H. CLARKSON & COMPANY LIMITED

Annual Report 2015

H. CLARKSON & COMPANY LIMITED

CONTENTS

H. CLARKSON & COMPANY LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

The directors of the company who were in office during the year and up to the date of signing the financial statements are set out below:

J R Auckland
J Bagger
T G Baggio
T M Barraclough
T W Becker
J B Beckwith
H Brinkhorst
P Broad
J D Brynteson
M J C Cahill
A L Case
S Chattrabhuti
R H Coleman
D N E Collins
R S M Coulter
C Cridland
P J Curry
D R Dancy
M F Dentice
S D Emmott
A G Furze
N D G Gill
B F Goodall
M W Goodall
S Goodrich
A J Gray
J F Green
J D Green
M G Grimwade
P Harding
R A Hartless
A Hatfield
R Hemminga
D P Insole
S B Jones
S Kay
R C Knight
A G R Lane
D P Lepper
M Lindsey
D Low
J McNally
K Michie
P G J Middleton
D Mikhno
J Milner
Lord Mountevans
C B Murray
S Nair
M C E Neale
D J Newton
P D Osgood
K E Ovesen
A J T Persenda
D M Potts
R G J Poyntz
G J Preece
M Roberts
J E J Rogers
M A Ross
M P Rowe
D J Saxby
G Sewell
A J Spooner
W Stephens
K J Taylor
N Tsangarides
R N Tubb
H C Van Niekerk
C G P Verdult
C Y Wang
J P Webber
R H White
R B Whittet
N C Williams
H E N Wilsher
J D Woyda
V Yang
S Zois

ADVISORS

INDEPENDENT AUDITORS
PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

COMPANY SECRETARY AND REGISTERED OFFICE
P Watson
Commodity Quay
St Katharine Docks
London
E1W 1BF

H. CLARKSON & COMPANY LIMITED

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their strategic report for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The company's principal activities during the year continued to be the provision of shipping-related services. These services include broking facilities for shipowners and charterers.

KEY PERFORMANCE INDICATORS

The directors of the group manage operations on a segmental basis. For this reason, the company's directors believe that analysis using key performance indicators should be viewed in the context of the group. H. Clarkson & Company Limited operates within the broking segment which is discussed at group level.

A review of the business by division is given below. The amounts shown exclude adjustments such as foreign exchange differences and accommodation recharges.

PRINCIPAL RISKS AND UNCERTAINTIES

The identification, control and monitoring of risks facing the business remains a management priority and steps continue to be taken to further improve our risk management procedures. The principal risks monitored are foreign exchange risk, credit risk, liquidity risk, reputational risk and operational risk.

Foreign exchange risk
The major trading currency of the company is the US dollar. Movements in the US dollar relative to other currencies, particularly pounds sterling, have the potential to impact the results of the company both in terms of operating results and the revaluation of the balance sheet. The company assesses the rate of exchange and non-sterling balances held continually, and has predominantly sold in the spot market during 2015, though some forward contracts for 2016, 2017 and 2018 has been taken.

Credit risk
The company has an extensive client base, across all regions of the world, and is exposed to credit-related losses from the non-payment of invoices by these clients. The company mitigates this risk by closely monitoring outstanding amounts, both locally and globally, and by adopting a conservative approach to accounting for bad debt. Uncertainty in freight markets continues to affect the amount of debt that may be irrecoverable.

Liquidity risk
The company's policy is to maintain sufficient funds to meet all of its foreseeable requirements. The strong generation of cash flow in the business, combined with the cash available in the balance sheet, means that the group is well placed to fund future developments of its global business.

Reputational risk
The company has built an enviable reputation in the market and relies upon this to attract business from all major participants in its markets. The company protects against reputational risks by promoting an ethical work environment and providing training programmes where appropriate. Our dedicated training officer and training programme continues to improve consistency and approach. Investment in compliance, quality assurance and legal functions also act to ensure that best practices are put in place throughout the company.

