help for Heroes
- Make a Wish Foundation
- Honeypot
- Seafarers
- British Lung Foundation
- Leukaemia and Lymphoma Research
- Macmillan
- Action Medical
- Genetic Disorders UK
- Art for Cure

Environment

At Clarksons we recognise the importance of environmental issues and the impact they have on our business and our stakeholders.

We are seeking to reduce our own environmental impact and improve our energy efficiency and, by moving our London head office into a new location at Commodity Quay in July 2015, we hope to have achieved that. The new office at Commodity Quay has been designed to a high specification including:

- video conferencing facilities being installed in all meeting rooms;
- food waste being kept to a minimum by installation of a food digester;
- multiple waste/recycling points on all floors;
- water supplies to kitchens and toilets are controlled by PIR devices to minimise wastage;
- photocell operation integrated into the lighting control systems; and
- secure bike storage and showers to encourage employees to lead a healthy lifestyle.

Whilst the new head office building provides excellent facilities for the business, the company has not been able to obtain actual consumption data for the building to date and as a result the period from July to December 2015 had to be estimated. We continue to pursue improved data and expect we might have to restate the emissions associated with our London head office in the future.

The February 2015 Platou acquisition meant that the following offices have reported emissions in 2015 for the first time: Cairo, Rotterdam, New York, Johannesburg, Cape Town, Casablanca, Rio de Janeiro, Moscow and Uppsala (Sweden). Our reporting has also included some very small sites within the Clarkson Port Services division in the UK for the first time.

This section includes the company's mandatory reporting of greenhouse gas emissions (GHG) pursuant to the Companies Act 2006 (strategic report and the directors' report) regulations 2013 for which our reporting year is from 1 January to 31 December 2015.

The method we have used to calculate GHG emissions is the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), using the location-based scope 2 calculation method, together with the latest emission factors from recognised public sources including, but not limited to, Defra, the International Energy Agency, the US Energy Information Administration, the US Environmental Protection Agency and the Intergovernmental panel on Climate Change.

The company reports all material emission sources which we deem ourselves to be responsible for using an operational control approach to define our organisational boundary. These sources align with our operational control. We do not have responsibility for any emission sources that are beyond the boundary of our operational control (we have not included business travel as it falls under Scope 3 emissions).

Global greenhouse gas emissions data

	Tonnes of CO_2e		
	2015	% of Total	2014
Scope 1 – Clarksons control directly			
Combustion of fuel & operation of facilities (Gas, vehicle fleet)	**922**	27%	1,067
Scope 2 – Clarksons control indirectly			
(Electricity, heat, steam and cooling purchased for own use)	**2,349**	68%	3,294
Scope 3 – Clarkson influences			
(T&D losses from electricity)	**195**	5%	278
Intensity metric –			
tonnes CO_2e/FTE	**2.51**		4.74

Intensity ratio

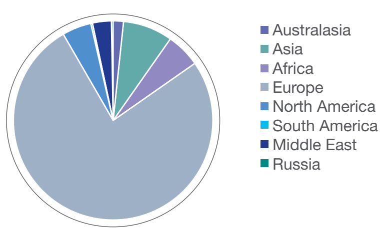
We have significantly reduced our scope 1 & 2 emissions from 4,361 tCO_2e in 2014 to 3,271 tCO_2e in 2015. This change is mainly due to a substantial reduction in reported emissions for the London head office. We are confident that the new London head office will deliver lower carbon emissions as a result of a lower occupied floor area, improved efficiency in heating and cooling systems and refurbishment designed to minimise the buildings environmental impact. However, at the time of this report, primary consumption data is not available and therefore the emissions associated with the building have been estimated. Reduced emissions from the London head office have been partially offset by two factors:

- Integration following the Platou acquisition to form Clarksons Platou which has resulted in a small number of new offices and a rise in staffing numbers.
- Improved reporting which includes a number of smaller Clarkson Port Services sites in the UK and smaller international offices which have not previously been reported.

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

The company's most critical environmental and sustainability impact areas include carbon emissions linked to energy use and travel.

Carbon emissions by continent (tCO_2e)



Board of directors

James Hughes-Hallett, CMG

Chairman (66)

James Hughes-Hallett was appointed as a director on 20 August 2014 and became chairman on 1 January 2015.

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

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

James is chair of the nomination committee and a member of the remuneration committee.

Andi Case

Chief executive (49)

Andi Case was appointed to the board as chief executive on 17 June 2008, having previously been Clarksons' chief operating officer.

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

Jeff Woyda

Chief financial officer and chief operating officer (53)

Jeff Woyda was appointed to the board on 1 November 2006.

Jeff qualified with KPMG and before joining Clarksons was a member of the executive committee of Gerrard Group PLC. Jeff also spent 13 years at GNI where he was chief operating officer. Jeff serves as a non-executive director of the International Transport Intermediaries Club (ITIC).

Peter M. Anker

President of broking and investment banking (58)

Peter M. Anker joined the board on 2 February 2015.

Peter has been chief executive and managing partner of RS Platou Shipbrokers AS since 1987 and has also served as head of the Platou group and offshore division. He previously served as vice president of RS Platou (USA) Inc. from 1982 to 1986.

Peter Backhouse

Senior independent director (64)

Peter Backhouse was appointed to the board on 16 September 2013 and became senior independent director on 5 November 2013.

Peter is chairman of the Supervisory Board of HES International B.V, a leading provider of port services in dry and liquid bulk handling, and a member of the Advisory Board of US private equity firm Riverstone Energy Partners. Peter has over 40 years' experience in the international energy business. At British Petroleum he was chairman and chief executive of BP Europe, executive vice-president of global refining and marketing, and head of both North Sea oil development and global mergers and acquisitions. He served as a non-executive director of BG Group plc, the international energy group, between 2000 and 2014.

Peter is a member of the audit, remuneration and nomination committees.

Ed Warner, OBE

Non-executive director (52)

Ed Warner was appointed to the board on 27 June 2008.

Ed is chairman of derivatives exchange LMAX Limited, the Standard Life European Private Equity Trust PLC, the Blackrock Commodities Income Investment Trust PLC, UK Athletics, the sports governing body, and investment bank Panmure Gordon. He is also a non-executive director of Grant Thornton UK LLP, a leading accountancy and advisory practice, and SafeCharge International Group. Ed was previously chief executive of IFX Group PLC and Old Mutual Financial Services UK, head of Pan European Equities at BT Alex Brown, and head of global research at Dresdner Kleinwort Benson.

Ed is chairman of the remuneration committee and a member of the audit and nomination committees.

James Morley

Non-executive director (67)

James Morley was appointed to the board on 5 November 2008.

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

James is chairman of the audit committee and a member of the remuneration and nomination committees.

Birger Nergaard

Non-executive director (64)

Birger Nergaard joined the board on 2 February 2015 and has been deputy chairman of the board of Clarksons Platou AS (formerly RS Platou ASA) since 2008.

Birger established Four Seasons Venture (today Verdane Capital) in 1985 and was the company's chief executive until 2006. He is currently a director of Verdane Capital's funds V, VI, VII and VIII, a director of Clarksons Platou Securities AS, Nergaard Investment Partners AS and an advisor to the P/E fund Advent International in Norway. Birger was awarded King Harald's gold medal in 2006 for pioneering the Norwegian venture capital industry. Birger holds a law degree from the University of Oslo.

Birger was appointed to the remuneration committee on 5 January 2016.

Corporate governance statement

Principles statement

Good corporate governance underpins the company's objectives, strategy and business model, as set out in the strategic report on pages 2 to 37. The board is committed to maintaining a high standard of corporate governance, which is critical to retaining investor trust in the company and in the board as custodian of the company's assets and values.

Statement of compliance

The statement of corporate governance practices set out on pages 38 to 67 and information incorporated by reference, constitutes the Clarkson PLC corporate governance report setting out how the company has applied the principles of the 2014 UK Corporate Governance Code (the Code), which is applicable to the company for the financial year ended 31 December 2015. We are compliant with the Code with the exception of the requirement to have an externally facilitated board evaluation every three years. For further explanation please refer to page 41.

Further information on the Code can be found on the Financial Reporting Council's website at www.frc.org.uk.

Leadership

The board of directors comprises James Hughes-Hallett, Andi Case, Peter M. Anker, Jeff Woyda, Peter Backhouse, Birger Nergaard, James Morley and Ed Warner. Biographies of the directors in office at the date of signing the financial statements are set out on pages 38 to 39.

The board, supported by its committees, is responsible for ensuring leadership and setting strategic direction with the aim of delivering sustainable shareholder value. It is imperative that the combined experience and knowledge represented by the board of directors is appropriate to lead the company in maintaining its market leading position and achieving its strategic objectives. Following completion of the acquisition of RS Platou ASA on 2 February 2015 (Platou acquisition), Peter M. Anker, the chief executive of Platou, and Birger Nergaard, the deputy chairman of Platou, joined the board of Clarkson PLC as executive director and non-executive director respectively.

On appointment, the chairman and the non-executive directors met the independence criteria set out under the Code and confirmed that they have sufficient time available to discharge their responsibilities effectively. They are appointed for an initial three year term, subject to re-election by shareholders at each annual general meeting (AGM), after which their appointment may be extended, subject to mutual agreement. All members of the board will retire and seek re-election by shareholders at this year's AGM in accordance with the Code. The continuing independence of each non-executive director is assessed regularly.

The roles of chairman and chief executive are not exercised by the same individual. There is a clear division of responsibilities:

Chairman	Chief executive
– Leading the board	– Running day-to-day business
– Ensuring board effectiveness	– Implementing board strategy
– Promoting high standards of corporate governance	

The non-executive directors have a vital role in ensuring that the strategies proposed by the executive directors are appropriately discussed and constructively challenged. They help scrutinise the performance of management against the agreed goals and strategic objectives of the board and monitor the integrity of the company's financial information and systems of risk control and management. In addition, they are responsible for considering and approving executive remuneration. The chairman maintains direct communication with each of the non-executive directors without the executive directors present where necessary.

Powers of the board

The board meets regularly with at least four scheduled meetings each year plus additional meetings to address matters that arise other than in the normal course of business. The non-executive directors serve on a number of committees established by the board. More information regarding board and committee meetings can be found on page 42.

The board has the powers and duties as set out in all relevant laws and the company's articles of association (Articles). Amendments to the company's Articles may be made in accordance with the provisions of the Companies Act 2006. The board has adopted a formal schedule of matters it reserves for its own decision making, such as decisions relating to:

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

Procedure to deal with directors' conflicts of interest

A director has a duty to avoid a situation in which he or she has a direct or indirect interest that conflicts, or may conflict, with the interests of the company. The board may authorise any potential conflicts, where appropriate, in accordance with the company's Articles. The company has established comprehensive procedures for the disclosure of any such conflicts by directors, and for the consideration and authorisation of these by the board. The board considers each conflict on its particular facts and in the context of the other duties owed by the director to the company. The board regularly reviews and monitors potential conflicts of interest.

Ed Warner, a non-executive director, is also non-executive chairman of Panmure Gordon, the company's joint stockbroker. Jeff Woyda, chief financial officer and chief operating officer, is a non-executive director of the International Transport Intermediaries Club (ITIC).

Where a potential or possible conflict of interest arises, both directors declare their interest and remove themselves from the decision making process in respect of the relevant business.

Effectiveness

Succession planning

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

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

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

Non-executive directors are appointed for a specific term. Details of their service contracts can be found on page 49. A report on the work carried out by the nomination committee during the year is set out below.

Director induction, training and support

A careful assessment is made of the time commitment required from the chairman and the non-executive directors to discharge their roles properly and, on appointment, new directors are provided with a tailored induction programme relating to the company's business. All directors are encouraged to regularly update and refresh their skills and knowledge by attending seminars and training sessions. During the annual board evaluation process the directors have the opportunity to highlight any areas in which they feel professional development would be beneficial, either individually or as a unit. The board has access to the company secretary who provides advice on corporate governance matters.

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

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

The company purchased and maintained directors' and officers' liability insurance throughout 2015 and this cover has been renewed for 2016.

Performance evaluation

At the end of 2015, the board conducted an internal evaluation of its own performance, its committees and that of individual directors. The chairman's performance was evaluated by each of the other non-executive directors. A questionnaire was circulated to all directors seeking their evaluation of a number of matters, including board culture, balance, meetings and processes. The principal conclusions were then presented to the board and key points and actions discussed. The board, having carefully considered all matters arising out of the performance review, concluded that the board operates effectively and in an open manner. Following the Platou acquisition, the board considered it appropriate to defer an external performance evaluation until the integration period had concluded. It is intended for the external performance evaluation to take place during 2016.

Appointment of directors

Following amendment at the 2015 AGM, the Articles now provide that all directors shall retire from office and subject to satisfactory performance are put forward for re-election at each AGM. Shareholders are provided with comprehensive information about the directors who are subject to election and re-election, including their commitment to the role, in the notice of AGM.

Ed Warner and James Morley will be approaching nine years on the board in 2017. The board believes that both directors continue to be fully independent in character and judgement.

Accountability

The board is responsible for promoting the long-term success of the company for the benefit of shareholders, assessing the company's position and prospects, and for ensuring that the information presented to shareholders is fair, balanced and understandable. Further details of directors' responsibilities for preparing the company's financial statements are set out in the directors' responsibilities statement on page 61.

The board is responsible for:

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

The audit committee is responsible for the independent review and challenge of the adequacy and effectiveness of the risk management approach and for reporting its findings to the board.

Risk management and internal control

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

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

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

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

The company issues a Code of Business Conduct and Ethics, to which all staff are expected to adhere, in order to maintain Clarksons' status as a responsible and trustworthy business.

All employees are responsible for ensuring compliance with group policies and for identifying risks within their business areas and to ensure that these risks are controlled and monitored in the appropriate way.

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

The board, with advice from the audit committee, has carried out an annual review of the effectiveness of the system of internal control and risk management and confirms that the ongoing process for identifying, evaluating and managing the group's principal risks has operated throughout the year and up to the date of the approval of this annual report. Please refer to pages 32 to 33 of the annual report for more details on the principal risks facing the business and the mitigation in place.

Board engagement with investors and relations with shareholders

The AGM gives all shareholders the opportunity to communicate directly with the board and encourages their participation. The company's AGM will be held on 6 May 2016. Further details of the business to be addressed at the meeting can be found in the notice of meeting.

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

The senior independent director is available to meet with shareholders and institutional investors as required.

The primary means of communication with our shareholders are via the company's annual and interim reports and website on which the company publishes its trading updates and other news released to the London Stock Exchange. For shareholder information see page 60 or visit www.clarksons.com/investors.

Corporate governance statement continued

Clarkson PLC board
James Hughes-Hallett (Chair)
Peter Backhouse (Senior independent director)
Directors' biographies – see pages 38 to 39

Audit committee
James Morley (Chair)
Peter Backhouse
Ed Warner

Nomination committee
James Hughes-Hallett (Chair)
Ed Warner
Peter Backhouse
James Morley

Remuneration committee
Ed Warner (Chair)
Peter Backhouse
James Morley
James Hughes-Hallett
Birger Nergaard

Board committees

The board is supported by the audit, nomination and remuneration committees. The responsibilities of each committee are set out in their respective terms of reference, which are approved by the board and published on the company's website.

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

	Board	Audit committee	Remuneration committee	Nomination committee
Total number of meetings held in the year	**8**	**3**	**3**	**1**
James Hughes-Hallett[1]	8	3*	2	1
Peter Backhouse	8	3	2	1
Andi Case	8	1*	3*	1*
Peter M. Anker[2]	7	–	–	–
Birger Nergaard[2]	6	–	–	–
James Morley	8	3	3	1
Ed Warner	7	3	3	1
Jeff Woyda	8	3*	2*	1*

* Attends by invitation only.

1 Appointed as a chairman of the board on 1 January 2015.

2 Appointed to the board on 2 February 2015.

Audit committee

The members of the audit committee are James Morley, Peter Backhouse and Ed Warner. James Morley chairs the committee and has been determined by the board to have recent and relevant financial experience. The committee assists the board in monitoring the integrity of the group's financial statements, reviews the effectiveness of the group's systems of internal control and risk management and monitors the objectivity, effectiveness and performance of the external auditors. It examines the adequacy and security of the company's arrangements for employees to raise concerns, in confidence, about possible wrongdoing in financial reporting. It reviews the company's systems and controls for the prevention of bribery and assesses a report from the Compliance and Money Laundering Officer annually.

The chairman of the board, the chief executive, chief financial officer and chief operating officer and other senior managers may be invited to attend meetings when appropriate and the external auditors are invited to attend on a regular basis. The committee meets privately on a regular basis with the external auditors in the absence of management. Further details on the work of the audit committee are shown in the audit committee report on pages 58 to 59. The committee's terms of reference are available on the company's website.

Remuneration committee

The members of the remuneration committee are Ed Warner, Peter Backhouse, James Morley, James Hughes-Hallett and, from 5 January 2016, Birger Nergaard. The committee is chaired by Ed Warner and is responsible for determining with the board the policy on remuneration of the chairman, chief executive, executive directors and certain other senior staff. The remuneration of the non-executive directors is decided by the chairman and executive directors. Further details on the work of this committee are contained within the directors' remuneration report on pages 43 to 57. The committee's terms of reference are available on the company's website.

Nomination committee

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

The committee regularly reviews the structure, size and composition of the board (including the skills, knowledge and experience), leads the process for board and committee appointments, and makes recommendations to the board based on the balance of skills and experience of board membership. The committee gives full consideration to future succession planning for the board, in particular for the key roles of chairman and chief executive, and other senior executives.

Clarksons recognise and embrace the benefits of a diverse board. As part of the annual performance evaluation, the nomination committee reviews the composition of the board, the committees and the individual directors. The committee will consider suitable candidates for any board appointments on the basis of a wide range of criteria including personal merit, ability, knowledge, experience and independence. This is to ensure that we are appointing the best possible candidate for each vacancy and to ensure a well-balanced board.

The committee's terms of reference are available on the company's website.

Directors' remuneration report

Annual statement

I am pleased to introduce the directors' remuneration report for the year ended 31 December 2015.

The report is split into three sections, namely:

(i) this annual statement;

(ii) the remuneration policy (as approved by shareholders at the 2014 AGM). Although the disclosure of this part of the remuneration report is not required this year, it has been repeated in line with best practice; and

(iii) the annual report on remuneration (explaining payments made in the year under review and how the policy will be operated for 2016).

Remuneration policy

Our employees are central to the company's ongoing success and in setting the remuneration policy at Clarksons our objective is to attract and retain the best talent in our markets. At the same time the remuneration committee seeks to ensure that executive pay is aligned to the corporate plan and business goals as well as supporting the interests of shareholders. We have had a consistent policy since 2006 and believe that it has served the company's shareholders well since then.

Remuneration policy across the group is consistently applied, as are bonus plans which are operated group wide.

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

Performance and reward for 2015

At the beginning of 2015, following the acquisition of RS Platou ASA, the executive bonus scheme was amended so as to ensure that earnings per share on the enlarged shareholding was no lower than it would have been prior to the acquisition at each tranche level of executive remuneration. The executive directors sacrificed 5% of the bonuses they were eligible to receive, for the purposes of providing additional reward to other senior employees.

Strong growth in both the earnings per share and total shareholder return over the three years to 31 December 2015 will result in a 70% vesting of the 2013 grant of LTIP awards in May 2016.

While the base salary level of executive directors was frozen for the eighth year in a row, an adjustment was made to Jeff Woyda's salary to reflect his mid-year appointment as chief operating officer in addition to his role as chief financial officer to correspond with the significant increase and the size and complexity of his role. No other salary adjustments were made during 2015 or from 1 January 2016.

Policy for 2016

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

– base salary levels were not increased from 1 January 2016;
– the annual bonus will continue to be based on a bonus pool derived from group profit before tax;
– consistent with the policy applied to the majority of senior employees, 90% of the annual bonus payable will be paid in cash with 10% voluntarily deferred into shares for four years and clawback provisions will continue to apply; and
– LTIP awards will be granted in 2016 as part of the normal annual grant policy and will continue to be based on a combination of earnings per share and relative total shareholder return targets.

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

Ed Warner Remuneration committee chairman

4 March 2016

Directors' remuneration report continued

Directors' remuneration policy

This remuneration policy report was put to a binding shareholder vote at the 2014 AGM and, following its approval, became effective from that date. No changes for 2016 are proposed.