Operational risk
Operational risks are where the company may suffer direct or indirect losses from people, systems, external influences or failed processes. The company continually reviews the systems in place to mitigate against operational risk, and puts in place plans to protect against such risks wherever they are significant or practicable. Examples include business continuity plans, staff contracts and IT security arrangements. The company also keeps in place and under review appropriate levels of insurance cover.

TRANSITION TO FRS 102

H. Clarkson & Company Limited is presenting its results under FRS 102 for the current financial year. Historically the company's results have been reported under UK GAAP. There has been no material effect on the entity's financial performance or disclosures in relation to the transition to the new reporting standards, FRS 102.

BUSINESS REVIEW

Whilst shipping and offshore markets have seen some good opportunities during 2015, overall there have been unprecedented challenges, so we are very pleased that H. Clarkson & Company Limited 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.

The entity's principal objectives and strategies are consistent with that of the ultimate parent company; these are discussed in the group's Annual Report which does not form part of this report.

Broking activities:

Revenue: £103.5m	(2014: £101.9m)
Result: £20.5m	(2014: £24.0m)
Forward order book for 2016: US$74.4m	(2014 for 2015: US$65m*)

* Directors' best estimates 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 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.

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 container team leveraged its truly global network to drive fixing volumes.

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.

Strategic Report (continued)
Broking activities (continued):

Tankers (continued)

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).

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 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 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.

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 specialised products team has had a busy year and 2015 has seen us develop and expand our service offer in this market. Over the course of the year we strengthened the team further with key hires.

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.

Strategic Report (continued)
Broking activities (continued):

Gas (Continued)

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

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.

Strategic Report (continued)
Broking activities (continued):

Secondhand (continued)

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 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 company were, however, capitalised upon and a number of notable projects were concluded.

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.

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 offshore team has fared comparatively well. The strength of our team 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.

By order of the board
P Watson
Company Secretary

24 May 2016

H. CLARKSON & COMPANY LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and audited financial statements of the company for the year ended 31 December 2015, which were approved by them on 24 May 2016.

FUTURE DEVELOPMENTS

An increased forward order book within broking means that we begin 2016 with a degree of optimism. The shipping markets have begun to show signs of improvement and we are confident that our strategy to provide the best service to our clients should in turn provide enhanced shareholder return in the future.

RESULTS AND DIVIDENDS

The company's profit for the financial year is £17.6m (2014: £19.2m). Dividends totalling £20.0m (2014: £20.0m) were paid during the year. Transfers from reserves amounted to £2.4m (2014: £0.8m).

The directors recommend a final dividend for the year of £18.0m (2014: £20.0m).

The business review, principal risks and uncertainties, financial risk management and any key performance indicators are detailed under the strategic report section of these financial statements.

DIRECTORS

The current directors of the company on 24 May 2016 are shown on page 1.

Appointments in the year were as follows:

D R Dancy	(appointed 23 June 2015)
R Hemminga	(appointed 23 June 2015)
D M Potts	(appointed 1 March 2016)

Resignations during the year were as follows:

G W E Murray	(resigned 27 April 2015)
R M Nair	(resigned 30 June 2015)

DIRECTORS' INDEMNITIES, INSURANCE AND CONFLICTS OF INTEREST

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

EMPLOYMENT

The company employed 352 staff (2014: 348) at the end of 2015, 270 (2014: 272) in positions whereby they contribute directly to the earning of revenue and 82 (2014: 76) employed in supporting roles. The company seeks to employ, motivate and retain high calibre staff. To retain flexibility, incentivise staff and protect the company's earnings, a significant proportion of total annual compensation is made in the form of variable discretionary bonuses linked to profits.

We seek to appoint the best candidate for each and every vacancy. All appointments within the company 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 process to accommodate a person's disabilities.

The company depends on the skills and commitment of its employees and ongoing training programmes seek to update knowledge and ensure that the company's goals are met in a correct and efficient way. Everyone is given the chance to reach their full potential and is treated fairly, applying the principles of equality and diversity. The company's core strength is its people and attracting and retaining the best is key to its success.

The policy of communication with employees is of high priority. Employees are provided with full information on all aspects of the business operations and are encouraged to have an active interest in promoting its commercial success. The company's intranet is accessible by all employees and contains current news and other employee information. Clarkson News, the group's in-house magazine, provides employees and former employees who are now pensioners with information about the group and staff issues.

Participation in the group's ShareSave scheme allows employees to participate in the group's share price performance, and offers the opportunity, on maturity of the scheme, for employees to become shareholders in the group and share in its continued growth and success.

DISCLOSURE OF INFORMATION TO AUDITORS

At the date of this report, as far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and they have taken all the steps that ought to have been taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the group and parent company financial statements (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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102).

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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of 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 comply with the Companies Act 2006. 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.

By order of the board
P Watson
Company Secretary

24 May 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF H. CLARKSON & COMPANY LIMITED

REPORT ON THE FINANCIAL STATEMENTS

Our opinion

In our opinion, H. Clarkson & Company Limited's financial statements (the "financial statements"):

- *give a true and fair view of the state of the company's affairs* as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 balance sheet as at 31 December 2015;
- the profit and loss account and statement of comprehensive income for the year then ended;
- the 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.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

OPINION ON MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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.

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

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.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, 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 International Standards on Auditing (UK and Ireland) ("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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF H. CLARKSON & COMPANY LIMITED (CONTINUED)

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 company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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

John Waters (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

24 May 2016

PROFIT AND LOSS ACCOUNT

	Note	2015 £m	2014 £m
TURNOVER	5	**103.5**	102.2
Administrative expenses		**(83.3)**	(78.4)
Other operating gains		**0.3**	0.4
OPERATING PROFIT	5 & 7	**20.5**	24.2
Income from other fixed asset investments	6	**1.1**	0.1
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAX		**21.6**	24.3
Interest receivable and similar income	6	**0.6**	0.3
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX		**22.2**	24.6
Tax on profit on ordinary activities	10	**(4.6)**	(5.4)
PROFIT FOR THE FINANCIAL YEAR		**17.6**	19.2

All amounts arise from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

	Note	2015 £m	2014 £m
Profit for the financial year		**17.6**	19.2
Other comprehensive expense: Foreign currency hedge - net of tax	18	**(1.1)**	(3.4)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**16.5**	15.8

There are no material differences between the profit on ordinary activities before tax and the profit for the financial year stated above and their historical cost equivalents.

The notes set out on pages 14 to 22 are an integral part of these financial statements.

H. CLARKSON & COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

BALANCE SHEET

	Note	2015 £m	2014 £m
FIXED ASSETS			
Intangible assets	12	**0.8**	0.9
Tangible assets	13	**-**	-
Investments	14	**0.2**	0.2
		1.0	1.1
CURRENT ASSETS			
Debtors	15	**40.5**	49.0
Cash at bank and in hand		**57.0**	47.2
		97.5	96.2
CREDITORS: amounts falling due within one year	16	**(76.5)**	(71.8)
NET CURRENT ASSETS		**21.0**	24.4
NET ASSETS		**22.0**	25.5
CAPITAL AND RESERVES			
Called-up share capital	17	**1.4**	1.4
Hedging reserve	18	**(1.1)**	-
Retained Earnings	18	**21.7**	24.1
TOTAL EQUITY	19	**22.0**	25.5

The notes set out on pages 14 to 22 are an integral part of these financial statements.