How the remuneration committee operates to set the remuneration policy

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

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

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

Summary of overall remuneration policy

The policy of the company is to ensure that executive rewards are linked to performance, to provide an incentive to achieve the key business aims, deliver an appropriate link between reward and performance and maintain a reasonable relationship of rewards to those offered in other competitor companies in order to attract, retain and motivate executives within a framework of what is acceptable to shareholders. We maintain a strong focus on ensuring that executives are incentivised to drive economic profit as well as being rewarded for creating sustainable value.

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

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

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

Consideration of shareholder views

The company is committed to maintaining good communication with investors. The remuneration committee considers the AGM to be an opportunity to meet and communicate with investors, giving shareholders the platform to raise any issues or concerns they may have. In addition, the remuneration committee would engage directly with major shareholders should any material changes be made to the directors' remuneration policy.

Details of the votes cast in respect of the resolutions to approve last year's remuneration report and any matters discussed with shareholders during 2015 are set out in the annual report on remuneration on page 57.

Remuneration policy report

Key elements of remuneration policy are set out below:

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework

Base salary	– To attract and retain high performing executive directors who are critical for the business
	– Set at a level to provide a core reward for the role and cover essential living costs
		– Reviewed periodically
		– Paid monthly
		– Salaries are determined taking into account:
		  – the experience, responsibility, effectiveness and market value of the executive
		  – the pay and conditions in the workforce
			– There is no prescribed maximum annual increase. The committee is guided by the general increase for the broader workforce but on occasion may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role	n/a

Benefits	– To provide a market standard suite of basic benefits in kind to ensure the executive directors' well-being	– Taxable benefits include:
		  – car allowance
		  – healthcare insurance
		  – club membership
		– Participation in ShareSave
		– Other benefits may be payable where appropriate
			– A car allowance in line with market norm. The value of other benefits is based on the cost to the company and is not predetermined
			– ShareSave up to prevailing HMRC limits
				n/a

Annual bonus (including deferred shares)	– To reward significant annual profit performance
	– To ensure that the bonus plan is competitive with our peers. As a result, bonus forms a significant proportion of the remuneration package
	– To ensure that if there is a reduction in profitability, the level of bonus payable falls away sharply
		– 90% of the bonus is paid in cash and although they have no contractual obligation, the directors have agreed that 10% of annual bonus payable is deferred in shares, vesting after four years
		– Directors have voting rights and receive dividends on deferred shares
		– Performance criteria are reviewed and re-calibrated carefully each year to ensure they are linked to strategic business goals, take full account of economic conditions and are sufficiently demanding to control the total bonus pool and individual allocations
		– Clawback provision operates for overpayments due to misstatement or error
			– In line with Clarksons' peers, the annual bonus is not subject to a formal individual cap	– Bonus is determined by group performance measured over one year on the following basis:
				  – below a 'profit floor' set by the committee each year no bonus is triggered
				  – above the floor, an escalating percentage of profits is payable into a bonus pool for progressively higher profit before tax performance
				  – profit for bonus calculations may be adjusted by the remuneration committee where appropriate and does not include mark-to-market valuations or business that has not been invoiced
				  – for the chief executive a further key determinant of his annual bonus is the significant broking revenues generated by him personally

Remuneration policy report continued

	Purpose and link to strategy	Operation	Maximum opportunity	Performance framework
Long term incentives	– To incentivise and reward significant long-term financial performance and share price performance relative to the stock market – To encourage share ownership and provide further alignment with shareholders	– Awards are performance-related and are normally structured as nil cost options – Awards are granted each year following the publication of annual results – Clawback provision operates for overpayments due to misstatement or error	– Annual maximum limit of 150% of basic salary for awards subject to long-term performance targets (200% of basic salary in exceptional circumstances) – Dividend equivalents (in cash or shares) may accrue between grant and vesting, to the extent that shares under award ultimately vest	– The awards are subject to performance conditions measured on a combination of three year EPS growth and relative TSR – Normally measured over a three year performance period – 25% of an award will vest for achieving threshold performance, increasing pro-rata to full vesting for the achievement of stretch performance targets
Pension	– To provide a market competitive pension arrangement	– Executive directors participate in a company defined contribution pension scheme and/or receive a cash allowance in lieu of pension contributions	– Employer contributions are up to 15% of basic salary or an equivalent cash allowance net of employer's NI	n/a

Non-executive directors' fees	– To attract and retain high calibre non-executive directors through the provision of market competitive fees	– Reviewed annually
		– Paid monthly
		– Fees are determined taking into account:
		  – the experience, responsibility, effectiveness and time commitments of the non-executive
		  – the pay and conditions in the workforce
			– As for the executive directors there is no prescribed maximum annual increase. Fee increases are guided by the general increase for the broader workforce but on occasion may recognise an increase in certain circumstances, such as assumed additional responsibility or an increase in the scale or scope of the role	n/a

1 A description of how the company intends to implement the above policy for 2016 is set out in the annual report on remuneration on page 50.

2 The annual bonus performance measures are focused on profit before tax to reflect how successful the company has been in managing its operations. The LTIP performance measures, EPS and TSR, reward significant long-term returns to shareholders and long-term financial growth. EPS growth is derived from the audited financial statements while TSR performance is monitored on the remuneration committee's behalf by New Bridge Street.

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

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

4 The remuneration policy for the executive directors is designed with regard to the policy for employees across the group as a whole and is consistent between the executive directors and the remainder of the workforce. In particular, there has been a widespread salary freeze for all employees earning salaries of £100,000 p.a. or more. In contrast, salaries for lower paid employees have generally increased (on average across the population) each year. The annual bonus plan operates on a similar profit-driven basis across the group and there is a relatively high level of employee share ownership. 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 does not formally consult with employees in respect of the design of the company's executive director remuneration policy, although the committee will keep this under review.

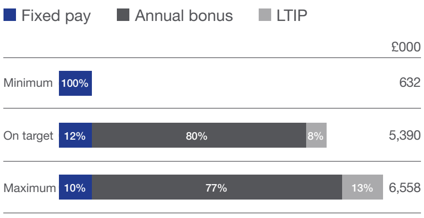
5 For the avoidance of doubt, in approving this directors' remuneration policy, authority was given to the company to honour any commitments entered into with current or former directors (such as, the payment of a pension or the vesting or exercise of past share awards) that have been in previous remuneration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

Directors' remuneration scenarios

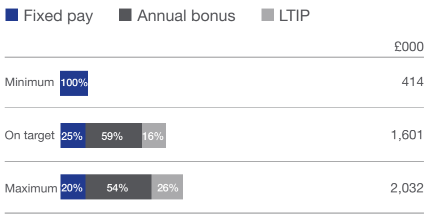
The company's remuneration policy results in a proportionate breakdown of total remuneration such that, in line with most other wholesale brokerage and agency companies, a very high proportion of the package is performance-related.

The charts below show an estimate of the potential remuneration payable for the executive directors in office on 1 January 2016 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.

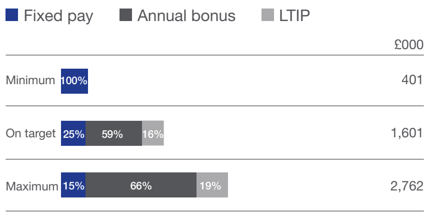
Chief executive



Chief financial officer and chief operating officer



President of broking and investment banking



1 Basic salary levels applying on 1 January 2016.

2 The value of taxable benefits is estimated.

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 2016 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 45 and the above charts are purely for illustrative purposes.

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

Directors' recruitment and promotions

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

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

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

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

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

Directors' service contracts and payments for loss of office

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

Provision	Detailed terms
Change of control	**Chief executive:** If, within 18 months of a change of control, the company gives the chief executive notice (except for reasons of gross misconduct or material breach of contract) or the chief executive gives notice as a result of a material breach of his contract or the company limits his ability to earn future bonuses, the chief executive will, within 30 days of termination, receive an amount equivalent to one year's basic salary, 150% of the last annual bonus received and the gross annual value of contractual benefits (pro-rated). In these circumstances, the chief executive's notice period is reduced to four weeks.
	Chief financial officer and 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.
	President of broking and investment banking: No change of control provisions exist.
	All unvested awards under the 2004 Clarkson LTIP would vest, to the extent that any performance conditions attaching to the relevant award have been achieved. All unvested awards under the 2014 Clarkson LTIP would vest, to the extent that any performance conditions attaching to the relevant award have been achieved. To the extent that any performance conditions have been met, the committee will consider whether time pro-rating should apply. In August 2008 it was however contractually agreed with the current chief financial officer and chief operating officer, Jeff Woyda, that no time pro-rating will be applied to his LTIP awards. The remuneration committee recognises that it is now unusual, in the context of listed PLCs, for service contracts to contain change of control provisions and will therefore seek to avoid such provisions for future executive appointments to the board.

Details of the current executive directors' service contracts are as follows:	Date of contract	Unexpired term	Notice period
Andi Case	17 June 2008	12 months	12 months
Jeff Woyda	3 October 2006	12 months	12 months
Peter M. Anker[1]	27 November 2014	12 months	12 months

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

Details of the non-executive directors' appointment terms are as follows:	Date of appointment	Unexpired term at 31 December 2015	Notice period
James Hughes-Hallett	20 August 2014	20 months	3 months
Peter Backhouse	16 September 2013	9 months	3 months
Ed Warner	27 June 2008	18 months	3 months
James Morley	5 November 2008	23 months	3 months
Birger Nergaard[1]	2 February 2015	26 months	3 months

1 Peter M. Anker and Birger Nergaard were appointed to the board with effect from 2 February 2015 upon the completion of the RS Platou ASA acquisition.

Non-executive directors are appointed by letter of appointment for a fixed term not exceeding three years, renewable on the agreement of both the company and the director, 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.

Annual report on remuneration

Implementation of the remuneration policy for 2016

Base salary

	1 January 2016 £000	1 January 2015 (or appointment if later) £000	% change
Andi Case	550	550	0%
Jeff Woyda	350	250	40%
Peter M. Anker[1]	350	350	n/a

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

While the base salary level of executive directors was frozen for the eighth year in a row, an adjustment was made to Jeff Woyda's salary to reflect his mid-year appointment as chief operating officer in addition to his role as chief financial officer to correspond with the significant increase and the size and complexity of his role. No other salary adjustments were made during 2015 or from 1 January 2016.

Annual bonus for 2016

For 2016, the annual bonus opportunity will remain uncapped and will continue to be based on a bonus pool derived from group profit before tax as follows:

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

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

The profit floor and challenges for 2016 have not been disclosed on a prospective basis as these are considered to be commercially sensitive, although disclosure will be provided retrospectively.

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

Long term incentive awards to be granted in 2016

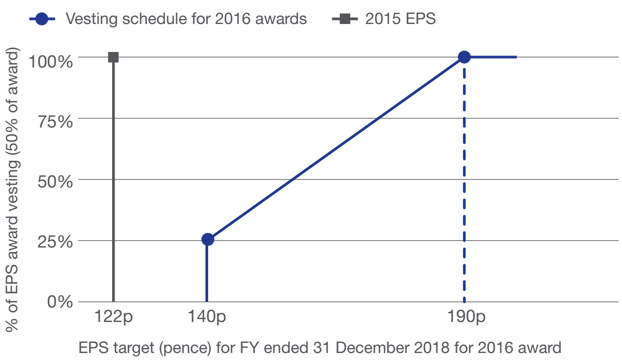
Consistent with past practice, it is envisaged that:

– executive directors will receive LTIP awards over shares worth up to 150% of salary in 2016.
– the vesting of 50% of awards will be determined by the company's EPS for 31 December 2018, as shown in chart (i) below. The EPS for 2015 is shown (black line) for reference; and
– the vesting of the remaining 50% will be determined by the company's TSR performance from 1 January 2016 to 31 December 2018 against the constituents of the FTSE 250 Index (excluding investment trusts), as shown in chart (ii) below. The level of total shareholder return achieved against the FTSE 250 Index over the last three year cycle is shown (black line) for reference.

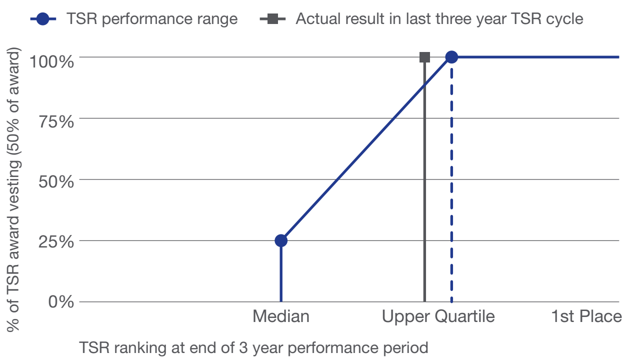
EPS and relative TSR are considered to be the most appropriate measures of long-term performance for the group, in that they ensure executives are incentivised and rewarded for the earnings performance of the group as well as returning value to shareholders.

The awards will be subject to clawback provisions.

EPS target range for 2016 award (50% of award)



TSR target range for 2016 award (50% of award)



Directors' remuneration (audited)

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

2015	Basic salary and fees £000	Benefits[2] £000	Pension[3] £000	Performance-related bonus[5] £000	Total remuneration before LTIP[6] £000	Long term incentives £000	Total remuneration £000
Executive directors							
Andi Case	550	26	74	3,495	4,145	827	4,972
Jeff Woyda	308	12	40	753	1,113	346	1,459
Peter M. Anker[4]	309	22	5	655	991	–	991
Non-executive directors							
James Hughes-Hallett	140	–	–	–	140	–	140
Peter Backhouse	73	–	–	–	73	–	73
Ed Warner	73	–	–	–	73	–	73
James Morley	73	–	–	–	73	–	73
Birger Nergaard[4]	50	–	–	–	50	–	50
	1,576	60	119	4,903	6,658	1,173	7,831

2014	Basic salary and fees £000	Benefits £000	Pension £000	Performance-related bonus £000	Total remuneration before LTIP £000	Long term incentives £000	Total remuneration £000
Executive directors							
Andi Case	550	22	74	3,420	4,066	904	4,970
Jeff Woyda	250	12	33	730	1,025	411	1,436
Non-executive directors							
Bob Benton[1]	120	–	–	–	120	–	120
James Hughes-Hallett[1]	20	–	–	–	20	–	20
Peter Backhouse	69	–	–	–	69	–	69
Ed Warner	69	–	–	–	69	–	69
James Morley	69	–	–	–	69	–	69
Philip Green[1]	43	–	–	–	43	–	43
	1,190	34	107	4,150	5,481	1,315	6,796

We consider key management personnel to be Clarkson PLC directors.

1 Philip Green and Bob Benton stepped down from the board on 9 May 2014 and 1 January 2015 respectively. James Hughes-Hallett was appointed to the board on 20 August 2014 and became chairman on 1 January 2015. The last payment that Bob Benton received was made on 31 December 2014.

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

3 Pension includes pension contributions and cash supplements where relevant.

4 Peter M. Anker and Birger Nergaard joined the board from 2 February 2015.

5 Annual bonus for 2015 was based on the allocation of the following pool:

Underlying profit before taxation and bonus	% of pre-bonus profit
If profit < £26.46m	0%
If profit > £26.47m then £0m – £52.92m	11%
If profit > £52.93m then £52.93m – £61.70m	16%
If profit > £61.71m then on profits > £61.71m	18%
Actual underlying profit before taxation	£50.5m
Actual bonus pool	£6.3m
% of pool allocated to executive directors	77%

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

6 Long term incentives relate to awards granted on 10 May 2013 which vest in May 2016 based on performance for the year ended 31 December 2015. The performance conditions attached to this award and actual performance against these conditions are as follows:

Directors' remuneration report continued

Directors' remuneration (audited) continued

Performance measure	Performance condition	Threshold target	Stretch target	Actual	% vesting
Earnings per share (out of 50%)	25% of award vesting at threshold up to 100% of award vesting at stretch on straight-line basis	105p	150p	121.7p	26%
Total shareholder return (out of 50%)	25% vesting of award at threshold up to 100% of award vesting at stretch on straight-line basis	Median	Upper quartile	99%	44%
Total vesting (out of 100%)					**70%** (max 100%)

The award details for the executive directors are as follows:

Executive directors	Number of shares granted	Number of shares to vest	Number of shares to lapse	Estimated value of vested shares* £000
Andi Case	51,434	36,004	15,430	827
Jeff Woyda	23,379	16,365	7,014	346
Peter M. Anker	n/a	n/a	n/a	n/a

* The estimated value of the vested shares is based on the average share price during the three month period from 1 October to 31 December 2015 of £22.96. These shares will vest on the third anniversary of grant, subject to continued employment.

Comparative LTIP values were based on the 2012 awards which vested in 2015 based on performance to 31 December 2014 and were based on a three month price to 31 December 2014 of £21.15. The actual share price at vesting was £23.00. 2014 LTIP amounts in the single figure table have not been restated.

Fees for the non-executive directors

Non-executive director fee levels are as follows:

	2016 £000	2015 £000	% change
Chairman	160	140	14%
Non-executive director	55	55	0%
Chair of committee*	18	18	0%
Senior independent director*	18	18	0%

* Incremental fees above base non-executive director fee.

Directors' outstanding share incentives (audited)

The table below sets out details of outstanding share awards held by the executive directors. The share awards have been granted as nil cost options under the LTIP, subject to the EPS and TSR performance criteria (50% of the award each) detailed in the LTIP section of this report on page 46.

	Interests under plan at 1 January 2015	Awards granted in the year	Awards exercised in the year	Awards lapsed in the year	Interests under plan at 31 December 2015	Face value at 31 December 2015 £	% vesting at threshold performance	Grant date	End of performance period	Vesting date	Date exercisable until
Andi Case	99,388[1]	–	–	–	99,388	2,237,224	25%	16 Dec 09	Dec 11	15 Dec 12	15 Dec 19
	36,581[2]	–	–	–	36,581	823,438	25%	24 Dec 10	Dec 12	23 Dec 13	23 Dec 20
	33,618[3]	–	–	–	33,618	756,741	25%	25 May 11	Dec 13	24 May 14	24 May 21
	42,719[4]	–	–	–	42,719*	961,605	25%	11 May 12	Dec 14	10 May 15	10 May 22
	51,434[5]	–	–	(15,430)	36,004	810,450	25%	10 May 13	Dec 15	9 May 16	–
	31,682[6]	–	–	–	31,682	713,162	25%	5 Jun 14	Dec 16	4 Jun 17	–
	–	36,748[7]	–	–	36,748	827,197	25%	17 Apr 15	Dec 17	16 Apr 18	–
Jeff Woyda	15,281[3]	–	–	–	15,281	343,975	25%	25 May 11	Dec 13	24 May 14	24 May 21
	19,418[4]	–	–	–	19,418*	437,099	25%	11 May 12	Dec 14	10 May 15	10 May 22
	23,379[5]	–	–	(7,014)	16,365	368,376	25%	10 May 13	Dec 15	9 May 16	–
	14,400[6]	–	–	–	14,400	324,144	25%	5 Jun 14	Dec 16	4 Jun 17	–
	–	16,703[7]	–	–	16,703	375,985	25%	17 Apr 15	Dec 17	16 Apr 18	–

* Vested during the year.

The share price on the date of the award was 1. £8.06, 2. £11.22, 3. £12.05, 4. £13.50, 5. £16.50, 6. £24.99, 7. £22.16.

Directors' remuneration report continued

Directors' interests in shares

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

The beneficial interests of the directors in the share capital of the company at 31 December 2015 were as follows:

	Number of ordinary shares		% of salary required to be held in shares under the shareholding guidelines	Guideline met?
	31 December 2015[3]	31 December 2014		
James Hughes-Hallett	**–**	–	n/a	n/a
Andi Case	**645,910**[4]	646,324	100%	Yes
Jeff Woyda	**93,149**[4]	92,585	100%	Yes
Peter M. Anker[1]	**529,144**[2]	–	100%	Yes
Peter Backhouse	**3,500**	3,500	n/a	n/a
Ed Warner	**15,000**	15,000	n/a	n/a
James Morley	**4,500**	4,500	n/a	n/a
Birger Nergaard[1]	**205,869**	–	n/a	n/a

1 Appointed on 2 February 2015.

2 This figure includes restricted stock units.

3 There was no change in the beneficial interests of the directors in the share capital of the company between 31 December 2015 and 3 March 2016, being the last practicable date before the signing of this report.