The financial statements on pages 11 to 22 were approved by the board of directors on 24 May 2016, and were signed on its behalf by:

M J C Cahill *Director*

H. Clarkson & Company Limited
Company Registration No. 00152738

24 May 2016

H. CLARKSON & COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

STATEMENT OF CHANGES IN EQUITY

	Note	Called-up share capital £m	Hedging reserve £m	Retained earnings £m	Total equity £m
BALANCE AS AT 1 JANUARY 2014		1.4	3.4	24.9	29.7
Profit for the year	18	-	-	19.2	19.2
Other comprehensive income for the year	18	-	(3.4)	-	(3.4)
Total comprehensive income for the year		-	(3.4)	19.2	15.8
Dividends	11	-	-	(20.0)	(20.0)
Total transactions recognised directly in equity		-	-	(20.0)	(20.0)
BALANCE AS AT 31 DECEMBER 2014		1.4	-	24.1	25.5
BALANCE AS AT 1 JANUARY 2015		**1.4**	**-**	**24.1**	**25.5**
Profit for the year	18	**-**	**-**	**17.6**	**17.6**
Other comprehensive income for the year	18	**-**	**(1.1)**	**-**	**(1.1)**
Total comprehensive income for the year		**-**	**(1.1)**	**17.6**	**16.5**
Dividends	11	**-**	**-**	**(20.0)**	**(20.0)**
Total transactions recognised directly in equity		**-**	**-**	**(20.0)**	**(20.0)**
BALANCE AS AT 31 DECEMBER 2015		**1.4**	**(1.1)**	**21.7**	**22.0**

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.

The notes set out on pages 14 to 22 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

H. Clarkson & Company Limited provides shipping-related services. These services include broking facilities for shipowners and charterers.

The company is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Commodity Quay, St Katharine Docks, London, E1W 1BF.

2 STATEMENT OF COMPLIANCE

The individual financial statements of H.Clarkson & Company Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Details of the transition to FRS 102 are disclosed in note 25.

(a) BASIS OF PREPARATION

The financial statements are prepared on a 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 preparation of financial statements (in conformity with FRS 102) requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(b) EXEMPTIONS FOR QUALIFYING ENTITIES UNDER FRS 102

The company is exempt from the requirement to produce consolidated financial statements by virtue of section 400 of the Companies Act 2006. The company is included in the consolidated financial statements of Clarkson PLC, a company registered in England and Wales. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent company, Clarkson PLC, includes the company's cash flows in its own consolidated financial statements.

(c) FOREIGN CURRENCIES

The financial statements are presented in pounds sterling and rounded to millions. The company's functional and presentation currency is the pound sterling. 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 profit and loss account.

(d) REVENUE RECOGNITION

Turnover consists of commissions receivable from dry bulk chartering, container chartering, deep sea chartering, offshore and specialised products chartering, gas chartering and sale and purchase broking and is recognised by reference to the stage of completion. Stage of completion is measured by reference to the underlying commercial contract.

(e) INCOME FROM FIXED ASSET INVESTMENTS

This represents dividends received from subsidiary companies and investments which are recognised when they are paid.

(f) EMPLOYEE BENEFITS

The company provides a range of benefits to employees, including share-based payment arrangements and defined benefit and defined contribution pension plans.

(i) Share-Based Payment Transactions

The company operates a number of equity-settled, share-based compensation plans. The fair value of the employee services in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the awards granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of awards that are expected to vest. At each balance sheet date, the company revises its estimates of the number of awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Pensions

The company participates in two defined benefit group schemes, being the Clarkson PLC scheme and the Plowrights scheme. The charge to annual profits for the defined benefit element of the UK pension scheme is calculated so as to recognise the cost on a rational and systematic basis over the period of the employees' service lives. Any adjustment arising from prior years is spread over the expected remaining service lives as a percentage of salary roll. The Clarkson PLC scheme 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. As it is not possible to identify the company's share of the scheme's assets and liabilities, these schemes are accounted for as defined contribution schemes.

The company also operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the schemes.

(g) TAXATION

Taxation expense for the period comprises of current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

(i) Current Tax

Current income tax assets and liabilities for the current and prior years 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 by the balance sheet date.

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

(ii) Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

(h) INTANGIBLE ASSETS

Purchased intangible assets are capitalised at cost and amortised on a straight-line basis over their useful economic lives, which the directors believe to be 5 years. The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

(i) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are recorded at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated to write off the cost of tangible fixed assets to their estimated residual values over their expected lives. Rates and bases (straight line or other) are those considered appropriate for the company and for the particular class of asset as follows:

Motor vehicles	4 years

The carrying values of tangible fixed assets are reviewed if circumstances indicate these values may have been impaired.

(j) IMPAIRMENT OF NON-FINANCIAL ASSETS

The directors assess 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 directors estimate 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.

(k) GOODWILL

Purchased goodwill is capitalised and amortised on a straight line basis over its useful economic life up to a presumed maximum of 10 years. The company evaluates the carrying value of goodwill in each financial year to determine if there has been an impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) INVESTMENTS

All the company's fixed investments are for the long-term and are treated as fixed assets. Investments are included in these financial statements at cost, less any provision for permanent diminution in value.

(m) HEDGE ACCOUNTING

The company uses various financial instruments to reduce exposure to foreign exchange movements. These include forward foreign exchange contracts. All financial instruments derivatives 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.

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: financial instruments derivative are classified as cash flow hedges when they hedge the company'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.

Where financial instrument derivatives do not qualify for hedge accounting, changes in the fair market value are recognised immediately in the profit and loss account.

(n) 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.

(o) PROVISIONING

Trade debtors are stated net of specific provisions against doubtful debts which are made on the basis of policies and regular reviews established by management. Provisions are established on the basis of the age of the amounts overdue. Further provisions are made in respect of particular problem balances.

4 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. Any estimates or judgements which are relevant to this company are included above in the summary of significant accounting policies section.

5 TURNOVER

The company's primary segmental analysis is based on the classes of business it provides. Segments are consistent with the way the company manages itself and are reported in a manner consistent with the internal reporting provided to the board.

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. Currently the only business segment in H. Clarkson & Company Limited is broking.

All turnover, profit and net assets originate in the UK.

Business segments:	Turnover		Results	
	2015	2014	**2015**	2014
	£m	£m	**£m**	£m
Broking	**103.5**	102.2	**20.5**	24.2
SEGMENT TURNOVER/RESULTS	**103.5**	102.2	**20.5**	24.2
Income from fixed asset investments			**1.1**	0.1
Interest receivable and similar income			**0.6**	0.3
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX			**22.2**	24.6
Tax on profit on ordinary activities			**(4.6)**	(5.4)
PROFIT FOR THE FINANCIAL YEAR			**17.6**	19.2

6 INCOME FROM FIXED ASSET INVESTMENTS AND INTEREST RECEIVABLE

	2015 £m	2014 £m
Dividends received	1.1	0.1
Bank interest received	0.6	0.3
	1.7	0.4

7 OPERATING PROFIT

	2015 £m	2014 £m
Operating profit is stated after charging / (crediting):		
Wages and salaries (see note 8)	65.4	61.6
Foreign exchange losses / (gains)	0.9	(2.9)
Amortisation and impairment of goodwill and other intangibles	0.1	0.1
Auditors' remuneration: Audit services	0.2	0.1
Other services - tax compliance	0.1	0.1

8 WAGES AND SALARIES (INCLUDING DIRECTORS)

	2015 £m	2014 £m
Wages and salaries	55.1	51.8
Social security costs	7.2	7.0
Other pension costs	2.3	2.3
Other salary costs	0.8	0.5
	65.4	61.6

Wages and salaries include cash allowances in lieu of company cars, pension supplements, healthcare insurance and club memberships.

The monthly average number of persons employed during the year, including executive directors, is analysed below:	2015 No.	2014 No.
United Kingdom:-		
Contributing directly to the earning of revenue	270	272
Supporting roles	82	76
	352	348

20 directors were remunerated by other companies within the group (2014: 18).

In 2015, executives participated in an annual bonus scheme which was linked principally to profits with the balance based on personal performance. For senior executives, up to 10% of the performance-related bonuses was paid in the form of restricted shares which vest after four years.