4 These figures include restricted shares and restricted stock units granted as part of annual bonus as follows:

	Number of shares			
Bonus year **Vesting date**	**2011** **April 2016**	**2012** **April 2017**	**2013** **June 2018**	**2014** **June 2019**
Andi Case	29,241	13,103	9,924	15,233
Jeff Woyda	6,235	2,795	2,117	3,249
Peter M. Anker	n/a	n/a	n/a	2,667*

*Restricted stock units.

Further restricted share awards will be made in 2016 in respect of up to 10% of the directors' 2015 bonus.

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

Executive directors		**Options held at 1 January 2015**	**Options granted during the year**	**Options exercised during the year**	**Options lapsed during the year**	**Options held at 31 December 2015**	Exercise price £	Date from which exercisable	Expiry date
Andi Case	Other options	**25,000**[1]	**–**	**–**	**–**	**25,000**[1]	9.91	26 October 2010	25 October 2017
	ShareSave	**831**	**–**	**(831)**	**–**	**–**	10.82	1 July 2015	31 December 2015
	ShareSave	**426**	**–**	**–**	**(426)**[2]	**–**	21.11	1 July 2017	31 December 2017
	ShareSave	**–**	**993**	**–**	**–**	**993**	18.12	1 July 2018	31 December 2018
Jeff Woyda	ShareSave	**831**	**–**	**(831)**	**–**	**–**	10.82	1 July 2015	31 December 2015
	ShareSave	**426**	**–**	**–**	**(426)**[2]	**–**	21.11	1 July 2017	31 December 2017
	ShareSave	**–**	**993**	**–**	**–**	**993**	18.12	1 July 2018	31 December 2018

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

2 These ShareSave contracts were closed on 9 September 2015.

Pensions (audited)

Pension contributions were £nil (2014: £nil) for Andi Case and £nil (2014: £3,125) for Jeff Woyda, with the balance for both Andi Case and Jeff Woyda (up to 15% of salary) paid as a cash supplement in lieu of pension (net of employer's NI) and included in the table on page 51 as pension. Peter M. Anker's pension contribution was NOK 66,000.

Payment to former directors (audited)

No payments were made to past executive directors during the year ended 31 December 2015.

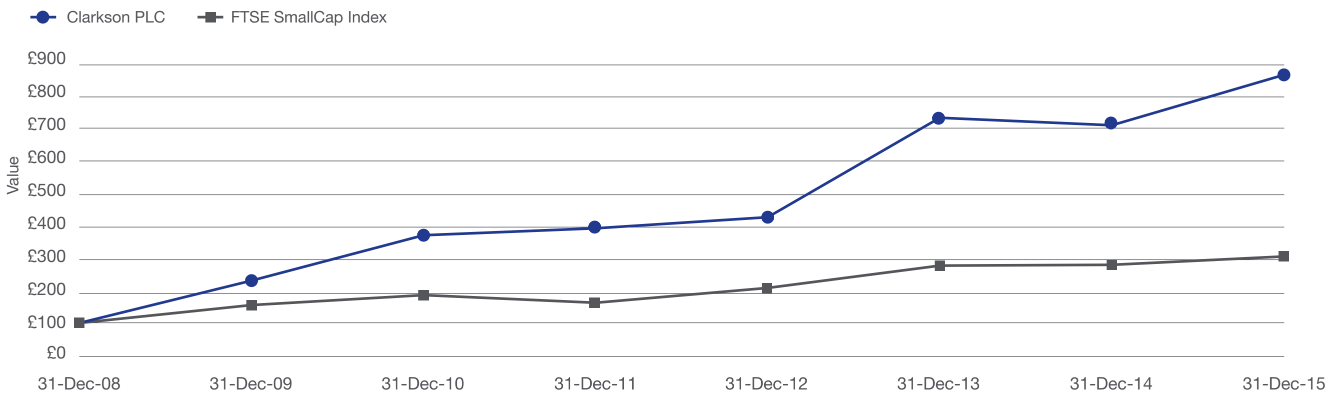
Payments for loss of office (audited)

No payments were made in respect of loss of office during the year ended 31 December 2015.

Performance graph

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

Total Shareholder Return



This graph shows the value, by 31 December 2015, of £100 invested in Clarkson PLC on 31 December 2008 compared with the value of £100 invested in the FTSE SmallCap Index. The other points plotted are the values at intervening financial year-ends.

Source: Thomson Reuters

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

	2015	2014	2013	2012	2011	2010
LTIP vesting %	**70%**	69%	50%	47%	98%	44%

Directors' remuneration report continued

Percentage change in remuneration levels

The table below shows the movement in salary, benefits and annual bonus for the chief executive between the 2014 and 2015 financial years, compared to the average for all employees:

	% change
Chief executive	
Salary and benefits	+0.6%
Bonus	+2.2%
All employees	
Salary and benefits	+2.5%
Bonus	-5.0%

Relative importance of spend on pay

The following table sets out the percentage change in profit, dividends and overall spend on pay in 2015 compared to 2014:

	2015 £m	2014 £m	% change
Underlying profit for the year	**37.9**	25.1	+51%
Dividends	**18.2**	10.8	+69%
Employee remuneration costs, of which:	**186.1**	147.9	+26%
Executive directors' total pay excluding LTIP (continuing)	**6.2**	5.1	+27%
Executive directors' annual bonus (continuing)	**4.9**	4.1	+19%

Remuneration committee

During the year the remuneration committee comprised the following non-executive directors: James Hughes-Hallett, Peter Backhouse, Ed Warner, James Morley and from 5 January 2016, Birger Nergaard. The committee continues to be chaired by Ed Warner. None of the committee members have day to day involvement with the business nor do they have any personal financial interest in the matters to be recommended. The company secretary acts as secretary to the committee. The number of formal meetings held and the attendance by each member is shown in the table below. The committee also held informal discussions as required.

	Number of meetings attended out of potential maximum
James Hughes-Hallett	2 out of 3
Peter Backhouse	2 out of 3
Ed Warner	3 out of 3
James Morley	3 out of 3

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

External advisors

Following a rigorous and competitive tender process in 2006, New Bridge Street (NBS), part of Aon plc, were appointed by the committee to provide independent advice and services that materially assist the committee in their consideration of matters relating to directors' remuneration, design of share incentive plans and measurement of performance against vesting targets. The committee is satisfied that the quality of advice received during the year was sufficient and that NBS remain objective and independent. Neither NBS nor Aon plc has any other connection with the company.

The fees paid by the company to NBS during the financial year for advice on share plans and to the remuneration committee were £55,121 (2014: £77,179). No additional fees were paid by the group to Aon plc in respect of other services.

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

Statement of shareholder voting at AGM

At the 2015 AGM, the directors' remuneration report received the following votes from shareholders:

	Total number of votes	% of votes cast
For	18,945,574	81.81%
Against	2,754,694	11.89%
Discretion	1,458,668	6.30%
Total	23,158,936	100%
Withheld	94,799	–

At the AGM to be held on 6 May 2016 a resolution approving this report is to be proposed as an ordinary resolution.

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

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

Ed Warner **Remuneration committee chairman**

4 March 2016

Audit committee report

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

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

In addition to the above responsibilities, the committee has reviewed the processes for the prevention, detection and reporting of fraud and the group's Code of Business Conduct & Ethics.

The committee's terms of reference are reviewed on a regular basis to ensure compliance with the requirements of the Code and are also published on the company's website.

The committee met three times during 2015 and addressed three main areas in the year – (1) financial reporting and significant issues, (2) internal control, internal audit and risk management, and (3) external auditors.

1 Financial reporting and significant issues

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

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

The committee also reviews reports by the external auditors on the full year and half year results which highlight any issues with respect to the work undertaken on the audit. The issues and how they were addressed by the committee are set out below:

Issue	Area of focus	How the issue was addressed by the committee
Recoverability of trade receivables	A number of judgements are made in the calculation of the provision, primarily the age of the invoice, the existence of any disputes, recent historical payment patterns and the debtor's financial position.	The committee discussed with management the results of its review, the internal controls and the composition of the related financial information. The committee also discussed with the external auditors their review of the provision. The committee is satisfied that the judgements made by management are reasonable and that appropriate disclosures have been included in the financial statements.
Revenue recognition	In the broking and financial segments, the group's entitlement to commission revenue usually depends on third party obligations being fulfilled. Since the group has no control over this, it is important to recognise revenue at the appropriate time.	The committee considered the revenue recognition processes in place for all four business segments with management and cut-off procedures with the external auditors. The committee is satisfied with the control environment and that revenue has been recognised in the correct periods.
Classification and recognition of adjusting items	Exceptional items are those which are non-recurring in nature and considered to be material in size. In 2015, this column in the consolidated income statement represents onerous property lease expenses, costs associated with the restructuring and integration of the two businesses and the release of a provision for dilapidations. The 'acquisition costs' column includes the amortisation of intangible assets, the expensing of the cash and share based elements of consideration linking to ongoing employment obligations on acquisitions along with the fees payable on completion of the Platou acquisition.	The committee considered the reasons behind showing these items separately and therefore excluding the costs from the 'underlying' earnings measures. The committee agreed that to include these items in 'underlying' earnings would be misleading to the users of the financial statements due to their nature and size. The committee is satisfied that the existing format is consistent with the group's accounting policy.
Acquisition accounting for Platou	Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including valuing any separately identifiable intangible assets, both of which can be subjective. Management utilised an external expert to support them with quantifying fair values of identified intangible assets in respect of Platou's forward order book, customer relationships and brand.	The committee reviewed the external report used by management. It also compared the completeness of the intangible assets identified against the external auditors' expectations. The committee is satisfied that management has identified the relevant intangible assets and has valued them appropriately. Following the acquisition of Platou, the audit committee has reviewed and monitored business integration, IT integration and the implementation of a unified control environment. The committee is satisfied that the integration has been successful and that reporting and control mechanisms are now integrated across both business lines and corporate entities.

2 Internal control, internal audit and risk management

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

The audit committee is responsible for reviewing the adequacy and effectiveness of the group's risk management systems and processes. Further details of risk management are shown on pages 32 to 33.

The company continually seeks to improve and update existing procedures and to introduce new controls where necessary. The risk management system is designed to identify principal risks and to provide assurance that these risks are fully understood and managed. As an ongoing process, the audit committee oversees the development of the internal control procedures which provide assurance to the committee that the controls which are operating in the group are effective and sufficient to counteract the risks to which the company is exposed. No significant control deficiencies were identified during the year.

The need for an internal audit function is reviewed regularly by the board and the audit committee. After taking into account the size and structure of the group, including the changes following the completion of the Platou acquisition, the audit committee concludes that it was appropriate in view of the scale and regulatory nature of its operations to establish an internal audit function for the banking and finance operations headquartered in Norway, and has appointed Ernst & Young to perform this function on an outsourced basis. The committee have concluded that there is no immediate requirement for an internal audit function in respect of the group's other activities, but will continue to keep this issue under consideration.

The audit committee, in conjunction with the board, has established arrangements by which employees of the group may, in confidence, raise concerns about possible improprieties or wrongdoing.

3 External auditors

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

The audit committee considered the following:

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

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

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

During the year the auditors provided tax advisory and compliance services and other assurance services with fees of £0.1m and £0.1m respectively.

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

The committee has discussed the requirements of the Code and the final order published by the Competition and Markets Authority in respect of tendering the group's external audit and has recommended to the board that it does not carry out a tender process for 2016; the next tender process is due in 2019. In making this assessment, the committee has considered the performance of the current external auditors, PricewaterhouseCoopers LLP (PwC), who have served since 2009. The committee does not consider that PwC's independence or effectiveness is impaired. Accordingly the audit committee has recommended to the board that PwC be reappointed as auditor and that a resolution be put to shareholders at the AGM.

James Morley Audit committee chairman

4 March 2016

Please see risk management on pages 32 to 33 for more information

Directors' report

The directors' report required under the Companies Act 2006, together with the financial statements for the year ended 31 December 2015, comprises sections of the annual report incorporated by reference as set out below which, taken together, contain the information to be included in the annual report, where applicable, under Listing Rule 9.8.4.

Shareholder information

Share capital and control

Details of the company's share capital are shown in note 23 to the financial statements. The rights and obligations attaching to the ordinary shares are set out in the Articles, copies of which can be obtained free of charge from the Companies House website at http://www.gov.uk/get-information-about-a-company.

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

A transfer of shares is only permitted for shares which are fully paid up. A transfer form must be duly stamped (if required) and made out in favour of a single transferee or no more than four joint transferees. The transfer form must be delivered to the company's registrars, Computershare, accompanied by the share certificate to which it relates or such other evidence that proves the title of the transferor. **Please contact Computershare on +44 (0) 370 707 1055 or online at: http://www.clarksons.com/investors/registrar/.**

The holders of ordinary shares have the right to:

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

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

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

Restrictions on transfer of shares

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

- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing;
- pursuant to the company's share dealing practices whereby the directors and designated employees require approval to deal in the company's shares;
- certain restrictions on securities arising from company acquisitions (including the Platou acquisition); and
- under the company's employee long term incentive plans.

Change of control

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

Details of the executive directors' service contracts, including contractual arrangements in connection with a change of control of the company, are set out in the directors' remuneration report on pages 48 to 49.

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

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

Notifiable interests in share capital

The following interests have been disclosed to the company by major shareholders under Rule 5 of the Disclosure and Transparency Rules (DTR) as at the end of the financial year and at 3 March 2016 (being the last practicable date prior to the date of this report):

	31-Dec-15	3-Mar-16
Franklin Templeton Investment Management Limited	5.11%	12.33%
RS Platou Holdings AS	7.10%	7.10%
Heronbridge Investment Management LLP	5.01%	5.01%
Legal & General Investment Management Limited	< 5%	< 5%

Information provided to the company pursuant to the DTR is published on a Regulatory Information Service and on the company's website at: www.clarksons.com/news.

In addition, as at 3 March 2016, employees directly held 27.58 % of the company's share capital and 5.34 % was held by employee share trusts for use under the company's various incentive schemes.

Interests in the shares of the company or derivatives or any other financial instrument relating to those shares, conducted by the directors of the company on their own account, notified to the company pursuant to Rule 3 of the DTR, are set out in the directors' remuneration report on pages 53 to 54.

At the 2015 AGM the company's shareholders authorised the company, for the purposes of Section 701 of the Companies Act 2006, to make market purchases of its own shares up to a maximum aggregate amount of 3,011,675 shares (representing 10% of the company's share capital as at 2 April 2015). This authority is due to expire at the end of the 2016 AGM and a resolution will be put to shareholders at that meeting to extend the authority for a further period. The company has not acquired or disposed of any interests in its own shares.

By order of the board

Penny Watson Company secretary

4 March 2016

Directors' responsibilities statement

The following statement, which should be read in conjunction with the auditors' statement of their responsibilities set out in their reports on pages 62 to 67 and 105 to 106, is made to distinguish the respective responsibilities of the directors and of the auditors in relation to the financial statements.

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

The group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the strategic report on pages 2 to 37. The financial position of the group, its cash flows and liquidity position are described in the financial review. The risk management section of the strategic report and note 26 to the financial statements include a description of the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit and liquidity risks.

The group has considerable financial resources available and a strong balance sheet, as explained in the financial review on pages 30 to 31. As a result of this, the directors believe that the group is well placed to manage its business risks successfully despite the challenging market backdrop. The directors have a reasonable expectation that the group has sufficient resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Each of the directors, whose names and functions are listed on pages 38 to 39 of this annual report, confirm that:

- to the best of their knowledge, the consolidated financial statements, which have been prepared in accordance with IFRS as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- to the best of their knowledge, the strategic report includes a fair review of the development and performance of the business and the position of the group, together with a description of principal risks and uncertainties that it faces; and
- they consider the annual report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

On behalf of the board

James Hughes-Hallett Chairman

4 March 2016

Independent auditors' report to the members of Clarkson PLC

Report on the consolidated financial statements

Our opinion

In our opinion, Clarkson PLC's consolidated financial statements (the financial statements):

- give a true and fair view of the state of the group's affairs as at 31 December 2015 and of its profit and 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
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

What we have audited

The financial statements, included within the annual report, comprise:

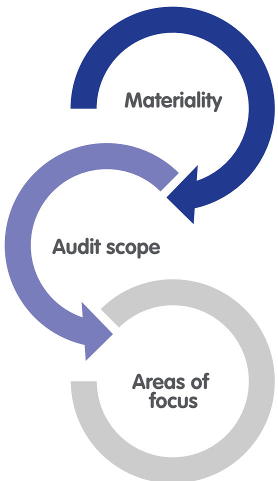
- the consolidated balance sheet as at 31 December 2015;
- the consolidated income statement and the consolidated statement of comprehensive income for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview



Materiality

- Overall group materiality: £2.5m which represents 5% of profit before taxation, adjusted for exceptional items and acquisition costs.

Audit scope

- We performed audit work over the complete financial information for reporting units which accounted for approximately 91% (2014: 81%) of the group's revenue and 93% (2014: 92%) of the group's profit before taxation adjusted for exceptional items and acquisition costs. These reporting units comprised certain operating businesses and centralised functions.
- Conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units.

Areas of focus

- Acquisition accounting for RS Platou ASA;
- Recoverability of trade receivables;
- Revenue recognition; and
- Classification and recognition of the adjusting items (exceptional items and acquisition costs).

The scope of our audit and our areas of focus

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

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

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

Area of focus	How our audit addressed the area of focus

Acquisition accounting for RS Platou ASA (Platou)

Refer to page 58 (audit committee report), note 12 of the financial statements and note 2.3 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.

The group acquired RS Platou ASA on 2 February 2015 for consideration of £249.9m. Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including valuing any separately identifiable intangible assets and goodwill. The valuation of intangibles can be a particularly subjective process.

Fair value adjustments

Management engaged an external expert to support them with quantifying fair values of identified intangibles. Management identified £21.9m of intangible assets in respect of Platou's forward order book, customer relationships and brand.

The fair value of these intangible assets was judgemental as it required management assumptions including on customer attrition rates, recoverability of the forward order book and growth rates for existing customer revenues. The determination of the discount rate applied to the fair value models was also judgemental as it required the calculation of a risk adjusted weighted average cost of capital.

Carrying value at 31 December 2015

Given the quantum of goodwill and intangible asset additions in the year (£254.5m) and the current economic backdrop (as described by the directors in the business review section of this annual report and in the 3 November 2015 market trading update), we also focused on the goodwill and intangible asset impairment assessment at the year-end, including the related disclosures made by management. No impairment charge has been recorded by management against these balances at 31 December 2015.

How our audit addressed the area of focus

We assessed the completeness and quantum of intangible assets identified by management against our own expectations, formed from review of the due diligence reports prepared by management's professional advisors during the acquisition, and disclosures surrounding the rationale for the transactions. We determined that the analysis prepared by management from these reports appropriately reflects the fair value exercise based on our understanding of Platou's particular circumstances and our knowledge and experience of the industry.

We assessed the work performed on the purchase price allocation by management's external expert, utilising our in-house expertise to evaluate the purchase price allocation. In doing so we evaluated the professional competence and objectivity of that expert and performed the following:

- in relation to the forward order book, we compared assumptions made on attrition and recoverability with historical patterns in the business to verify that assumptions were reasonable;
- we challenged management on the completeness of customer relationships and whether these existed in other areas of the business not included in the determined fair value; and
- we sensitised the discount rate and other key inputs and assumptions to ascertain the extent of change that would be required for the fair value to be materially misstated.

From our procedures, we concluded that the identified intangibles were complete and the arising values were within a materially reasonable range. In forming this conclusion, we considered the level of resulting goodwill as a proportion of the total consideration paid and benchmarked this against similar transactions in the market. We discussed the results of this analysis with management and management's expert and ensured appropriate disclosure was included within the annual report which describe the nature of the arising goodwill.

Based on the work performed in this area, we have determined that the relevant intangible assets and goodwill had been identified and valued appropriately.

In addition, we verified that the basis for allocating the Platou-acquired goodwill and intangibles to both functional currency and CGUs is reasonable and consistent with internal management reporting and, where relevant, the purchase price allocation exercise described above. We found the allocation exercise was carried out satisfactorily.

At the year-end, we evaluated the directors' future cash flow projections for all CGUs and the process by which they were drawn up, including testing the underlying calculations. We found no exceptions. Based on the work performed in this area we have determined that management's impairment assessment has been carried out appropriately and that the disclosure made in note 12 appropriately highlights the current market risk.