During the year, 139,053 shares (2014: 91,061 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 (2014: £nil) as a result of these awards. The fair value of these shares was determined based on the market price at the date of grant.

9 DIRECTORS' EMOLUMENTS

	2015 £m	2014 £m
Aggregate emoluments in respect of qualifying services	25.8	25.6
Pension contributions	0.5	0.5
	26.3	26.1

The emoluments of the highest paid director, excluding pension contributions, were £2.0m (2014: £2.3m). Pension contributions of £nil (2014: £6,250) were made on behalf of the highest paid director. 49 directors received shares in respect of qualifying services (2014: 50).

The defined benefit pension scheme, as described in note 21, closed to new entrants on 31 March 2004 and closed to further accrual for all existing members from 31 March 2006. 37 executive directors were members of the defined contribution scheme as at 31 December 2015 (at 31 December 2014: 37). Other directors received emoluments from other group companies totalling £6.3m, excluding pension contributions (2014: £5.7m). Pension contributions were £34,600 (2014: £18,525).

10 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Tax on profit on ordinary activities	2015 £m	2014 £m
Current Tax:		
UK Corporation tax on profits for the year	5.0	5.5
Adjustment in respect of prior years	(0.1)	0.3
Total current tax	4.9	5.8
Deferred Tax:		
Current year	(0.1)	0.4
Adjustment in respect of prior years	(0.3)	(0.8)
Impact of change in tax rate	0.1	-
Total deferred tax	(0.3)	(0.4)
Tax on profit on ordinary activities	4.6	5.4

(b) Tax relating to items charged or credited to equity	2015 £m	2014 £m
Deferred tax credit: Foreign currency hedge	(0.3)	(0.9)
Total tax credit in the statement of other comprehensive income	(0.3)	(0.9)

(c) Reconciliation of tax charge

The tax assessed for the year is higher (2014: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2015 of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £m	2014 £m
Profit on ordinary activities before tax	22.2	24.6
Tax at average UK corporation tax rate of 20.25% (2014: 21.5%)	4.5	5.3
Expenses not deductible for tax purposes	0.6	0.6
Non taxable income	(0.2)	-
Share-based payments	-	-
Adjustment in respect of prior years	(0.4)	(0.4)
Impact of change in tax rate	0.1	(0.1)
Tax charge for the year	4.6	5.4

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

(d) Deferred tax

Included in debtors (note 15) is a deferred tax asset comprising:	Share-based payments £m	Foreign currency contracts £m	Other £m	Total £m
At 1 January 2015	2.4	-	(0.2)	2.2
Adjustment in respect of prior years	0.1	-	0.2	0.3
Effects of short-term timing differences incurred in the year	(0.2)	-	0.3	0.1
Tax amounts recognised in equity	-	0.3	-	0.3
Impact of change in tax rate	(0.1)	-	-	(0.1)
At 31 December 2015	2.2	0.3	0.3	2.8

11 DIVIDENDS

	2015 £m	2014 £m
Equity dividends on ordinary shares:		
Final dividend for 2014, paid in 2015: £7.41 per 50p share (2013, paid in 2014: £7.41 per 50p share)	**20.0**	20.0
	20.0	20.0
Proposed for approval at the company's board meeting (not recognised as a liability at 31 December):		
Final dividend for 2015 proposed £6.67 per 50p share (2014: £7.41 per 50p share)	**18.0**	20.0

12 INTANGIBLE ASSETS

	Intangible assets £m	Goodwill £m	Total £m
ORIGINAL COST			
At 1 January and 31 December 2015	6.8	2.5	9.3
ACCUMULATED AMORTISATION			
At 1 January 2015	6.8	1.6	8.4
Provided during the year	-	0.1	0.1
At 31 December 2015	6.8	1.7	8.5
NET BOOK VALUE AT 31 DECEMBER 2015	-	0.8	0.8
Net book value at 31 December 2014	-	0.9	0.9

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the gas chartering cash-generating unit. The carrying amount of goodwill allocated to this cash-generating unit is £0.8m (2014: £0.9m).

Goodwill is tested for impairment annually.

The recoverable amounts of the cash-generating units 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 cash-generating unit to which the goodwill is allocated. The key assumptions used for value-in-use calculations are set out as follows:

- The pre-tax discount rate used is based on the company's weighted average cost of capital and adjusted for risks within each cash-generating unit. The company pre-tax discount rate is 12% (2014: 12%);
- 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: 0%) 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.

13 TANGIBLE ASSETS

	Motor vehicles £m	Total £m
ORIGINAL COST		
At 1 January and 31 December 2015	0.1	0.1
ACCUMULATED DEPRECIATION		
At 1 January and 31 December 2015	0.1	0.1
NET BOOK VALUE AT 31 DECEMBER 2015	-	-
Net book value at 31 December 2014	-	-

14 INVESTMENTS

	Unlisted £m
COST	
At 1 January 2015	0.2
ADDITIONS	
Additions in the year	-
NET BOOK VALUE AT 31 DECEMBER 2015	0.2
Net Book Value at 31 December 2014	0.2

The company also holds listed investments at a cost of less than £50,000. The market value of the listed investments at 31 December 2015 was £26,801 (2014: £37,877). There were no additions to investments in the year (2014: £0.2m addition in the year to unlisted invetsments for London Tanker Broker Panel).

The directors believe that the carrying value of the investments is supported by their underlying net assets. The principal subsidiaries are detailed in note 24.

15 DEBTORS

	2015 £m	2014 £m
Trade debtors	11.4	11.5
Amounts owed by group undertakings (includes £4.9m (2014: £7.4m) due after more than one year)	22.5	31.3
Other debtors	2.4	2.3
Deferred tax asset (note 10) (includes £2.8m (2014: £2.2m) due after more than one year)	2.8	2.2
Prepayments and accrued income	1.4	1.7
	40.5	49.0

Amounts owed by group undertakings, includes loans to fellow group undertakings, Clarkson Port Services Limited and Clarksons Platou AS, totalling £18.1m at 31 December 2015. The loans are repayable under the agreed terms and interest is charged on a monthly and quarterly basis respectively. All other amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade debtors are stated after provisions for impairment of £3.2m (2014: £3.2m).

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £m	2014 £m
Trade creditors	5.0	6.7
Other creditors (includes £0.2m (2014: £nil) due after more than one year)	1.4	-
Corporation tax	2.9	3.1
Other tax and social security	1.6	1.4
Amounts owed to group undertakings	27.0	26.3
Accruals and deferred income	38.6	34.3
	76.5	71.8

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Derivatives represent the fair value of outstanding foreign exchange contracts at the year-end. At 31 December 2015 the company had US$110.0m outstanding forward contracts due for settlement between 2016, 2017 and 2018 (2014: US$100.0m for settlement between 2015 and 2016). These derivatives are used by management to minimise the risks arising from movements in the foreign exchange rate of USD. The derivatives are accounted for under hedge accounting and the hedging loss of £1.2m (2014: £3.4m) has been recognised in Other Comprehensive Income.

17 CALLED-UP SHARE CAPITAL

	Number of shares	Nominal value £m
At 1 January and 31 December 2015		
Ordinary shares of 50p each: nominal value		
Allotted, issued and fully paid	2,700,000	1.4

18 RESERVES

	Hedging reserve £m	Retained earnings £m	2015 Total £m	Hedging reserve £m	Retained earnings £m	2014 Total £m
At 1 January	-	24.1	24.1	3.4	24.9	28.3
Profit for the financial year	-	17.6	17.6	-	19.2	19.2
Dividend paid	-	(20.0)	(20.0)	-	(20.0)	(20.0)
Movement recorded in Other Comprehensive Income for the year	(1.1)	-	(1.1)	(3.4)	-	(3.4)
At 31 December	(1.1)	21.7	20.6	-	24.1	24.1

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.