Independent auditors' report to the members of Clarkson PLC continued

The scope of our audit and our areas of focus continued

Area of focus	How our audit addressed the area of focus
Recoverability of trade receivables *Refer to page 58 (audit committee report), note 14 of the financial statements and note 2.3 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* At the year-end the group had trade receivables of £62.1m before provisions for impairment of £12.3m. As set out in the business review section of the strategic report, the shipping industry has faced a challenging year and the global shipping market continues to be impacted by certain macro-economic factors such as oil prices and certain freight rates. Accordingly, the group experienced uncertainty over the collectability of trade receivables from specific customers. The determination as to whether a trade receivable is collectable involves management judgement. Specific factors management considers include the age of the balance, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the counterparty. Management uses this information to determine whether a provision for impairment is required either for a specific transaction or for a customer's balance overall. We focused on this area because it requires a high level of management judgement and due to the materiality of the amounts involved.	We tested aged balances where no provision was recognised to check that there were no indicators of impairment. This included verifying if payments had been received since the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates. We selected a sample of the larger trade receivable balances where a provision for impairment of trade receivables was recognised and understood the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. We also obtained corroborative evidence including correspondence supporting any disputes between the parties involved, attempts by management to recover the amounts outstanding and on the credit status of significant counterparties where available. By performing the procedures mentioned above we also considered management's rationale where provisions were recognised on transactions that were not overdue as at the balance sheet date and verified these were appropriately supported. In assessing the appropriateness of the overall provision for impairment we considered the consistency of management's application of policy for recognising provisions with the prior year and in the context of the current macro-economic challenges. Specifically we considered: i) how much of prior years' provisions had been utilised for bad debt write offs during the year; and ii) prior year provision amounts released where a customer had paid. Releases of the provision during the year as disclosed in note 14, included some infrequent payments of overdue amounts from customers where a provision continues to be recognised for new invoices raised. Despite these payments, management continues to provide for such customers on the basis there still remains ongoing uncertainty over their underlying financial condition as indicated by the ad hoc timing of payments beyond dates due. From the work we have performed we consider the level of provisioning to be consistent with the evidence obtained.
Revenue recognition *Refer to page 58 (audit committee report), notes 3 and 4 of the financial statements and note 2.3 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* The group's entitlement to commission revenue in the broking and financial segments is dependent upon the fulfilment of certain obligations, for example stage completion of a vessel build in broking or formal approval of a debt or equity transaction in securities between two or more third parties over which the group has no control. Consideration is therefore required as to whether the parties' obligations have been fulfilled and the commission revenue can be recognised. Some of these transactions, such as within the sale and purchase, offshore or corporate finance revenue streams, are individually significant in value. Consistent with the prior year, we therefore focused on these areas, particularly around the year-end, where there is a risk that large transactions may be recorded in the incorrect period. The other revenue streams, such as support and research, involve limited judgement and are comparatively less significant. Revenue in respect of these streams is recognised when the service is completed or when the products are despatched, as explained further in note 2 of the financial statements. There is therefore less risk of a material cut-off error in these streams.	For the sale and purchase, offshore and securities transactions near the year-end, we tested that revenue cut-off was appropriately determined. We selected a sample of transactions and agreed the details of these transactions to underlying contractual information or other supporting documents which demonstrated the timing of when obligations had been fulfilled by the parties to the transaction. From the evidence obtained, we found no material instances of revenue being recognised in the incorrect period.

Area of focus	How our audit addressed the area of focus
Classification and recognition of adjusting items (exceptional items and acquisition costs) *Refer to page 58 (audit committee report), note 2.1 (basis of preparation) of the financial statements and note 2.3 for the directors' disclosures of the related accounting policies, judgements and estimates for further information.* The group excludes adjusting items (exceptional and acquisition costs) from its 'underlying' earnings measure. The directors believe that alternative or additional performance measures can provide the users of the financial statements with a better understanding of the group's underlying financial performance and strategy, if properly used. If improperly used and presented these measures could mislead the users of the financial statements by obscuring the real profitability and financial position of the group. Management judgement is required as to what items qualify for this classification. There can also be judgement as to the point at which costs should be recognised and the amount to record. Included in adjusting items were: – Exceptional items: £2.3m in respect of the group's head office move inclusive of £1.9m overlapping rent, reorganisation costs of £1.2m and a £1.3m dilapidation provision release in respect of St. Magnus House. Exceptional items are explained further in note 5. – Acquisition costs: £9.2m in respect of amortisation of intangibles acquired as part of the Platou and other prior acquisitions, £1.1m finance costs in respect of loan notes issued in respect of the Platou acquisition, £2.8m cash and share-based payment charges linked to acquisition-related employee service and £3.1m transaction costs. Acquisition costs are explained further in note 6. We focused on the accuracy of charges included in adjusting items, which are presented consistent with prior periods.	We assessed the nature of these exceptional items to confirm they are non-recurring in nature and recognised and presented in accordance with the group's disclosed accounting policy. With respect to the inclusion of the dilapidation provision release as an exceptional item, we considered FRC guidance on the presentation and consistency of reporting exceptional items, which requires a consistent treatment for income statement items from one year to the next. As the provision was established through underlying earnings, it could be argued that this treatment as exceptional appeared inconsistent. Management's view was that, whilst the charge was historically in underlying earnings, this was spread across 10 years but the release in one year which is more material to understanding the 2015 performance. Separating the items provides users with clearer visibility. We accepted this view as the FRC guidance has been considered and there is clear disclosure of the item in the annual report. In relation to overlapping rent we examined lease agreements, confirmed office vacation dates and verified the accuracy of management's computation of the amount of overlapping rent. We tested directly attributable transaction and subsequent restructuring costs to supporting invoices, payroll records and agreements with advisors to verify these related to the Platou acquisition and were incurred during the year. In respect of other adjusting items we verified that management's computations of the costs were accurate by agreeing to corroborating documentation and, where applicable, re-performing management's calculations. We have also assessed the extent to which 'underlying' financial information is given prominence in the annual report, whether it is clearly, accurately and consistently applied and whether the 'underlying' financial information is not otherwise misleading in the form and context in which it appears in the annual report. From the evidence obtained, we found no material exceptions to the presentation of adjusting items as adopted by management, in line with the disclosed accounting policy.

How we tailored the audit scope

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

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

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

We identified 7 reporting units, 3 of which were significant due to their size. These comprised certain operating business and centralised functions which required an audit of their complete financial information. We also conducted specific audit procedures on certain balances and transactions in respect of a number of other reporting units. This gave us coverage of 93% of the group's profit before taxation adjusted for exceptional items and acquisition costs and 91% of revenue, and, together with the additional procedures performed at the group level, including testing the consolidation process, gave us the evidence we needed for our opinion on the financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

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

Overall group materiality	£2.5m (2014: £1.7m).
How we determined it	5% of profit before taxation, adjusted for exceptional items and acquisition costs.
Rationale for benchmark applied	In arriving at this judgement we have had regard to profit before taxation, adjusted for exceptional items and acquisition costs, because, in our view, this represents the most appropriate measure of underlying performance.

Independent auditors' report to the members of Clarkson PLC continued

Materiality continued

We agreed with the audit committee that we would report to them misstatements identified during our audit above £125,000 (2014: £170,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the directors' report, set out on page 60, in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the directors' report about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the directors' report, the directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the group has adequate resources to remain in operation, and that the directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the group's ability to continue as a going concern.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion:

– the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

– the information given in the corporate governance statement set out on pages 40 to 42 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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

– information in the annual report is: – materially inconsistent with the information in the audited financial statements; or – apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or – otherwise misleading.	We have no exceptions to report.
– the explanation given by the directors on page 61, in accordance with provision C.1.1 of the UK Corporate Governance Code (the Code), as to why the annual report does not include a statement that they consider the annual report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the group's position and performance, business model and strategy is materially inconsistent with our knowledge of the group acquired in the course of performing our audit.	We have no exceptions to report.
– the section of the annual report on page 58, as required by provision C.3.8 of the Code, describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee.	We have no exceptions to report.

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

– the directors' confirmation on page 32 of the annual report, in accordance with provision C.2.1 of the Code, 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.	We have nothing material to add or to draw attention to.
– the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated.	We have nothing material to add or to draw attention to.
– the directors' explanation on page 32 of the annual report, in accordance with provision C.2.2 of the Code, 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 material to add or to draw attention to.

Under the Listing Rules we are required to review the directors' statement that they have carried out a robust assessment of the principal risks facing the group and the directors' report in relation to the longer-term viability of the group, set out on page 32. 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 Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Listing Rules we are required to review the part of the corporate governance statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the directors' responsibilities statement set out on page 61, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the 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.

What an audit of financial statements involves

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

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

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

Other matter

We have reported separately on the parent company financial statements of Clarkson PLC for the year ended 31 December 2015 and on the information in the directors' remuneration report that is described as having been audited.

John Waters Senior statutory auditor

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

4 March 2016

Consolidated income statement

for the year ended 31 December

	Notes	2015 Before exceptional items and acquisition costs £m	2015 Exceptional items (note 5) £m	2015 Acquisition costs (note 6) £m	2015 After exceptional items and acquisition costs £m	2014 Before exceptional item and acquisition costs £m	2014 Exceptional item (note 5) £m	2014 Acquisition costs (note 6) £m	2014 After exceptional item and acquisition costs £m
Revenue	3, 4	301.8	–	–	301.8	237.9	–	–	237.9
Cost of sales		(10.3)	–	–	(10.3)	(13.3)	–	–	(13.3)
Trading profit		291.5	–	–	291.5	224.6	–	–	224.6
Other income		–	1.3	–	1.3	–	–	–	–
Administrative expenses		(242.0)	(3.8)	(15.1)	(260.9)	(191.3)	(1.6)	(7.0)	(199.9)
Operating profit	3, 4	49.5	(2.5)	(15.1)	31.9	33.3	(1.6)	(7.0)	24.7
Finance revenue	3	2.5	–	–	2.5	0.7	–	–	0.7
Finance costs	3	(1.1)	–	(1.1)	(2.2)	–	–	–	–
Other finance costs – pensions	3, 22	(0.4)	–	–	(0.4)	(0.2)	–	–	(0.2)
Profit before taxation		50.5	(2.5)	(16.2)	31.8	33.8	(1.6)	(7.0)	25.2
Taxation	7	(12.6)	0.6	2.5	(9.5)	(8.7)	0.3	0.4	(8.0)
Profit for the year		37.9	(1.9)	(13.7)	22.3	25.1	(1.3)	(6.6)	17.2
Attributable to:									
Equity holders of the parent		35.3	(1.9)	(13.7)	19.7	25.1	(1.3)	(6.6)	17.2
Non-controlling interests		2.6	–	–	2.6	–	–	–	–
Profit for the year		37.9	(1.9)	(13.7)	22.3	25.1	(1.3)	(6.6)	17.2
Earnings per share									
Basic	8	121.9p			68.2p	134.2p			91.9p
Diluted	8	120.5p			67.4p	130.8p			89.6p

Consolidated statement of comprehensive income

for the year ended 31 December

	Notes	2015 £m	2014 £m
Profit for the year		22.3	17.2
Other comprehensive loss:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on employee benefit schemes – net of tax	22	7.2	(8.2)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences on retranslation of foreign operations		(20.4)	1.5
Foreign currency hedge – net of tax	24	(1.1)	(3.4)
Other comprehensive loss		(14.3)	(10.1)
Total comprehensive income for the year		8.0	7.1
Attributable to:			
Equity holders of the parent		6.3	7.1
Non-controlling interests		1.7	–
Total comprehensive income for the year		8.0	7.1

Consolidated balance sheet

as at 31 December

	Notes	2015 £m	2014 £m
Non-current assets			
Property, plant and equipment	10	**30.8**	7.7
Investment property	11	**1.2**	0.3
Intangible assets	12	**263.2**	40.4
Trade and other receivables	14	**1.1**	0.4
Investments	15	**1.9**	1.9
Deferred tax asset	7	**12.5**	15.0
		310.7	65.7
Current assets			
Inventories	16	**0.9**	1.4
Trade and other receivables	14	**61.3**	42.7
Income tax receivable		**1.7**	1.5
Investments	15	**5.7**	25.3
Cash and cash equivalents	17	**168.4**	152.9
		238.0	223.8
Current liabilities			
Interest-bearing loans and borrowings	18	**(23.1)**	–
Trade and other payables	19	**(139.3)**	(102.2)
Income tax payable		**(5.9)**	(2.9)
Provisions	20	**(0.2)**	(3.0)
		(168.5)	(108.1)
Net current assets		**69.5**	115.7
Non-current liabilities			
Interest-bearing loans and borrowings	18	**(23.0)**	–
Trade and other payables	19	**(8.1)**	(1.8)
Employee benefits	22	**(4.1)**	(10.3)
Deferred tax liability	7	**(4.1)**	(2.0)
		(39.3)	(14.1)
Net assets		**340.9**	167.3
Capital and reserves			
Share capital	23	**7.6**	5.2
Other reserves	24	**194.2**	35.5
Retained earnings		**136.2**	126.6
Equity attributable to shareholders of the parent		**338.0**	167.3
Non-controlling interests		**2.9**	–
Total equity		**340.9**	167.3

The financial statements on pages 68 to 104 were approved by the board on 4 March 2016, and signed on its behalf by:

James Hughes-Hallett Chairman

Jeff Woyda Chief financial officer and chief operating officer

Registered number: 1190238

Consolidated statement of changes in equity

for the year ended 31 December

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
		Attributable to equity holders of the parent					
Balance at 1 January 2015		5.2	35.5	126.6	167.3	–	167.3
Profit for the year		–	–	19.7	19.7	2.6	22.3
Other comprehensive income/(loss):							
Actuarial gain on employee benefit schemes – net of tax	22	–	–	7.2	7.2	–	7.2
Foreign exchange differences on retranslation of foreign operations	24	–	(19.5)	–	(19.5)	(0.9)	(20.4)
Foreign currency hedge – net of tax	24	–	(1.1)	–	(1.1)	–	(1.1)
Total comprehensive (loss)/income for the year		–	(20.6)	26.9	6.3	1.7	8.0
Transactions with owners:							
Employee share schemes	24	–	0.6	0.3	0.9	–	0.9
Share issues	23,24	2.4	178.7	–	181.1	–	181.1
Tax on other employee benefits	7	–	–	0.7	0.7	–	0.7
Tax on other items in equity	7	–	–	(0.1)	(0.1)	–	(0.1)
Acquisition of subsidiary	12	–	–	–	–	10.8	10.8
Dividend paid	9	–	–	(18.2)	(18.2)	(9.6)	(27.8)
		2.4	179.3	(17.3)	164.4	1.2	165.6
Balance at 31 December 2015		7.6	194.2	136.2	338.0	2.9	340.9

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
		Attributable to equity holders of the parent			
Balance at 1 January 2014		4.7	35.7	97.3	137.7
Profit for the year		–	–	17.2	17.2
Other comprehensive income/(loss):					
Actuarial loss on employee benefit schemes – net of tax	22	–	–	(8.2)	(8.2)
Foreign exchange differences on retranslation of foreign operations	24	–	1.5	–	1.5
Foreign currency hedge – net of tax	24	–	(3.4)	–	(3.4)
Total comprehensive (loss)/income for the year		–	(1.9)	9.0	7.1
Transactions with owners:					
Net ESOP shares utilised	24	–	0.7	–	0.7
Gain on ESOP shares		–	–	0.9	0.9
Share-based payments	24	–	1.0	–	1.0
Share issues	23, 24	0.5	30.1	–	30.6
Transfer	24	–	(30.1)	30.1	–
Tax on other employee benefits	7	–	–	0.1	0.1
Dividend paid	9	–	–	(10.8)	(10.8)
		0.5	1.7	20.3	22.5
Balance at 31 December 2014		5.2	35.5	126.6	167.3

Consolidated cash flow statement

for the year ended 31 December

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Profit before taxation		**31.8**	25.2
Adjustments for:			
Foreign exchange differences	3	**(1.9)**	(4.4)
Depreciation of property, plant and equipment	3, 10	**4.2**	2.9
Depreciation of investment property	3, 11	**–**	0.1
Share-based payment expense	21	**1.6**	1.4
Gain on sale of property, plant and equipment		**(0.1)**	–
Loss on sale of investments		**0.3**	–
Amortisation of intangibles	3, 12	**9.2**	0.1
Impairment of intangibles	3, 12	**–**	0.2
Impairment of investments		**–**	0.2
Difference between pension contributions paid and amount recognised in the income statement		**(2.3)**	(1.9)
Finance revenue	3	**(2.5)**	(0.7)
Finance costs	3	**2.2**	–
Other finance costs – pensions	3	**0.4**	0.2
Decrease/(increase) in inventories	16	**0.5**	(0.5)
Decrease in trade and other receivables		**20.8**	6.0
(Decrease)/increase in bonus accrual		**(11.1)**	14.8
(Decrease)/increase in trade and other payables		**(12.5)**	0.8
(Decrease)/increase in provisions	20	**(2.8)**	1.0
Cash generated from operations		**37.8**	45.4
Income tax paid		**(13.1)**	(7.6)
Net cash flow from operating activities		**24.7**	37.8
Cash flows from investing activities			
Interest received	3	**0.8**	0.5
Purchase of property, plant and equipment	10	**(24.4)**	(1.8)
Proceeds from sale of investments	15	**6.8**	–
Proceeds from sale of property, plant and equipment		**0.3**	0.1
Purchase of investments		**–**	(0.2)
Transfer from/(to) current investments (funds on deposit)		**20.0**	(0.1)
Acquisition of subsidiaries, including settlement of deferred consideration		**(26.5)**	(4.5)
Net cash and cash equivalents acquired on acquisitions	12	**43.2**	0.5
Dividends received from investments	3	**1.7**	0.2
Net cash flow from investing activities		**21.9**	(5.3)
Cash flows from financing activities			
Interest paid		**(1.1)**	–
Dividend paid	9	**(18.2)**	(10.8)
Dividend paid to non-controlling interests		**(1.7)**	–
Repayment of borrowings		**(12.8)**	–
Proceeds from shares issued (net of transaction costs)	23	**1.2**	30.6
Net cash flow from financing activities		**(32.6)**	19.8
Net increase in cash and cash equivalents		**14.0**	52.3
Cash and cash equivalents at 1 January		**152.9**	96.9
Net foreign exchange differences		**1.5**	3.7
Cash and cash equivalents at 31 December	17	**168.4**	152.9

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 2015 were authorised for issue in accordance with a resolution of the directors on 4 March 2016. 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 2015.

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

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

The consolidated income statement is shown in columnar format to assist with understanding the group's results by presenting profit for the period before exceptional items and acquisition costs. Items which are non-recurring in nature and considered to be material in size are shown as 'exceptional items'. The column 'exceptional items' represents the additional rent, onerous lease provision, dilapidation provision release and reorganisation costs in relation to the Platou acquisition. The column 'acquisition costs' includes the amortisation of intangible assets, the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on acquisitions, acquisition-related professional fees and interest on the loan note obligations. These notes form an integral part of the financial statements on pages 68 to 71.

Statement of compliance

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

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

The group has considerable financial resources available and a strong balance sheet, as explained in the financial review on pages 30 to 31. As a result of this, the directors believe that the group is well placed to manage its business risks successfully, despite the challenging market backdrop. The directors have a reasonable expectation that the group has sufficient resources to continue in operation for the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

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

Basis of consolidation

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

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

See note T to the parent company financial statements for full details on subsidiaries.

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

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

2.2 Changes in accounting policy and disclosures

New and amended standards adopted by the group

The annual improvements (2011-2013) to existing standards which are mandatory for the group for the first time for the financial year beginning on or after 1 January 2015 have had no material impact on the group.

There were no other new IFRSs or interpretations issued by the IFRS Interpretation Committee (IFRS IC) that had to be implemented during the year that significantly affects these financial statements.

New standards, amendments and interpretations issued but not yet effective for the financial year beginning 1 January 2016 and not early adopted.

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

- Amendment to IAS 19 regarding defined benefit plans
- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' on depreciation and amortisation
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'
- IFRS 15 'Revenue from contracts with customers'
- IFRS 9 'Financial instruments'
- Amendments to IFRS 9, 'Financial instruments', regarding general hedge accounting
- Annual improvements (2010-2012) and (2012-2014)
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative
- IFRS 16 'Leases'

The impact on the group's financial statements of the future adoption of these and other new standards and interpretations is still under review. The group does not expect, with the exception of IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases', that any of these changes will have a material effect on the results or net assets of the group.

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

2.3 Accounting judgements and estimates
The preparation of the group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Trade receivables
Trade receivables are amounts due from customers in the ordinary course of business. Trade receivables are classified as current assets if collection is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

The provision for impairment of receivables represents management's best estimate at the balance sheet date. A number of judgements are made in the calculation of the provision, primarily the age of the invoice, the existence of any disputes, recent historical payment patterns and the debtor's financial position.

Revenue recognition
The group's entitlement to commission revenue in the broking and financial segments is usually dependent upon the fulfilment of certain obligations, for example stage completion of a vessel build in broking or formal approval of a debt or equity transaction in finance, between two or more third parties over which the group has no control. Consideration is therefore required as to whether the parties' obligations have been fulfilled and the commission revenue can be recognised.

Classification and recognition of adjusting items
The group excludes adjusting items (exceptional items and acquisition costs) from its 'underlying' earnings measure. The directors believe that alternative or additional performance measures can provide the users of the financial statements with a better understanding of the group's underlying financial performance and strategy, if properly used. If improperly used and presented these measures could mislead the users of the financial statements by obscuring the real profitability and financial position of the group.

Management judgement is required as to what items qualify for this classification. There can also be judgement as to the point at which costs should be recognised and the amount to record.

Acquisition accounting for RS Platou ASA
The group acquired RS Platou ASA on 2 February 2015 for £249.9m consideration. Accounting for the acquisition required a fair value exercise to assess the assets and liabilities acquired, including valuing any separately identifiable intangible assets, both of which can be a particularly subjective process.

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

Notes to the consolidated financial statements continued

2 Statement of accounting policies continued

2.6 Business combinations and goodwill

Business combinations are accounted for using the acquisition method.

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

All transaction costs are expensed in the income statement as incurred.

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

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

2.7 Intangible assets

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

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

Trade name and non-contractual commercial relationships

Amortisation is calculated using estimates of revenues generated by each asset over their estimated useful lives of between 2 and 5 years.

Forward order book on acquisition

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

2.8 Impairment of non-financial assets

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

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

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

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

Goodwill

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

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

2.9 Investments and other financial assets

Classification

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

The group determines the classification of its financial assets on initial recognition, taking into account the purpose for which the financial assets were acquired. Where allowed and appropriate, the group re-evaluates this designation at each financial year-end.

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories or held-to-maturity investments. They are included in non-current assets unless the investment matures within 12 months of the end of the reporting period. Available-for-sale financial assets are measured at cost, since they are investments in unlisted companies where the fair value cannot be determined.

Recognition and measurement

Fair value

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

Amortised cost

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

Trade and other receivables

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

Foreign exchange contracts are accounted for in accordance with note 2.13.

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

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

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

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

Available-for-sale financial investments

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

Notes to the consolidated financial statements continued

2 Statement of accounting policies continued

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. Where no such active market exists, the fair value is determined using appropriate valuation techniques from observable data, including discounted cash flow analysis and the Black-Scholes option pricing model.

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

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

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

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

2.14 Trade and other payables

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

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

2.15 Interest-bearing loans and borrowings

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

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

2.16 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.

2.17 Employee benefits

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

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

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

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

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

Past-service costs are recognised immediately in income.

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

2.18 Share-based payment transactions

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

Equity-settled transactions

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

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

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

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

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

2.19 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.

2.20 Revenue recognition

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

Broking

Revenue consists of commission receivable from broking and is recognised by reference to the stage of completion. Stage of completion is measured by reference to the underlying commercial contract. Futures broking commissions are recognised when the services have been performed.

Financial

Fees relating to our investment banking and other financial businesses are recognised as services are performed.

Support

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

Research

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

Finance income

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

2.21 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.

Notes to the consolidated financial statements continued

2 Statement of accounting policies continued

2.22 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.

2.23 Taxation

Current income tax

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

Current income tax relating to items is recognised in the consolidated statement of comprehensive income.

Deferred income tax

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

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

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

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

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

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

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

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

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority, where there is an intention to settle the balances on a net basis.

2.24 Leases

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

2.25 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

	2015 £m	2014 £m
Revenue		
Rendering of services	288.0	213.6
Rental income	2.2	3.7
Sale of goods	11.6	20.6
	301.8	237.9

	2015 £m	2014 £m
Finance revenue		
Bank interest income	0.8	0.5
Income from available-for-sale financial assets	1.7	0.2
	2.5	0.7

Income from available-for-sale financial assets includes dividends from The Baltic Exchange. The increase in 2015 arose as a result of an additional interim dividend.

	2015 £m	2014 £m
Finance costs		
Loan note interest	1.1	–
Loan interest	0.4	–
Overdraft interest	0.2	–
Other finance costs	0.5	–
	2.2	–

	2015 £m	2014 £m
Other finance costs – pensions		
Net benefit charge	0.4	0.2
	0.4	0.2

Operating profit

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

	2015 £m	2014 £m
Depreciation	4.2	3.0
Amortisation of intangible assets	9.2	0.1
Impairment of intangible assets	–	0.2
Operating lease expense – land and buildings	13.9	6.6
Operating sublease income – land and buildings	(2.2)	(3.7)
Net foreign exchange gains	(1.9)	(4.4)

3 Revenue and expenses continued

	2015 £000	2014 £000
Auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's and group financial statements	232	98
Fees payable to the company's auditors and their associates for other services:		
The auditing of financial statements of subsidiaries of the company	322	200
Audit-related assurance services	50	40
Taxation compliance services	18	47
Taxation advisory services	102	175
All other services	–	871
	724	1,431

In 2014, the level of non-audit fees exceeded audit fees which was mainly due to professional services provided by the auditor's firm in respect of the Platou acquisition.

	2015 £m	2014 £m
Employee compensation and benefits expense		
Wages and salaries	165.8	130.3
Social security costs	15.5	13.2
Expense of share-based payments	1.6	1.4
Pension costs – defined contribution plans	3.2	3.0
	186.1	147.9

The numbers above include remuneration and pension entitlements for each director. Details are included in the directors' remuneration report in the directors' emoluments and compensation table on page 51.

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

	2015	2014
Broking	1,012	810
Financial	121	37
Support	163	149
Research	89	83
	1,385	1,079

4 Segmental information

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

Clarksons' broking division represents services provided to shipowners and charterers in the transportation by sea of a wide range of cargoes. It also represents services provided to buyers and sellers/yards relating to sale and purchase transactions. Also included is a futures broking operation which arranges principal-to-principal cash-settled contracts for differences based upon standardised freight contracts. This division is now reported under the broking segment, having previously been included under financial. The comparatives have been restated to reflect this.

The financial division represents full-service investment banking, specialising in the maritime, oil services and natural resources sectors. Clarksons also provides debt and leasing solutions 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 property services regarding the provision of accommodation.

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

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

Business segments

	Revenue		Results	
	2015 £m	2014 £m	2015 £m	2014 £m
Broking	239.5	190.2	49.1	34.6
Financial	28.7	8.7	1.2	(1.9)
Support	26.2	31.9	3.3	4.0
Research	11.1	10.4	3.4	3.5
	305.5	241.2		
Less: property services revenue arising within the group, included under support	(3.7)	(3.3)		
Segment revenue/results	301.8	237.9	57.0	40.2
Head office costs			(7.5)	(6.9)
Operating profit before exceptional items and acquisition costs			49.5	33.3
Exceptional items			(2.5)	(1.6)
Acquisition costs			(15.1)	(7.0)
Operating profit after exceptional items and acquisition costs			31.9	24.7
Finance revenue			2.5	0.7
Finance costs			(2.2)	–
Other finance costs – pensions			(0.4)	(0.2)
Profit before taxation			31.8	25.2
Taxation			(9.5)	(8.0)
Profit for the year			22.3	17.2

Notes to the consolidated financial statements continued

4 Segmental information continued

Business segments

	Assets 2015 £m	Assets 2014 £m	Liabilities 2015 £m	Liabilities 2014 £m
Broking	348.1	162.7	102.2	72.5
Financial	130.8	15.3	22.2	4.6
Support	38.8	27.0	6.3	9.4
Research	9.6	8.8	4.6	3.5
Segment assets/liabilities	527.3	213.8	135.3	90.0
Unallocated assets/liabilities	21.4	75.7	72.5	32.2
	548.7	289.5	207.8	122.2

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

Business segments

	Non-current asset additions				Depreciation		Amortisation and impairment	
	Property, plant and equipment 2015 £m	Intangible assets 2015 £m	Property, plant and equipment 2014 £m	Intangible assets 2014 £m	2015 £m	2014 £m	2015 £m	2014 £m
Broking	4.8	148.6	0.3	–	1.6	0.6	8.8	0.1
Financial	0.2	105.9	0.1	–	0.3	0.1	0.4	0.2
Support	19.4	–	1.4	0.4	2.3	2.3	–	–
	24.4	254.5	1.8	0.4	4.2	3.0	9.2	0.3

Geographical segments – by origin of invoice

	Revenue 2015 £m	Revenue 2014 £m
Europe, Middle East and Africa*	231.1	176.3
Americas	29.5	26.5
Asia Pacific	41.2	35.1
	301.8	237.9

Geographical segments – by location of assets

	Non-current assets** 2015 £m	Non-current assets** 2014 £m
Europe, Middle East and Africa*	277.0	47.2
Americas	2.8	2.4
Asia Pacific	18.4	1.1
	298.2	50.7

* Includes revenue for the UK of £154.0m (2014: £146.7m) and non-current assets for the UK of £83.2m (2014: £44.6m).

** Non-current assets exclude deferred tax assets.

5 Exceptional items

2015

During 2014, Clarkson PLC signed a 15 year lease on a new flagship head office at Commodity Quay, St. Katharine Docks, London, commencing on 29 September 2014. The lease for the previous head office, St. Magnus House, London expired in December 2015. The additional rent and associated costs in the year were £1.9m for Commodity Quay up to the relocation date, and £0.4m for St. Magnus House after relocation. An onerous lease provision of £0.3m for a property in Singapore was also treated as an exceptional item. Costs associated with the reorganisation of the enlarged group post-acquisition totalling £1.2m were treated as exceptional, as they are non-recurring. The release of the unutilised portion of the dilapidation provision for St. Magnus House of £1.3m has been treated as exceptional other income.

2014

An onerous lease provision of £0.7m for St. Magnus House and the additional rent charge for Commodity Quay of £0.9m were treated as exceptional items.

6 Acquisition costs

Included in acquisition costs are cash and share-based payment charges of £2.1m (2014: £2.8m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £0.7m (2014: £nil) relating to the acquisition of the remaining non-controlling interest in Clarksons Platou Tankers AS. The charge consists of cash and share-based payment charges which are linked to future service of the employees and are therefore spread over a four year period.

Also included is £3.1m (2014: £4.1m) of legal and professional fees relating to the Platou and other acquisitions and £9.2m (2014: £0.1m) relating to amortisation of intangibles acquired as part of the Platou and other prior acquisitions. Interest on the loan notes issued as part of the Platou acquisition totalled £1.1m (2014: £nil).

7 Taxation

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

	2015 £m	2014 £m
Current tax		
Tax on profits for the year	**9.1**	8.4
Adjustments in respect of prior years	**0.5**	1.0
	9.6	9.4
Deferred tax		
Origination and reversal of temporary differences	**0.1**	(1.3)
Impact of change in tax rates	**(0.2)**	(0.1)
	(0.1)	(1.4)
Total tax charge in the income statement	**9.5**	8.0

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

		2015 £m	2014 £m
Current tax			
Employee benefits	– on pension benefit liability	**(0.4)**	(0.4)
	– other employee benefits	**(0.7)**	(1.1)
Other items in equity		**0.1**	–
		(1.0)	(1.5)
Deferred tax			
Employee benefits	– on pension benefit liability	**2.3**	(1.7)
	– other employee benefits	**–**	1.0
Foreign currency hedge		**(0.3)**	(0.8)
		2.0	(1.5)
Total tax charge/(credit) in the statement of changes in equity		**1.0**	(3.0)

7 Taxation continued

Reconciliation of tax charge

The tax charge in the income statement for the year is higher (2014: higher) than the average standard rate of corporation tax in the UK of 20.25% (2014: 21.49%). The differences are reconciled below:

	2015 £m	2014 £m
Profit before taxation	31.8	25.2
Profit at UK average standard rate of corporation tax of 20.25% (2014: 21.49%)	6.4	5.4
Effects of:		
Expenses not deductible for tax purposes	2.8	2.5
Non-taxable income	(0.3)	–
Lower tax rates on overseas earnings	(0.1)	(0.9)
Tax losses recognised	–	0.4
Adjustments relating to prior year	0.5	0.6
Adjustments relating to changes in tax rates	0.4	(0.1)
Other adjustments	(0.2)	0.1
Total tax charge in the income statement	9.5	8.0

The standard rate of corporation tax in the UK decreased from 21% to 20% with effect from 1 April 2015. Accordingly, the UK's profits for this accounting year are taxed at an effective rate of 20.25%.

Deferred tax

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

		2015 £m	2014 £m
Employee benefits	– on pension benefit liability	0.9	–
	– other employee benefits	0.1	(1.3)
Tax losses recognised		0.5	0.4
Intangible assets recognised on acquisition		(2.4)	–
Other temporary differences		0.8	(0.5)
Deferred tax credit in the income statement		(0.1)	(1.4)

Deferred tax included in the balance sheet is as follows:

		2015 £m	2014 £m
Deferred tax asset			
Employee benefits	– on pension benefit liability	0.7	2.1
	– other employee benefits	10.6	10.4
Foreign currency contracts		0.3	–
Tax losses		–	0.5
Other temporary differences		0.9	2.0
		12.5	15.0
Deferred tax liability			
In relation to earnings of overseas subsidiaries		(1.1)	(1.1)
Intangible assets recognised on acquisition		(2.6)	(0.1)
Other temporary differences		(0.4)	(0.8)
		(4.1)	(2.0)

Included in the above are deferred tax assets of £4.3m (2014: £4.8m) and deferred tax liabilities of £1.3m (2014: £nil) 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 £1.4m (2014: £0.8m) in respect of unused tax losses, which have no expiry date.

8 Earnings per share

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

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

	2015 £m	2014 £m
Profit for the year attributable to ordinary equity holders of the parent	**19.7**	17.2

	2015	2014
Weighted average number of ordinary shares (excluding share purchase trusts' shares) for basic earnings per share	**28,952,917**	18,685,243
Dilutive effect of share options	**30,763**	89,349
Dilutive effect of performance share awards	**299,599**	250,018
Dilutive effect of acquisition-related shares	**870**	137,499
Weighted average number of ordinary shares (excluding share purchase trusts' shares) adjusted for the effect of dilution	**29,284,149**	19,162,109

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 99,533 (2014: 120,895).

9 Dividends

	2015 £m	2014 £m
Declared and paid during the year:		
Final dividend for 2014 of 39p per share (2013: 37p per share)	**11.7**	6.9
Interim dividend for 2015 of 22p per share (2014: 21p per share)	**6.5**	3.9
Dividend paid	**18.2**	10.8

Proposed for approval at the AGM (not recognised as a liability at 31 December): Final dividend for 2015 proposed of 40p per share (2014: 39p per share)	**12.1**	11.7

Notes to the consolidated financial statements continued

10 Property, plant and equipment

31 December 2015

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost					
At 1 January 2015	4.8	1.9	19.8	1.1	27.6
Additions	2.6	14.9	6.7	0.2	24.4
Arising on acquisitions	0.3	0.9	2.1	0.1	3.4
Disposals	(0.1)	(0.7)	(13.4)	(0.3)	(14.5)
Foreign exchange differences	–	0.1	(0.1)	–	–
At 31 December 2015	7.6	17.1	15.1	1.1	40.9
Accumulated depreciation					
At 1 January 2015	(1.2)	(1.3)	(16.9)	(0.5)	(19.9)
Charged during the year	–	(1.1)	(2.8)	(0.3)	(4.2)
Disposals	–	0.7	13.4	0.3	14.4
Foreign exchange differences	0.1	(0.2)	(0.3)	–	(0.4)
At 31 December 2015	(1.1)	(1.9)	(6.6)	(0.5)	(10.1)
Net book value at 31 December 2015	6.5	15.2	8.5	0.6	30.8

Included within additions are amounts relating to the office moves in London, Oslo and Singapore.

31 December 2014

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost					
At 1 January 2014	4.7	1.8	17.9	1.2	25.6
Additions	0.1	0.1	1.5	0.1	1.8
Arising on acquisitions	–	–	0.5	0.1	0.6
Disposals	–	–	(0.1)	(0.3)	(0.4)
At 31 December 2014	4.8	1.9	19.8	1.1	27.6
Accumulated depreciation					
At 1 January 2014	1.1	1.1	14.4	0.5	17.1
Charged during the year	0.1	0.2	2.4	0.2	2.9
Disposals	–	–	(0.1)	(0.2)	(0.3)
Foreign exchange differences	–	–	0.2	–	0.2
At 31 December 2014	1.2	1.3	16.9	0.5	19.9
Net book value at 31 December 2014	3.6	0.6	2.9	0.6	7.7

11 Investment property

	2015 £m	2014 £m
Cost		
At 1 January	0.6	0.6
Arising on acquisitions	0.9	–
At 31 December	1.5	0.6
Accumulated depreciation		
At 1 January	0.3	0.2
Charged during the year	–	0.1
At 31 December	0.3	0.3
Net book value at 31 December	1.2	0.3

The fair value of the investment properties at 31 December 2015 was £1.4m (2014: £0.7m). This was based on valuations from independent valuers who have the appropriate professional qualifications and recent experience of valuing properties in the location and of the type being valued.

12 Intangible assets

31 December 2015

	Goodwill £m	Other intangible assets £m	Total £m
Cost			
At 1 January 2015	52.7	7.8	60.5
Additions	232.6	21.9	254.5
Foreign exchange differences	(21.3)	(1.4)	(22.7)
At 31 December 2015	264.0	28.3	292.3
Accumulated amortisation and impairment			
At 1 January 2015	12.3	7.8	20.1
Charged during the year	–	9.2	9.2
Foreign exchange differences	–	(0.2)	(0.2)
At 31 December 2015	12.3	16.8	29.1
Net book value at 31 December 2015	251.7	11.5	263.2

None of the intangible assets are internally-generated.

Included within other intangible assets are £11.5m relating to customer relationships, forward order book and trade name which were identified as part of the Platou acquisition. These have a remaining amortisation period of between two and four years.

Notes to the consolidated financial statements continued

12 Intangible assets continued

31 December 2014

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

None of the intangible assets are internally-generated.

Acquisitions
2015

On 2 February 2015, Clarkson PLC acquired 100% of the share capital of RS Platou ASA (Platou), which subsequently changed its name to Clarksons Platou AS.

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

The acquisition complements the group's strategy to expand its geographical reach and broaden its offshore and project finance services to existing and new customers. The goodwill of £232.6m represents the acquired workforce, as well as the potential new customer relationships and revenue expected to be brought in by experienced brokers and senior management team members. It also represents the potential to achieve improved commercial competitiveness and operational efficiency in the long-term. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the consideration was £249.9m, of which £23.5m was paid in cash, £179.9m being the fair value of ordinary shares issued (based on the Clarkson PLC share price on the acquisition date) and £46.5m comprised loan notes.

Under IFRS, the share price as at the acquisition date is applied to record the relevant proportion of the investment in Platou. The provisions of merger relief under the Companies Act 2006 are applicable in relation to the shares issued as consideration such that no share premium is recorded, instead an equivalent merger reserve is recorded, as required under IFRS and permitted by the Companies Act 2006.

The total consideration of £249.9m varies from the £281.2m stated in the circular dated 27 November 2014. The proposed fixed number of shares to be issued was initially determined based on a share price of £22.15. On acquisition, the shares were issued at the closing market price of £18.90.

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

Recognised amounts of identifiable assets acquired and liabilities assumed:	£m
Intangible assets	*21.9
Property, plant and equipment	3.4
Investment property	0.9
Deferred tax	1.8
Investments	7.4
Trade and other receivables	46.2
Cash and cash equivalents	54.0
Total assets	**135.6**
Interest-bearing loans and borrowings – bank overdraft	(10.8)
Interest-bearing loans and borrowings – bank loan	(12.0)
Trade and other payables	(67.7)
Income tax payable	(7.4)
Employee benefits	(4.7)
Deferred tax liability	*(4.9)
Total liabilities	**(107.5)**
Total identifiable net assets	**28.1**
Non-controlling interests' share of identifiable assets and liabilities	(10.8)
Goodwill	232.6
Total consideration	**249.9**

* Fair value adjustment made on acquisition.