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDER'S FUNDS

	2015 £m	2014 £m
At 1 January	25.5	29.7
Profit for the financial year	17.6	19.2
Dividend paid	(20.0)	(20.0)
Movement in hedging reserve during the year	(1.1)	(3.4)
At 31 December	22.0	25.5

20 CONTINGENT LIABILITIES

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 is engaged in litigation in the ordinary course of business. The company carries professional indemnity insurance. There is currently no litgation expected to have a material adverse financial impact on the company's results or net assets.

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

21 PENSION COMMITMENTS

The company participates in two defined benefit group schemes which are the Clarkson PLC Scheme and the Plowrights scheme. The schemes are defined benefit schemes, funded by the payment of contributions to separately administered trust funds. The contributions to the schemes are each determined by a qualified actuary on the basis of triennial valuations. The most recent valuation, as at 31 March 2013 is disclosed in the financial statements of Clarkson PLC.

For the purposes of the disclosures required under Financial Reporting Standard 102 'Employee Benefits', qualified actuaries have updated the valuations to assess the liabilities of the schemes at 31 December 2015. Schemes' assets are stated at their market value at 31 December 2015. The pension deficit for the schemes arising under these valuations is £1.5m (2014: £10.3m). It is not possible to identify the company's share of the schemes' assets and liabilities, details of which are disclosed in the financial statements of Clarkson PLC.

The company also operates a defined contribution scheme in conjunction with other group companies. Where required the company makes contributions into this scheme. Pension contributions made in the year are disclosed in notes 8 and 9. There were no amounts prepaid or outstanding at the year-end (2014: none).

22 CONTROLLING PARTIES

The immediate parent undertaking is Clarkson Shipbroking Group Limited.

The ultimate parent undertaking and controlling party is Clarkson PLC, a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Clarkson PLC consolidated financial statements can be obtained from Commodity Quay, St Katharine Docks, London, E1W 1BF.

23 CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The company is a wholly-owned subsidiary of Clarkson PLC and is included in the consolidated financial statements of Clarkson PLC, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 102 paragraph 1.12(b).

The company is also exempt under the terms of FRS 102 Section 33 from disclosing related party transactions with wholly-owned entities that are part of the Clarkson PLC group. The company received a dividend in the year from HC Shipping & Chartering Limited, an associated company, for £61,000 (2014: £48,750). There were no other related party transactions requiring disclosure that existed in the year (2014: none).

There were no key management personnel in the company apart from the company directors. Details of their compensation are set out in notes 8 and 9.

There were no loans to key management personnel in the year (2014: £nil).

24 SUBSIDIARY UNDERTAKINGS

Country of incorporation	Company Name	Nature of business	Percentage of equity shares	
England and Wales	Levelseas Limited	Dormant	100	Held directly
England and Wales	Clarkson Holdings Limited	Dormant	100	Held directly
England and Wales	Clarkson Dry Cargo Limited	Dormant	100	Held indirectly
England and Wales	Clarkson Tankers Limited	Dormant	100	Held indirectly
England and Wales	Clarkson Sale and Purchase Limited	Dormant	100	Held indirectly
England and Wales	Clarkson Shipbrokers Limited	Dormant	100	Held indirectly
England and Wales	Shipvalue.net Limited	Dormant	100	Held indirectly
England and Wales	Clarksons Platou Legal Services Limited	Shipping-related services	100	Held indirectly
England and Wales	HC Shipping & Chartering Limited	Shipping-related services	25	Held directly

In the opinion of the directors, the aggregate value of the company's investments in subsidiaries is not less than the amount at which they are stated in the financial statements.

25 TRANSITION TO FRS 102

On transition to FRS 102 the directors have assessed whether there are any measurement differences compared to the financial statements previously prepared under UK GAAP. This assessment covers the period from and after the date of transition to FRS 102 on 1 January 2014. No material differences were identified and consequently no restatements have been made of comparative information presented in these financial statements.