Intangible assets comprise customer relationships, forward order book and trade name identified on acquisition. The valuation of these was performed by third party valuers.

The identified net assets and goodwill have been allocated to the appropriate foreign currencies of the Platou operation.

Net cash acquired was £43.2m, being the cash and cash equivalents of £54.0m and overdraft of £10.8m, included in interest-bearing loans and borrowings.

The revenue included in the consolidated income statement since 2 February 2015 contributed by Platou was £65.8m. Platou contributed profit of £12.8m over the same period.

Had Platou been consolidated from 1 January 2015, the consolidated income statement would show revenue of £308.2m and profit before taxation, exceptional items and acquisition costs of £51.5m. This information is not necessarily indicative of the 2015 results of the combined group had the purchase actually been made at the beginning of the year presented, or indicative of the future consolidated performance given the nature of the business acquired.

12 Intangible assets continued

2014

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

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

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

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

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

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

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

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

* £0.3m fair value adjustment made on acquisition.

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

Had Ewings been consolidated from 1 January 2014, the consolidated income statement would show revenue of £238.7m and profit before taxation, the exceptional item and acquisition costs of £34.1m. This information is not necessarily indicative of the 2014 results of the combined group had the purchases actually been made at the beginning of the period presented, or indicative of the future consolidated performance given the nature of the business acquired.

13 Impairment testing of goodwill

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

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

- Dry cargo chartering
- Container chartering
- Specialised chartering
- Gas chartering
- Tankers chartering
- Sale and purchase broking
- Offshore broking
- Securities
- Port and agency services
- Research services

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

	2015 £m	2014 £m
Dry cargo chartering	12.0	12.0
Container chartering	1.8	1.8
Specialised chartering	12.2	12.2
Gas chartering	2.7	2.7
Tankers chartering	9.6	–
Sale and purchase broking	42.0	3.6
Offshore broking	71.4	1.8
Securities	93.8	–
Port and agency services	2.9	3.0
Research services	3.3	3.3
	251.7	40.4

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

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

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

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

- the pre-tax discount rate used is based on the group's weighted average cost of capital and adjusted for risks within each CGU. As all broking and chartering CGUs have operations that are global in nature and similar risk profiles, the same pre-tax discount rate was applied to each unit. The broking and chartering pre-tax discount rate is 12% (2014: 12%); port and agency and research services also use a pre-tax discount rate of 12% (2014: 12%); the securities pre-tax discount rate is 11%;
- the cash flow predictions are based on financial budgets and strategic plans approved by the board extrapolated over a three year period. These are based on both past performance and expectations for future market development;
- key drivers in the plans are revenue growth, margin and operating profit percentage and include conservative annual growth rates of 1.7% (2014: between 0% and 5%) with effect from 2017; and
- cash flows beyond this three year period are calculated in perpetuity using the above mentioned rate of 1.7%. A change in this rate to 0% would not result in impairment.

The results of the directors' review of goodwill including sensitivity analyses for reasonable changes in assumptions still indicate remaining headroom. Accordingly, no reasonably possible change is foreseen which gives rise to an impairment of goodwill.

In light of global macro-economic and geo-political uncertainty, the board keeps the carrying value of goodwill under constant review. In the event that any of the markets in which we operate has a sustained downturn, an impairment of the relevant CGU's goodwill may be required.

Notes to the consolidated financial statements continued

14 Trade and other receivables

	2015 £m	2014 £m
Non-current		
Other receivables	1.1	0.4

	2015 £m	2014 £m
Current		
Trade receivables	49.8	32.6
Other receivables	6.1	4.6
Prepayments and accrued income	5.4	5.5
	61.3	42.7

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

As at 31 December 2015, group trade receivables at nominal value of £12.3m (2014: £9.9m) were impaired and fully provided for. The amount of the provision equates to the total amount of impaired debt. The provision is based on experience and ongoing market information about the credit-worthiness of counterparties.

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

	2015 £m	2014 £m
At 1 January	9.9	9.7
Arising on acquisition	2.1	–
Provision release	(4.3)	(3.5)
Written off	(2.4)	(0.9)
New provision	6.4	4.0
Foreign exchange differences	0.6	0.6
At 31 December	12.3	9.9

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

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

	2015 £m	2014 £m
Neither past due nor impaired	43.9	29.7
Past due not impaired > 90 days	5.9	2.9
	49.8	32.6

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

	2015 £m	2014 £m
US dollar	32.4	24.4
Sterling	10.0	7.1
Norwegian Krone	6.6	0.5
Other currencies	0.8	0.6
	49.8	32.6

15 Investments

	2015 £m	2014 £m
Non-current		
Available-for-sale financial assets	1.9	1.9

	2015 £m	2014 £m
Current		
Funds on deposit	5.4	25.3
Available-for-sale financial assets	0.2	–
Held for trading investments	0.1	–
	5.7	25.3

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

The group held £5.4m (2014: £25.3m) in deposits with a maturity of 95 days at the year-end. These deposits are held with an A-rated financial institution.

During the year, treasury bills acquired as part of the Platou acquisition matured. The proceeds of the maturity are shown in the cash flow statement under proceeds from sale of investments.

16 Inventories

	2015 £m	2014 £m
Finished goods	0.9	1.4

The cost of inventories recognised as an expense and included in cost of sales amounted to £7.0m (2014: £9.8m).

17 Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	161.3	150.8
Short-term deposits	7.1	2.1
	168.4	152.9

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 £168.4m (2014: £152.9m).

Included in cash at bank and in hand is £1.8m (2014: £nil) of restricted funds relating to employee tax.

18 Interest-bearing loans and borrowings

	2015 £m	2014 £m
Current		
Loan notes	23.1	–

	2015 £m	2014 £m
Non-current		
Loan notes	23.0	–

Interest-bearing loans and borrowings comprise the vendor loan notes issued as part of the consideration for the Platou acquisition. Interest is charged at 12 month LIBOR plus a margin of 1.25%. The loan notes are repayable in two instalments, on 30 June 2016 and 30 June 2017.

Notes to the consolidated financial statements continued

19 Trade and other payables

	2015 £m	2014 £m
Current		
Trade payables	24.8	12.4
Other payables	8.4	1.4
Other tax and social security	2.8	2.6
Deferred consideration	0.3	2.1
Foreign currency contracts	1.2	–
Accruals and deferred income	101.8	83.7
	139.3	102.2

	2015 £m	2014 £m
Non-current		
Other payables	7.4	1.7
Deferred consideration	0.5	0.1
Foreign currency contracts	0.2	–
	8.1	1.8

Terms and conditions of the financial liabilities:

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

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

20 Provisions

	2015 £m	2014 £m
Current		
At 1 January	3.0	–
Transferred from non-current	–	2.0
Arising during the year	0.2	1.0
Utilised during the year	(1.7)	–
Released during the year	(1.3)	–
At 31 December	0.2	3.0

	2015 £m	2014 £m
Non-current		
At 1 January	–	2.0
Transferred to current	–	(2.0)
At 31 December	–	–

As at 31 December 2014, provisions were recognised for the dilapidation of various leasehold premises and the onerous lease on St. Magnus House. During 2015 the St. Magnus House dilapidation provision and onerous lease were utilised with the excess released to the income statement. This release has been treated as an exceptional item as set out in note 5.

21 Share-based payment plans

	2015 £m	2014 £m
Expense arising from equity-settled share-based payment transactions	1.6	1.4

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2015 or 2014.

Share options

Long Term Incentive Plan (LTIP)

Details of the LTIP are included in the directors' remuneration report on page 46. Awards made to the directors are given in the directors' remuneration report on page 53. The fair value of the element of these awards, which have a TSR performance condition, was valued using a Stochastic model. All other elements of the awards were valued using a Black-Scholes model.

ShareSave scheme

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

Other options

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

Movements in the year

The following table illustrates the number of, and movements in, share options during the year:

	Outstanding at 1 January 2015	**Granted in year**	**Lapsed in year**	**Exercised in year**	**Outstanding at 31 December 2015**	**Exercisable at 31 December 2015**	**Weighted average contractual life Years**
LTIP[1]	**367,900**	**53,451**	**(22,444)**	**–**	**398,907**	**247,005**	**6.28**
2012 ShareSave[2]	**119,745**	**–**	**(1,427)**	**(118,318)**	**–**	**–**	**–**
2013 ShareSave[3]	**17,626**	**–**	**(1,491)**	**–**	**16,135**	**–**	**1.00**
2014 ShareSave[4]	**78,215**	**–**	**(41,347)**	**(153)**	**36,715**	**–**	**2.00**
2015 ShareSave[5]	**–**	**138,229**	**(5,632)**	**–**	**132,597**	**–**	**3.00**
Other options[6]	**40,000**	**–**	**–**	**–**	**40,000**	**40,000**	**1.82**
	623,486	**191,680**	**(72,341)**	**(118,471)**	**624,354**	**287,005**	

	Outstanding at 1 January 2014	Granted in year	Lapsed in year	Exercised in year	Outstanding at 31 December 2014	Exercisable at 31 December 2014	Weighted average contractual life Years
LTIP[1]	411,581	46,082	(27,953)	(61,810)	367,900	184,868	6.91
2012 ShareSave[2]	132,955	–	(13,210)	–	119,745	–	1.00
2013 ShareSave[3]	18,964	–	(1,338)	–	17,626	–	2.00
2014 ShareSave[4]	–	81,792	(3,577)	–	78,215	–	3.00
Other options[6]	40,000	–	–	–	40,000	40,000	2.82
	603,500	127,874	(46,078)	(61,810)	623,486	224,868	

The exercise price is the same for each share option award, as follows: 1 £nil, 2 £10.82, 3 £13.03, 4 £21.11, 5 £18.12, 6 £9.91.

Other employee incentives

During the year, 439,648 shares (2014: 243,784 shares) at a weighted average price of £22.45 (2014: £25.04) were awarded to employees in settlement of 2014 (2013) cash bonuses. There was no expense in 2015 as a result of these awards.

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

As part of a 2011 acquisition, US$2.7m (£1.7m) was payable to key employees in the form of ordinary shares in Clarkson PLC. This was contingent on the employees remaining in employment for four years. The cost of these shares has been charged to the consolidated income statement over the service period, which ended during the year. The 2015 charge in relation to these awards is £0.4m (2014: £0.4m).

On 1 September 2015, Clarksons Platou AS acquired the remaining non-controlling interest in Clarksons Platou Tankers AS. The share element of the consideration is contingent on the employees remaining in employment for four years. The cost of these shares is being charged to the consolidated income statement over the service period. The 2015 charge in relation to these amounts is £0.1m.

Notes to the consolidated financial statements continued

22 Employee benefits

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

The group operates three defined benefit pension schemes, being the Clarkson PLC scheme, the Plowrights scheme and the Stewarts scheme, which are funded by the payment of contributions to separate trusts administered by Trustees who are required to act in the best interests of the schemes' beneficiaries. The schemes' assets are invested in a range of pooled pension investment funds managed by professional fund managers.

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

Every three years, a pension scheme must obtain from an actuary a report containing a valuation and a recommendation on rates of contribution. Triennial valuations for all the schemes have been prepared.

The valuation of the Clarkson PLC scheme showed a pension deficit on the original scheme of £6.1m as at 31 March 2013. Clarkson PLC and the Trustees agreed to continue the five year funding plan, which ended on 31 March 2015, at the rate of £1.0m per annum; they have further agreed to continue to fund at this level to 31 December 2016.

The valuation of the Plowrights scheme showed a pension deficit of £2.9m as at 31 March 2013. Clarkson PLC and the Trustees agreed to continue the funding plan, which ends on 28 February 2017 at the rate of £0.9m per annum.

The valuation of the Stewarts scheme showed a pension deficit of £2.4m as at 1 September 2012. Clarksons Platou (Offshore) Limited and the Trustees to pay contributions to remove the deficit over a period of eight years and nine months from 1 September 2012 at the rate of £0.3m per annum.

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

Asset volatility

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

Changes in bond yields

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

Inflation risk

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

Life expectancy

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

Other pension arrangements

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

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

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

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

Recognised in the balance sheet

	2015 £m	2014 £m
Fair value of schemes' assets	170.1	163.0
Present value of funded defined benefit obligations	(172.8)	(173.3)
	(2.7)	(10.3)
Minimum funding requirement in relation to the Plowrights scheme	(1.4)	–
Benefit liability recognised in the balance sheet	**(4.1)**	**(10.3)**

A deferred tax asset on the above recognised liability amounting to £0.7m (2014: £2.1m) is shown in note 7.

Recognised in the income statement

	2015 £m	2014 £m
Expected return on schemes' assets – recognised in other finance costs - pensions	5.8	6.9
Interest cost on benefit obligation and minimum funding requirement – recognised in other finance costs - pensions	(6.2)	(7.0)
Service cost – recognised in administrative expenses (2014: other finance costs – pensions)	(0.2)	(0.1)
Net benefit charge recognised in the income statement	**(0.6)**	**(0.2)**

Recognised in the statement of comprehensive income

	2015 £m	2014 £m
Actual return on schemes' assets	3.3	17.1
Less: expected return on schemes' assets	(5.8)	(6.9)
Actuarial (loss)/gain on schemes' assets	(2.5)	10.2
Actuarial gain/(loss) on defined benefit obligations	13.0	(21.4)
Actuarial gain/(loss) recognised in the statement of comprehensive income	10.5	(11.2)
Tax (charge)/credit on actuarial gain/(loss)	(2.2)	2.3
Minimum funding requirement in relation to the Plowrights scheme	(1.4)	0.9
Tax credit/(charge) on minimum funding requirement	0.3	(0.2)
Net actuarial gain/(loss) on employee benefit obligations	**7.2**	**(8.2)**
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	**(16.0)**	**(26.5)**

Schemes' assets

	2015 %	2015 £m	2014 %	2014 £m
Equities*	48.9	83.2	47.4	77.2
Government bonds*	32.1	54.6	34.3	55.9
Corporate bonds*	12.7	21.6	13.4	21.9
Property	4.2	7.1	3.7	6.0
Cash and other assets	2.1	3.6	1.2	2.0
	100.0	170.1	100.0	163.0

* Based on quoted market prices.

Notes to the consolidated financial statements continued

22 Employee benefits continued

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

	2015 £m	2014 £m
At 1 January	163.0	152.7
Acquired on acquisition	9.8	–
Expected return on assets	5.8	6.9
Contributions	2.3	1.9
Service costs	(0.2)	(0.1)
Insurance income for insured pensioners	0.1	0.1
Benefits paid	(8.2)	(8.7)
Actuarial (loss)/gain	(2.5)	10.2
At 31 December	**170.1**	163.0

The group expects, based on the valuations and funding requirements including expenses, to contribute £2.2m to its defined benefit pension schemes in 2016 (2015: £1.9m).

Defined benefit obligations

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

	2015 £m	2014 £m
At 1 January	173.3	153.6
Acquired on acquisition	14.5	–
Interest costs	6.2	7.0
Actuarial (gain)/loss	(13.0)	21.4
Benefits paid	(8.2)	(8.7)
At 31 December	**172.8**	173.3

The principal valuation assumptions are as follows:

	2015 %	2014 %
Rate of increase in pensions in payment	2.8 – 7.0	2.8 – 7.0
Price inflation (RPI)	3.2	3.2
Price inflation (CPI)	2.2	2.2
Discount rate for scheme liabilities	3.8	3.4

The mortality assumptions used to assess the defined benefit obligation at 31 December 2015 and 31 December 2014 are based on the 'SAPS Light' standard mortality tables published by the actuarial profession. These tables have been adjusted to allow for anticipated future improvements in life expectancy. Examples of the assumed future life expectancy are given in the table below:

		Additional years	
		2015	2014
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	24.4	24.4
	– female	25.6	25.6
Pensioners retiring in 20 years' time	– male	26.2	26.1
	– female	27.5	27.5

Historical comparative information

	2015 £m	2014 £m	2013 £m	2012* £m	2011 £m
Fair value of schemes' assets	**170.1**	163.0	152.7	144.0	138.0
Defined benefit obligations	**(172.8)**	(173.3)	(153.6)	(152.1)	(141.0)
Unrecognised asset	**–**	–	–	–	(1.1)
Minimum funding requirement	**(1.4)**	–	(0.9)	(1.3)	(2.5)
Benefit liability	**(4.1)**	(10.3)	(1.8)	(9.4)	(6.6)
Experience adjustments on schemes' assets	**(2.5)**	10.2	8.5	3.4	1.9
Experience adjustments on schemes' liabilities	**13.0**	(21.4)	1.4	–	(0.3)

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

Sensitivities

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

	Change in assumption	Change in defined benefit obligation
Discount rate for scheme liabilities	+0.5%	-7.5%
	-0.5%	+8.3%
Price inflation (RPI)	+0.5%	+5.7%
	-0.5%	-5.4%

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligation by 4.1% (2014: 4.2%).

23 Share capital

Ordinary shares of 25p each:	2015 Number	2014 Number	2015 £m	2014 £m
At 1 January	**20,598,389**	18,984,691	**5.2**	4.7
Additions	**9,633,378**	1,613,698	**2.4**	0.5
At 31 December	**30,231,767**	20,598,389	**7.6**	5.2

On 2 February 2015, the company issued 9,518,369 shares at a nominal value of £2.4m as part of the acquisition of Platou, refer to note 12.

Throughout 2015, the company issued 115,009 shares at a total value of £1.2m relating to the 2012 ShareSave scheme. The difference between the exercise price of £10.82 and the nominal value of £0.25 has been taken to the share premium account, see note 24.

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

Shares held by employee trusts

The trustees have waived their right to dividends on the shares held in the employee share trust.

24 Other reserves

31 December 2015

	Share premium £m	ESOP reserve £m	Employee benefits reserve £m	Capital redemption reserve £m	Hedging reserve £m	Currency translation reserve £m	Merger reserve £m	Total £m
At 1 January 2015	27.8	(5.4)	4.6	2.0	–	6.5	–	35.5
Total comprehensive loss	–	–	–	–	(1.1)	(19.5)	–	(20.6)
Employee share schemes:								
Share-based payments expense	–	–	1.6	–	–	–	–	1.6
Transfer to profit and loss on vesting	–	0.7	(2.1)	–	–	–	–	(1.4)
Net ESOP shares utilised	–	0.4	–	–	–	–	–	0.4
Total employee share schemes	–	1.1	(0.5)	–	–	–	–	0.6
Share issues	1.2	–	–	–	–	–	177.5	178.7
At 31 December 2015	**29.0**	**(4.3)**	**4.1**	**2.0**	**(1.1)**	**(13.0)**	**177.5**	**194.2**

31 December 2014

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

Nature and purpose of other reserves

ESOP reserve

The ESOP reserve in the group represents 280,106 shares (2014: 411,920 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 2015 was £6.3m (2014: £7.8m). At 31 December 2015 none of these shares were under option (2014: none). During the year the share purchase trusts acquired 481,514 shares at a weighted average price of £22.93 (2014: 215,082 shares at £26.10).

Employee benefits reserve

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

Capital redemption reserve

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

Hedging reserve

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

Currency translation reserve

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

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.

25 Financial commitments and contingencies

Operating lease commitments

The group has entered into commercial leases in relation to land and buildings and other assets on the basis that it is not in the group's best interests to purchase these assets. The leases have a life of between one and 15 years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

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

	2015 £m	2014 £m
Within one year	**6.9**	6.6
After one year but not more than five years	**36.0**	11.0
After five years	**55.1**	34.9
	98.0	52.5

The group has sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 December 2015 is £1.2m (2014: £3.5m).

Contingencies

The group has given no financial commitments to suppliers (2014: none).

The group has given no guarantees (2014: 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 expected to have a material adverse financial impact on the group's consolidated results or net assets.

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

26 Financial risk management objectives and policies

The group's principal financial liabilities comprise trade payables, accruals and loan notes. The group has various financial assets such as trade receivables, current asset investments and cash 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 2015 and 2014, the group's policy that no trading in derivatives shall be undertaken for speculative purposes.

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

Credit risk

The group seeks to trade only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis and any potential bad debts identified at an early stage. The maximum exposure is the carrying amounts as disclosed in note 14; based on experience and ongoing market information about the credit-worthiness of counterparties, we reasonably expect to collect all amounts unimpaired. There are no significant concentrations of credit risk within the group.

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

Notes to the consolidated financial statements continued

26 Financial risk management objectives and policies continued

Liquidity risk

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

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

31 December 2015

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Interest-bearing loans and borrowings	–	–	23.4	23.9	47.3
Trade and other payables	33.2	–	–	7.4	40.6
Deferred consideration	–	0.3	–	0.5	0.8
Provisions	–	–	0.2	–	0.2
	33.2	0.3	23.6	31.8	88.9

31 December 2014

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Trade and other payables	13.8	–	–	1.7	15.5
Deferred consideration	–	0.1	2.0	0.1	2.2
Provisions	–	–	3.0	–	3.0
	13.8	0.1	5.0	1.8	20.7

Foreign exchange risk

The group has transactional currency exposures. Such exposure arises from revenues and expenses by any operation where these are in currencies other than its functional currency, which can significantly impact our results, cash flows and financial position. Revenue for our broking and financial segments is predominantly in US$ and in sterling for our support and research segments.

Our aim is to manage this risk by reducing the impact of any fluctuations. We use foreign currency contracts to reduce exposure to variations in the US$ exchange rate and to meet local currency expenditure in the ordinary course of business.

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

	Strengthening/ (weakening) in US dollar rate	Effect on profit before taxation £m	Effect on equity £m
2015	5%	1.6	1.7
	(5%)	(1.5)	(1.5)
2014	5%	1.4	3.1
	(5%)	(1.3)	(2.8)

The group has used its financial resources during 2015 to settle outstanding Norwegian Krone (NOK) denominated bank loans and overdrafts in Norway.

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

	Strengthening/ (weakening) in NOK rate	Effect on profit before taxation £m	Effect on equity £m
2015	5%	0.7	0.7
	(5%)	(0.6)	(0.6)

Derivative financial instruments

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

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

	Liabilities	
	2015 £m	2014 £m
Foreign currency contracts	**1.4**	–

At 31 December 2015 the group had US$110m outstanding forward contracts due for settlement in 2016, 2017 and 2018 (2014: US$100m for settlement in 2015 and 2016).

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 2015 and 31 December 2014. 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 and NFA and FINRA in the US. Regulatory capital at entity level depends on the jurisdiction in which it is incorporated. In each case, the approach is to hold an appropriate surplus over the local minimum requirement. Each regulated entity complied with their regulatory capital requirements throughout the year.

27 Financial instruments

Fair values

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

– inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31 December.

	Level 2	
	2015 £m	2014 £m
Liabilities		
Foreign currency contracts	**1.4**	–

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

Financial assets

				2015			2014
	Held for trading £m	**Available for sale £m**	**Loans and receivables £m**	**Total £m**	Available for sale £m	Loans and receivables £m	Total £m
Other receivables	**–**	**–**	**7.2**	**7.2**	–	5.0	5.0
Investments	**0.1**	**2.1**	**5.4**	**7.6**	1.9	25.3	27.2
Trade receivables	**–**	**–**	**49.8**	**49.8**	–	32.6	32.6
Cash and cash equivalents	**–**	**–**	**168.4**	**168.4**	–	152.9	152.9
ESOP reserve	**–**	**4.3**	**–**	**4.3**	5.4	–	5.4
	0.1	**6.4**	**230.8**	**237.3**	7.3	215.8	223.1

27 Financial instruments continued

Financial liabilities

	2015		2014	
	Amortised cost £m	**Total £m**	Amortised cost £m	Total £m
Loan notes	**46.1**	**46.1**	–	–
Trade payables	**24.8**	**24.8**	12.4	12.4
Other payables	**15.8**	**15.8**	3.1	3.1
Foreign currency contracts	**1.4**	**1.4**	–	–
Other tax and social security	**2.8**	**2.8**	2.6	2.6
Deferred consideration	**0.8**	**0.8**	2.2	2.2
Accruals	**98.3**	**98.3**	80.5	80.5
Provisions	**0.2**	**0.2**	3.0	3.0
	190.2	**190.2**	103.8	103.8

Loan notes were initially recognised at fair value and have not been designated as 'fair value through profit or loss'. These are subsequently measured at amortised cost using the effective interest method. The carrying value of the loan notes and other current and non-current financial assets and liabilities is deemed to equate to the fair value at 31 December 2015.

28 Related party transactions

As in 2014, the group did not enter into any related party transactions during the year.

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.

	2015 £m	2014 £m
Short-term employee benefits	**6.5**	5.4
Post-employment benefits	**0.1**	0.1
Share-based payments	**0.7**	0.8
	7.3	6.3

Full remuneration details are provided in the directors' remuneration report on pages 43 to 57.

Independent auditors' report to the members of Clarkson PLC

Report on the parent company financial statements

Our opinion

In our opinion, Clarkson PLC's parent company financial statements (the financial statements):

- give a true and fair view of the state of the parent company's affairs as at 31 December 2015 and of its 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 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.

What we have audited

The financial statements, included within the annual report, comprise:

- the parent company balance sheet as at 31 December 2015;
- the parent company statement of changes in equity for the year then ended;
- the parent company cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

Certain required disclosures have been presented elsewhere in the annual report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

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

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

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

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

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Clarkson PLC continued

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the directors' responsibilities statement set out on page 61, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

This report, including the opinions, has been prepared for and only for the 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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

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

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

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

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

Other matter

We have reported separately on the consolidated financial statements of Clarkson PLC for the year ended 31 December 2015.

John Waters Senior statutory auditor

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

4 March 2016

Parent company balance sheet

as at 31 December

	Notes	2015 £m	2014 £m
Non-current assets			
Property, plant and equipment	B	19.2	1.9
Investment property	C	0.3	0.3
Investments in subsidiaries	D	302.5	54.0
Deferred tax asset	E	3.7	5.7
		325.7	61.9
Current assets			
Trade and other receivables	F	63.7	44.9
Income tax receivable		2.7	2.6
Investments	G	5.4	25.3
Cash and cash equivalents	H	0.1	32.1
		71.9	104.9
Current liabilities			
Interest-bearing loans and borrowings	I	(23.1)	–
Trade and other payables	J	(12.7)	(19.2)
Provisions	K	–	(3.0)
		(35.8)	(22.2)
Net current assets		36.1	82.7
Non-current liabilities			
Interest-bearing loans and borrowings	I	(23.0)	–
Trade and other payables	J	(3.6)	(0.7)
Employee benefits	M	(1.5)	(10.3)
		(28.1)	(11.0)
Net assets		333.7	133.6
Capital and reserves			
Share capital	N	7.6	5.2
Other reserves	O	212.5	33.1
Retained earnings		113.6	95.3
Total equity		333.7	133.6

The financial statements on pages 107 to 124 were approved by the board on 4 March 2016, and signed on its behalf by:

James Hughes-Hallett Chairman

Jeff Woyda Chief financial officer and chief operating officer

Registered number: 1190238

Parent company statement of changes in equity

for the year ended 31 December

	Notes	Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
		Attributable to equity holders of the parent			
Balance at 1 January 2015		**5.2**	**33.1**	**95.3**	**133.6**
Profit for the year		–	–	30.7	30.7
Other comprehensive income:					
Actuarial gain on employee benefit schemes – net of tax	M	–	–	6.1	6.1
Total comprehensive income for the year		**–**	**–**	**36.8**	**36.8**
Transactions with owners:					
Employee share schemes		–	0.7	(0.7)	–
Share issues	N,O	2.4	178.7	–	181.1
Tax on other employee benefits		–	–	0.4	0.4
Dividend paid		–	–	(18.2)	(18.2)
		2.4	179.4	(18.5)	163.3
Balance at 31 December 2015		**7.6**	**212.5**	**113.6**	**333.7**

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

Parent company cash flow statement

for the year ended 31 December

	Notes	2015 £m	2014 £m
Cash flows from operating activities			
Profit before taxation		28.9	33.5
Adjustments for:			
Foreign exchange differences		(0.2)	(0.4)
Depreciation of property, plant and equipment	B	1.5	0.9
Depreciation of investment property	C	–	0.1
Share-based payment expense		0.7	0.8
Impairment of investments		4.6	0.2
Difference between pension contributions paid and amount recognised in the income statement		(1.8)	(1.9)
Finance revenue		(46.9)	(52.8)
Finance costs		1.1	–
Other finance costs – pensions		0.3	0.2
Increase in trade and other receivables		(18.3)	(32.2)
(Decrease)/increase in bonus accrual		(2.9)	4.1
(Decrease)/increase in trade and other payables		(5.0)	3.0
(Decrease)/increase in provisions	K	(3.0)	1.0
Cash utilised from operations		(41.0)	(43.5)
Income tax received		2.8	2.5
Net cash flow from operating activities		(38.2)	(41.0)
Cash flows from investing activities			
Interest received		0.1	0.2
Purchase of property, plant and equipment	B	(18.8)	–
Transfer from/(to) current investments (funds on deposit)		20.0	(0.1)
Acquisition of subsidiaries, including settlement of deferred consideration	D	(23.5)	–
Dividends received from investments		46.9	52.6
Net cash flow from investing activities		24.7	52.7
Cash flows from financing activities			
Dividend paid		(18.2)	(10.8)
Repayment of borrowings		(1.5)	–
Proceeds from shares issued (net of transaction costs)	N	1.2	30.6
Net cash flow from financing activities		(18.5)	19.8
Net (decrease)/increase in cash and cash equivalents		(32.0)	31.5
Cash and cash equivalents at 1 January		32.1	0.6
Net foreign exchange differences		–	–
Cash and cash equivalents at 31 December	H	0.1	32.1

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:

Statement of compliance

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

The parent company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement or statement of comprehensive income. The profit for the parent company for the year was £30.7m (2014: £36.4m).

Investments in subsidiaries

The parent company recognises its investments in subsidiaries at cost less provision for impairment. Income is recognised from these investments in relation to distributions received.

B Property, plant and equipment

31 December 2015

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2015	1.9	0.5	6.9	9.3
Additions	–	14.1	4.7	18.8
Disposals	–	(0.5)	(6.6)	(7.1)
At 31 December 2015	1.9	14.1	5.0	21.0
Accumulated depreciation				
At 1 January 2015	0.3	0.5	6.6	7.4
Charged during the year	0.1	0.5	0.9	1.5
Disposals	–	(0.5)	(6.6)	(7.1)
At 31 December 2015	0.4	0.5	0.9	1.8
Net book value at 31 December 2015	1.5	13.6	4.1	19.2

31 December 2014

	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January and 31 December 2014	1.9	0.5	6.9	9.3
Accumulated depreciation				
At 1 January 2014	0.3	0.4	5.8	6.5
Charged during the year	–	0.1	0.8	0.9
At 31 December 2014	0.3	0.5	6.6	7.4
Net book value at 31 December 2014	1.6	–	0.3	1.9

C Investment property

	2015 £m	2014 £m
Cost		
At 1 January and 31 December	0.6	0.6
Accumulated depreciation		
At 1 January	0.3	0.2
Charged during the year	–	0.1
At 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 2015 was £0.6m (2014: £0.7m). This was based on valuations from an independent valuer who has the appropriate professional qualification and recent experience of valuing properties in the location and of the type being valued.

D Investments in subsidiaries

	2015 £m	2014 £m
Cost		
At 1 January	54.0	54.0
Additions	253.1	–
Impairment	(4.6)	–
At 31 December	302.5	54.0

On 2 February 2015, the company acquired 100% of the share capital of RS Platou ASA (Platou), which subsequently changed its name to Clarksons Platou AS, for £249.9m. See note 12 of the consolidated financial statements for further details. On 20 October 2015 the company acquired 100% of the share capital of Clarkson Norway AS for £3.2m from its subsidiary Clarkson Overseas Shipbroking Limited, prior to a merger between Clarkson Norway AS and Clarksons Platou AS.

During the year, the company impaired £4.6m of a direct investment in a subsidiary which has ceased all trading this year. The remaining carrying value represents the fair value of the net assets recoverable of £0.8m which mainly comprises cash.

E Deferred tax asset

		2015 £m	2014 £m
Employee benefits	– on pension benefit liability	0.3	2.1
	– other employee benefits	3.0	2.9
Other temporary differences		0.4	0.7
		3.7	5.7

Included in the above are deferred tax assets of £0.4m (2014: £0.6m) which are due within one year. Deferred tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

All deferred tax movements arise from the origination and reversal of temporary differences.

Notes to the parent company financial statements continued

F Trade and other receivables

	2015 £m	2014 £m
Other receivables	0.1	–
Prepayments and accrued income	0.3	0.3
Owed by group companies	63.3	44.6
	63.7	44.9

The company has no trade receivables (2014: none).

As at 31 December 2015, the company did not provide for related party receivables (2014: £nil). Further details of related party receivables are included in note S.

G Investments

	2015 £m	2014 £m
Funds on deposit	5.4	25.3

The company held £5.4m (2014: £25.3m) in deposits with a maturity of 95 days at the year-end. These deposits are held with an A-rated financial institution.

H Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	0.1	32.1

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 (2014: £32.1m).

I Interest-bearing loans and borrowings

	2015 £m	2014 £m
Current		
Loan notes	23.1	–
Non-current		
Loan notes	23.0	–

Interest-bearing loans and borrowings comprise the vendor loan notes issued as part of the consideration for the Platou acquisition. Interest is charged at 12 month LIBOR plus a margin of 1.25%. The loan notes are repayable in two instalments, on 30 June 2016 and 30 June 2017.

J Trade and other payables

	2015 £m	2014 £m
Current		
Other payables	–	0.4
Owed to group companies	1.5	5.9
Accruals and deferred income	11.2	12.9
	12.7	19.2
Non-current		
Other payables	3.6	0.7

Other payables are non-interest bearing and are normally settled on demand.

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

K Provisions

	2015 £m	2014 £m
At 1 January	3.0	–
Transferred from non-current	–	2.0
Arising during the year	–	1.0
Utilised during the year	(1.7)	–
Released during the year	(1.3)	–
At 31 December	–	3.0

As at 31 December 2014, provisions were recognised for the dilapidation of leasehold premises and the onerous lease on St. Magnus House. During 2015 the dilapidation provision and onerous lease were utilised with the excess released to the income statement.

L Share-based payment plans

	2015 £m	2014 £m
Expense arising from equity-settled share-based payment transactions	0.7	0.8

For more information on the parent company share-based payment plans, see note 21 of the consolidated financial statements.

M Employee benefits

The company operates two defined benefit pension schemes, being the Clarkson PLC scheme and the Plowrights scheme, which are funded by the payment of contributions to separately administered trust funds. 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 deficit on the original scheme of £6.1m as at 31 March 2013. Clarkson PLC and the Trustees agreed to continue the five year funding plan, which ended on 31 March 2015, at the rate of £1.0m per annum; they have further agreed to continue to fund at this level to 31 December 2016.

The valuation of the Plowrights scheme showed a pension deficit of £2.9m as at 31 March 2013. Clarkson PLC and the Trustees agreed to continue the funding plan, which ends on 28 February 2017 at the rate of £0.9m per annum.

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

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

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

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

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

Notes to the parent company financial statements continued

M Employee benefits continued

Other pension arrangements

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

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

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

Recognised in the balance sheet

	2015 £m	2014 £m
Fair value of schemes' assets	160.1	163.0
Present value of funded defined benefit obligations	(160.2)	(173.3)
	(0.1)	(10.3)
Minimum funding requirement in relation to the Plowrights scheme	(1.4)	–
Benefit liability recognised in the balance sheet	(1.5)	(10.3)

A deferred tax asset on the above recognised liability amounting to £0.3m (2014: £2.1m) is shown in note E.

Recognised in the income statement

	2015 £m	2014 £m
Expected return on schemes' assets – recognised in other finance costs – pensions	5.4	6.9
Interest cost on benefit obligation and minimum funding requirement – recognised in other finance costs – pensions	(5.8)	(7.0)
Service cost – recognised in administrative expenses (2014: other finance costs – pensions)	(0.2)	(0.1)
Net benefit charge recognised in the income statement	(0.6)	(0.2)

Recognised in the statement of comprehensive income

	2015 £m	2014 £m
Actual return on schemes' assets	3.2	17.1
Less: expected return on schemes' assets	(5.4)	(6.9)
Actuarial (loss)/gain on schemes' assets	(2.2)	10.2
Actuarial gain/(loss) on defined benefit obligations	11.0	(21.4)
Actuarial gain/(loss) recognised in the statement of comprehensive income	8.8	(11.2)
Tax (charge)/credit on actuarial gain/(loss)	(1.6)	2.3
Minimum funding requirement in relation to the Plowrights scheme	(1.4)	0.9
Tax credit/(charge) on minimum funding requirement	0.3	(0.2)
Net actuarial gain/(loss) on employee benefit obligations	6.1	(8.2)
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	(17.7)	(26.5)

Schemes' assets

	2015 %	2015 £m	2014 %	2014 £m
Equities*	49.5	79.2	47.4	77.2
Government bonds*	32.2	51.5	34.3	55.9
Corporate bonds*	13.5	21.6	13.4	21.9
Property	4.1	6.6	3.7	6.0
Cash and other assets	0.7	1.2	1.2	2.0
	100.0	160.1	100.0	163.0

* Based on quoted market prices.

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

	2015 £m	2014 £m
At 1 January	163.0	152.7
Expected return on assets	5.4	6.9
Contributions	1.9	1.9
Service costs	(0.2)	(0.1)
Insurance income for insured pensioners	0.1	0.1
Benefits paid	(7.9)	(8.7)
Actuarial (loss)/gain	(2.2)	10.2
At 31 December	160.1	163.0

The company expects, based on the valuations and funding requirements including expenses, to contribute £1.9m to its defined benefit pension schemes in 2016 (2015: £1.9m).

Defined benefit obligations

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

	2015 £m	2014 £m
At 1 January	173.3	153.6
Interest costs	5.8	7.0
Actuarial (gain)/loss	(11.0)	21.4
Benefits paid	(7.9)	(8.7)
At 31 December	160.2	173.3

The principal valuation assumptions are as follows:

	2015 %	2014 %
Rate of increase in pensions in payment	2.8 – 7.0	2.8 – 7.0
Price inflation (RPI)	3.2	3.2
Price inflation (CPI)	2.2	2.2
Discount rate for scheme liabilities	3.8	3.4

Notes to the parent company financial statements continued

M Employee benefits continued

The mortality assumptions used to assess the defined benefit obligation of 31 December 2015 and 2014 are based on the 'SAPS Light' standard mortality tables published by the actuarial profession. These tables have been adjusted to allow for anticipated future improvements in life expectancy. Examples of the assumed future life expectancy are given in the table below:

		Additional years 2015	Additional years 2014
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	**24.4**	24.4
	– female	**25.6**	25.6
Pensioners retiring in 20 years' time	– male	**26.2**	26.1
	– female	**27.5**	27.5

Historical comparative information

	2015 £m	2014 £m	2013 £m	2012* £m	2011 £m
Fair value of schemes' assets	**160.1**	163.0	152.7	144.0	138.0
Defined benefit obligations	**(160.2)**	(173.3)	(153.6)	(152.1)	(141.0)
Unrecognised asset	**–**	–	–	–	(1.1)
Minimum funding requirement	**(1.4)**	–	(0.9)	(1.3)	(2.5)
Benefit liability	**(1.5)**	(10.3)	(1.8)	(9.4)	(6.6)
Experience adjustments on schemes' assets	**(2.2)**	10.2	8.5	3.4	1.9
Experience adjustments on schemes' liabilities	**11.0**	(21.4)	1.4	–	(0.3)

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

Sensitivities

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

	Change in assumption	**Change in defined benefit obligation**
Discount rate for scheme liabilities	+0.5%	-7.7%
	-0.5%	+8.5%
Price inflation (RPI)	+0.5%	+6.1%
	-0.5%	-5.7%

An increase of one year in the assumed life expectancy for both males and females would increase the defined benefit obligation by 4.1% (2014: 4.2%).

N Share capital

Ordinary shares of 25p each:	2015 Number	2014 Number	2015 £m	2014 £m
At 1 January	20,598,389	18,984,691	5.2	4.7
Additions	9,633,378	1,613,698	2.4	0.5
At 31 December	30,231,767	20,598,389	7.6	5.2

On 2 February 2015, the company issued 9,518,369 shares at a nominal value of £2.4m as part of the acquisition of Platou, refer to note 12 of the consolidated financial statements.

Throughout 2015, the company issued 115,009 shares at a total value of £1.2m relating to the 2012 ShareSave scheme. The difference between the exercise price of £10.82 and the nominal value of £0.25 has been taken to the share premium account, see note O.

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

O Other reserves

31 December 2015

	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Merger reserve £m	Total £m
At 1 January 2015	27.8	3.3	2.0	–	33.1
Employee share schemes:					
Share-based payments expense	–	1.0	–	–	1.0
Transfer to profit and loss on vesting	–	(0.3)	–	–	(0.3)
Total employee share schemes	–	0.7	–	–	0.7
Share issues	1.2	–	–	177.5	178.7
At 31 December 2015	29.0	4.0	2.0	177.5	212.5

31 December 2014

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

Nature and purpose of other reserves

Capital redemption reserve

The capital redemption reserve arose on previous share buy-backs by the company.

Merger reserve

This comprises the premium on the share placing in November 2014 and the shares issued in February 2015 as part of the Platou acquisition. No share premium is recorded in the financial statements, through the operation of the merger relief provisions of the Companies Act 2006.

Notes to the parent company financial statements continued

P Financial commitments and contingencies

Operating lease commitments

The company has entered into a commercial lease in relation to land and buildings on the basis that it is not in the company's best interests to purchase these assets. The lease has a life of 15 years with renewal terms included in the contract. There are no restrictions placed upon the company by entering into this lease.

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

	2015 £m	2014 £m
Within one year	1.1	4.3
After one year but not more than five years	16.1	8.0
After five years	41.0	34.5
	58.2	46.8

The company has sublet space in its property. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 December 2015 is £1.0m (2014: £3.5m).

Contingencies

The company has given no financial commitments to suppliers (2014: none).

The company has given no guarantees (2014: 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 purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors.

Q Financial risk management objectives and policies

The company's principal financial liabilities comprised loans from group companies and accruals. The company has various financial assets such as current asset investments and cash, 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 2015

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Interest-bearing loans and borrowings	–	–	23.4	23.9	47.3
Trade and other payables	–	–	–	3.6	3.6
	–	–	23.4	27.5	50.9

31 December 2014

	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Trade and other payables	0.4	–	–	0.7	1.1
Provisions	–	–	3.0	–	3.0
	0.4	–	3.0	0.7	4.1

R Financial instruments

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

Financial assets

	2015 Loans and receivables £m	2015 Total £m	2014 Loans and receivables £m	2014 Total £m
Other receivables	0.1	0.1	–	–
Owed by group companies	63.3	63.3	44.6	44.6
Investments	5.4	5.4	25.3	25.3
Cash and cash equivalents	0.1	0.1	32.1	32.1
	68.9	68.9	102.0	102.0

Financial liabilities

	2015 Amortised cost £m	2015 Total £m	2014 Amortised cost £m	2014 Total £m
Loan notes	46.1	46.1	–	–
Other payables	3.6	3.6	1.1	1.1
Owed to group companies	1.5	1.5	5.9	5.9
Accruals	11.1	11.1	12.9	12.9
Provisions	–	–	3.0	3.0
	62.3	62.3	22.9	22.9

Notes to the parent company financial statements continued

S Related party transactions

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

Transactions with subsidiaries during the year were as follows:

	2015 £m	2014 £m
Management fees charged	2.7	1.8
Rent receivable	2.1	–
Dividends received	46.9	52.6
Impairment of investments in subsidiaries	(4.6)	–

Balances with subsidiaries at 31 December were as follows:

	2015 £m	2014 £m
Amounts owed by related parties	63.3	44.6
Amounts owed to related parties	(1.5)	(5.9)

There were no terms or conditions attached to these balances.

Compensation of key management personnel (including directors)

There were no key management personnel in the company apart from the Clarkson PLC directors. Details of their compensation are set out in note 28 to the consolidated financial statements.

T Subsidiaries

The group had the following subsidiaries at 31 December 2015:

Company	Country of incorporation	Principal activity	Direct or indirect	% of equity shares
Clarkson Capital Markets LLC*	USA	Debt and equity underwritings, private placements, equity trading and financial advisory services	Indirect	100
Clarkson Morocco Sarl*	Morocco	Shipbroking	Indirect	100
Clarkson Port Services Limited	England and Wales	Provision of ship agency and port services	Indirect	100
Clarkson Property Holdings Limited	England and Wales	Provision of property-related services	Direct	100
Clarkson Research Services Limited	England and Wales	Provision of research services and products relating to shipping and offshore	Indirect	100
Clarkson Shipbroking (Shanghai) Co Limited	China	Shipbroking	Indirect	100
Clarkson Shipping Agency	Egypt	Provision of ship agency and port services	Indirect	**48
Clarkson Shipping Services India Private Limited	India	Shipbroking	Indirect	100
Clarkson Valuations Limited	England and Wales	Provision of valuation services to the shipping industry	Indirect	100
Clarksons Platou (Africa) Limited	England and Wales	Shipbroking	Indirect	100
Clarksons Platou (Australia) Pty Limited	Australia	Shipbroking	Indirect	100
Clarksons Platou (Brasil) Ltda*	Brazil	Shipbroking	Indirect	100
Clarksons Platou (Hellas) Limited	Marshall Islands ***	Shipbroking	Indirect	100
Clarksons Platou (Italia) Srl	Italy	Shipbroking	Direct	100
Clarksons Platou (Nederland) BV*	The Netherlands	Shipbroking	Indirect	100
Clarksons Platou (Offshore) Limited	England and Wales	Shipbroking	Indirect	100
Clarksons Platou (South Africa) (Pty) Limited*	South Africa	Shipbroking	Indirect	100
Clarksons Platou (Sweden) AB*	Sweden	Shipbroking	Indirect	100
Clarksons Platou AS	Norway	Shipbroking	Direct	100
Clarksons Platou Asia Limited	Hong Kong	Shipbroking	Indirect	100
Clarksons Platou Asia Pte. Limited	Singapore	Shipbroking	Indirect	100
Clarksons Platou Commodities USA LLC	USA	Introducing broker for LPG swaps	Indirect	100
Clarksons Platou Debt and Leasing Solutions Limited	England and Wales	Provision of advice on finance structuring for shipping-related projects	Direct	100
Clarksons Platou DMCC	UAE	Shipbroking	Indirect	100
Clarksons Platou Drift AS	Norway	Provision of property-related services	Indirect	25
Clarksons Platou Futures Limited	England and Wales	Brokerage of shipping-related derivative financial instruments	Direct	100
Clarksons Platou Futures Pte. Limited	Singapore	Brokerage of shipping-related derivative financial instruments	Indirect	100
Clarksons Platou GmbH*	Germany	Shipbroking	Indirect	100

Notes to the parent company financial statements continued

T Subsidiaries continued

Company	Country of incorporation	Principal activity	Direct or indirect	% of equity shares
Clarksons Platou Investor Services AS	Norway	Accounting services	Indirect	50.02
Clarksons Platou Legal Services Limited	England and Wales	Provision of legal services to the shipping industry	Indirect	100
Clarksons Platou Offshore (Asia) Pte. Limited	Singapore	Shipbroking	Indirect	100
Clarksons Platou Project Finance AS	Norway	Shipping and offshore project syndication	Indirect	50.02
Clarksons Platou Project Sales AS	Norway	Equity placements for shipping, offshore and real estate projects and secondary trading of project ownership	Indirect	31
Clarksons Platou Property Management AS	Norway	Provision of property-related services	Indirect	25
Clarksons Platou Real Estate AS	Norway	Real estate project syndication	Indirect	31
Clarksons Platou Securities AS	Norway	Equity and fixed income sales and trading, research and corporate finance services, including equity and debt capital markets and M&A transactions	Indirect	100
Clarksons Platou Securities Inc	USA	Equity and fixed income sales and trading, research and corporate finance services, including equity and debt capital markets and M&A transactions	Indirect	100
Clarksons Platou Securities Limited	England and Wales	Provision of investment advice to the shipping industry	Direct	100
Clarksons Platou Shipbroking (Switzerland) SA	Switzerland	Shipbroking	Indirect	100
Clarksons Platou Shipping Services USA LLC	USA	Shipbroking	Indirect	100
Clarksons Platou Tankers AS	Norway	Shipbroking	Indirect	100
Company Event Management Limited	England and Wales	Event management services	Indirect	100
Gibb Tools Limited	Scotland	Supply of tools for industrial, commercial and retail use	Indirect	100
H. Clarkson & Company Limited	England and Wales	Shipbroking	Indirect	100
LNG Shipping Solutions Limited	England and Wales	Shipbroking	Indirect	100
Manfin Consult AS*	Norway	Shipping and offshore project syndication	Indirect	51.1
Norwegian Marine Services AS	Norway	Shipping and offshore project syndication	Indirect	100
Shiplease Management AS	Norway	Shipping and offshore project syndication	Indirect	50.02
Clarkson Australia Holdings Pty Limited	Australia	Holding company	Indirect	100
Clarkson Holdings Limited*	England and Wales	Holding company	Indirect	100
Clarkson Overseas Shipbroking Limited	England and Wales	Holding company	Indirect	100
Clarkson Research Holdings Limited	England and Wales	Holding company	Direct	100
Clarkson Shipbroking Group Limited	England and Wales	Holding company	Direct	100
Clarkson Shipping Investments Limited	England and Wales	Holding company	Direct	100
Clarksons Platou (USA) Inc*	USA	Holding company	Indirect	100
Clarksons Platou Offshore (Singapore) Pte. Limited	Singapore	Holding Company	Indirect	100
Genchem Holdings Limited	England and Wales	Holding company	Direct	100
Afromar Properties (Pty) Limited*	South Africa	Non-trading	Indirect	100
Bonus Plus Investments Limited	Hong Kong	Non-trading	Indirect	100

Company	Country of incorporation	Principal activity	Direct or indirect	% of equity shares
Boxton Holding AS	Norway	Non-trading	Indirect	100
Clarkson (BVI) Limited*	British Virgin Islands	Non-trading	Indirect	100
Clarkson Logistics (HK) Limited	Hong Kong	Non-trading	Indirect	100
Clarkson New Zealand Limited*	New Zealand	Non-trading	Indirect	100
Clarkson Paris	France	Non-trading	Direct	100
Clarkson Port Services Ireland Limited	Ireland	Non-trading	Indirect	100
Diligent Challenger Limited	Hong Kong	Non-trading	Indirect	100
Rigships FZCO*	UAE	Non-trading	Indirect	55
RS Platou (Hellas) Limited	Cyprus	Non-trading	Indirect	51
RS Platou (USA) Inc*	USA	Non-trading	Indirect	100
RS Platou Africa Limited	Jersey	Non-trading	Indirect	100
RS Platou Energy LLP	England and Wales	Non-trading	Indirect	51
RS Platou Finance Singapore Pte. Limited*	Singapore	Non-trading	Indirect	50.02
RS Platou Houston Inc*	USA	Non-trading	Indirect	100
RS Platou LLP	England and Wales	Non-trading	Indirect	51
Stewart Offshore Ghana Limited	Ghana	Non-trading	Indirect	75
Stewart Offshore Services (Jersey) Limited	Jersey	Non-trading	Indirect	100
Calypso Shipping Investments Limited*	England and Wales	Dormant	Indirect	100
Clarkson Capital Limited*	England and Wales	Dormant	Direct	100
Clarkson Dry Cargo Limited*	England and Wales	Dormant	Indirect	100
Clarkson Ewings Limited	Northern Ireland	Dormant	Indirect	100
Clarkson Investment Services (DIFC) Limited*	UAE	Dormant	Indirect	100
Clarkson IQ Limited*	England and Wales	Dormant	Indirect	100
Clarkson Logistics Limited*	England and Wales	Dormant	Indirect	100
Clarkson Market Analysis Limited*	England and Wales	Dormant	Indirect	100
Clarkson Sale and Purchase Limited*	England and Wales	Dormant	Indirect	100
Clarkson Shipbrokers Limited*	England and Wales	Dormant	Indirect	100
Clarkson Shipping Services Acquisition USA LLC	USA	Dormant	Indirect	100
Clarkson Tankers Limited*	England and Wales	Dormant	Indirect	100
Coastal Shipping Limited*	England and Wales	Dormant	Indirect	100
EnShip Limited*	Scotland	Dormant	Indirect	100
Halcyon Shipping Limited*	England and Wales	Dormant	Indirect	100
J. O. Plowright & Co. (Holdings) Limited*	England and Wales	Dormant	Direct	100
Levelseas Limited*	England and Wales	Dormant	Indirect	100
LNG UK PLC*	England and Wales	Dormant	Direct	100

Notes to the parent company financial statements continued

T Subsidiaries continued

Company	Country of incorporation	Principal activity	Direct or indirect	% of equity shares
Marinet (Ship Agencies) Limited*	England and Wales	Dormant	Indirect	100
Michael F. Ewings (Shipping) Limited	Northern Ireland	Dormant	Indirect	100
Oilfield Publications Limited*	England and Wales	Dormant	Indirect	100
RS Platou AM Holding AS	Norway	Dormant	Indirect	100
RS Platou Economic Research AS*	Norway	Dormant	Indirect	100
RS Platou Geneve (Dry) SA*	Switzerland	Dormant	Indirect	100
RS Platou Offshore AS*	Norway	Dormant	Indirect	100
RS Platou Shipbrokers AS*	Norway	Dormant	Indirect	100
Samuel Stewart & Co (London) Limited*	England and Wales	Dormant	Indirect	100
Shipvalue.net Limited*	England and Wales	Dormant	Indirect	100
Small and Co. (Shipping) Limited*	England and Wales	Dormant	Indirect	100
Stewart Offshore Services Limited*	England and Wales	Dormant	Indirect	100
The Stewart Group Limited*	England and Wales	Dormant	Indirect	100
Waterfront Services Limited*	Northern Ireland	Dormant	Indirect	100

* Exempt from audit ** 100% controlled *** Trading in Greece

Glossary

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

Glossary continued

FOB	Free on Board. Cost of the delivery of goods is the seller's responsibility only up to the port of loading. The freight is paid for by the buyer of the goods.
Forward order book (FOB)	Estimated commissions collectable over the duration of the contract as principal payments fall due. The forward order book is not discounted.
FOSVA	Forward Ship Value Agreement. An FFA based product designed specifically for the sale and purchase market.
FPSO	Floating Production, Storage and Offloading unit. Used offshore for the production and processing of hydrocarbons in remote deepwater areas.
Freight rate	The agreed charge for the carriage of cargo expressed per tonne of cargo (also Worldscale in the tanker market) or as a lump sum.
Handysize	Bulk carrier size range defined by Clarksons as 10-40,000 dwt or tanker size range defined by Clarksons as 10-60,000 dwt.
Handymax	Bulk carrier size range defined by Clarksons as 40-65,000 dwt. Includes supramax and ultramax vessels.
IMO	International Maritime Organisation. A United Nations agency devoted to shipping.
ISM code	International Safety Management code for the safe operation of ships and for pollution prevention as adopted by the IMO.
LGC	Large Gas Carrier. Vessel defined by Clarksons as 40-65,000 cbm.
LNG	Liquefied Natural Gas.
LPG	Liquefied Petroleum Gas.
LR1	Long Range 1. Coated products tanker defined by Clarksons as 60,000-80,000 dwt.
LR2	Long Range 2. Coated products tanker defined by Clarksons as 80,000-120,000 dwt.
MGC	Mid-sized Gas Carrier. Vessel defined by Clarksons as 20-40,000 cbm.
MLP	Master Limited Partnership. A limited partnership that is publicly traded on a securities exchange.
MOA	Memorandum of Agreement.
MR	Medium Range. A product tanker of around 45-60,000 dwt.
MT	Metric tonne (see tonne).
NGL	Natural gas liquids.
OBO	Oil, Bulk, Ore carrier (see combination carrier).
Oil tanker	Tanker carrying crude oil or refined oil products.
OPEC	Organisation of the Petroleum Exporting Countries.
OSV	Offshore Support Vessels. Such as AHTSs and PSVs. Ships engaged in providing support to offshore rigs and oil platforms.
OTC	Over the counter. Directly between two parties, without any supervision of an exchange.
Panamax	Bulk carrier size range defined by Clarksons as 65-100,000 dwt or tanker size range defined as 60-80,000 dwt. Containership size range defined as vessels 3,000+ TEU capable of transiting the Panama Canal.
Parcel tanker	Tanker equipped to carry several types of cargo simultaneously.
Product tanker	Tanker that carries refined oil products.
PSV	Platform Supply Vessel. Used in supporting offshore rigs and platforms by delivering materials to them from onshore.
Reefer	A vessel capable of handling refrigerated cargoes such as meat, fish and fruit.
Ro-Ro	Ship with roll-on roll-off ramps for wheeled or tracked cargo.
Semi-refrigerated	Semi-refrigerated gas carriers. Ships which employ a combination of refrigeration and pressurisation to maintain the transported gas in liquid form.

Shipbroker	A person/company who on behalf of a shipowner/shipper negotiates a deal for the transportation of cargo at an agreed price. Shipbrokers also act on behalf of shipping companies in negotiating the purchasing and selling of ships, both secondhand tonnage and newbuilding contracts.
Shuttle tanker	Tanker carrying oil from offshore fields to terminals.
SOx/NOx	Sulphur Oxides/Nitrogen Oxides. A ship's emissions of which are subject to regulatory limits.
Spot business	Broker commission negotiated and invoiced within the same business year.
Spot market	Short-term contracts for voyage, trip or short-term time charters, normally no longer than three months in duration.
Suezmax	A tanker size range defined by Clarksons as 120-200,000 dwt.
Supramax	A sub-sector of the wider handymax bulk carrier fleet defined by Clarksons as 50-60,000 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).
ULCC	Ultra Large Crude Carrier. Tanker of more than 320,000 dwt.
Ultramax	A modern sub-sector of the wider handymax bulk carrier fleet, defined by Clarksons as 60-65,000 dwt, including some vessels up to 70,000 dwt.
VLCC	Very Large Crude Carrier. Tanker over 200,000 dwt.
VLGC	Very Large Gas Carrier. Vessel defined by Clarksons as 65,000 cbm or larger.
Voyage charter	The transportation of cargo from port(s) of loading to port(s) of discharge. Payment is normally per tonne of cargo, and the shipowner pays for bunker, port and canal charges.
Voyage costs	Costs directly related to a specific voyage (e.g. bunker, port and canal charges).
Wet (market)	Generic term for the tanker market.
Worldscale (WS)	An international index of freight for tankers. Worldscale is a schedule of freight rates for a standard ship in US dollars per tonne of oil for an array of oil routes. The rates listed in the table are designated as Worldscale Flat or WS100 and are revised annually.

Five year financial summary

Income statement

	2015* £m	2014* £m	2013* £m	2012*† £m	2011* £m
Revenue	**301.8**	237.9	198.0	176.2	194.6
Cost of sales	**(10.3)**	(13.3)	(6.2)	(6.3)	(3.4)
Trading profit	**291.5**	224.6	191.8	169.9	191.2
Administrative expenses	**(242.0)**	(191.3)	(166.9)	(150.8)	(161.0)
Operating profit	**49.5**	33.3	24.9	19.1	30.2
Profit before taxation	**50.5**	33.8	25.1	20.0	32.2
Taxation	**(12.6)**	(8.7)	(6.9)	(6.0)	(9.5)
Profit for the year	**37.9**	25.1	18.2	14.0	22.7

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

Cash flow

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Net cash inflow/(outflow) from operating activities	**24.7**	37.8	22.8	(4.4)	7.2

Balance sheet

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Non-current assets	**310.7**	65.7	63.9	65.2	63.5
Inventories	**0.9**	1.4	0.9	–	–
Trade and other receivables (including income tax receivable)	**63.0**	44.2	47.8	33.5	38.1
Current asset investments	**5.7**	25.3	25.2	25.2	–
Cash and cash equivalents	**168.4**	152.9	96.9	89.4	132.9
Current liabilities	**(168.5)**	(108.1)	(89.4)	(72.2)	(99.9)
Non-current liabilities	**(39.3)**	(14.1)	(7.6)	(15.1)	(11.3)
Net assets	**340.9**	167.3	137.7	126.0	123.3

Statistics

	2015	2014	2013	2012	2011
Earnings per share – basic*	**121.9p**	134.2p	98.0p	74.8p	121.5p
Dividend per share	**62p**	60p	56p	51p	50p

* Before exceptional items and acquisition costs.

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FSC® – The Forest Stewardship Council® runs a global certification system that ensures timber produced in certified forests has been traced from the tree to the end user. The FSC® certification claim can only be used by certified printers.

Thank you.

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