H. CLARKSON & COMPANY LIMITED

Company number: 00152738

Annual Report
31 December 2020

H. CLARKSON & COMPANY LIMITED

CONTENTS

H. CLARKSON & COMPANY LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

J R Auckland
T M Barraclough
T W Becker
H Brinkhorst
P Broad
J D Brynteson
M J C Cahill
A L Case
S Chattrabhuti
R S M Coulter
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 D Green
J F Green
P Harding
R A Hartless
R Hemminga
S B Jones
S Kay
R C Knight
A G R Lane
D P Lepper
M Lindsey
D Low
R McKinlay
J McNally
D Mikhno
C B Murray
S Nair
M C E Neale
K E Ovesen
A J T Persenda
D M Potts
G J Preece
J E J Rogers
M P Rowe
D J Saxby
G Sewell
H C Van Niekerk
C Y Wang
J P Webber
R H White
N C Williams
H E N Wilsher
J D Woyda
V Yang
S Zois

COMPANY SECRETARY AND REGISTERED OFFICE

D Abrehart
Commodity Quay
St Katharine Docks
London
E1W 1BF

COMPANY NUMBER

00152738

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors of H. Clarkson & Company Limited (the "Company") present their Strategic Report for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of Clarkson PLC (Clarkson PLC and its subsidiaries being referred to as the "Group" or "Clarksons").

The Company's principal activity during the year continued to be the provision of shipping-related services, specifically broking facilities for ship owners and charterers across a wide variety of markets.

FINANCIAL POSITION AND PERFORMANCE

The Company's profit for the financial year is £9.8m (2019: £8.6m). Dividends totalling £nil (2019: £nil) were paid during the year. Transfers to reserves amounted to £9.8m (2019: £8.6m).

The net assets of the Company at 31 December 2020 were £33.0m (2019: £20.2m).

KEY PERFORMANCE INDICATORS

The Directors of the ultimate parent company, Clarkson PLC, 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. The Company operates within the broking segment which is discussed in the 2020 Annual Report of Clarkson PLC. A review of the business by division is given below.

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 2020, though some forward contracts for 2021 and 2022 have been taken.

Credit risk

The Company has an extensive client base 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 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 recoverable.

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 Company 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.

BUSINESS REVIEW

2020 has been a year of good operating and financial performance, continued strategic progress and consolidation of our leading market position. During the year, a strong performance by our broking business once again delivered increased profits.

The Company is playing an increasingly important role as an agent for change in the sustainability agenda within shipping and has invested in renewables across Broking, all powered by dedicated market intelligence and research as the industry strives for a lower sulphur and lower carbon future powered by cleaner energy.

The Company's principal objectives and strategies are consistent with that of the ultimate parent company, Clarkson PLC. These are discussed in the 2020 Annual Report of Clarkson PLC, which does not form part of this report.

Broking activities:

Revenue: £110.3m	(2019: £110.1m)
Operating Profit: £10.5m	(2019: £10.3m)
Forward order book for 2021: US$51.8m*	(2019 for 2020: US$50.8m*)

* Directors' best estimates of deliverable FOB

Dry cargo

The Baltic Dry Index (BDI) suffered a 21% year-on-year decline in 2020.

COVID-19 and its impact on trade and industries dominated the year with dry cargo witnessing the largest ever downturn in coal seaborne trade. China's V-shaped economic recovery, however, led to the restocking of many commodities which stimulated bulker seaborne demand and supported freight rates which recovered strongly by mid-year. Heightened political tension between Beijing and Canberra, together with Chinese import quota limitations, impacted Australian coal cargoes, causing extraordinary waiting times at Chinese coal ports and deviation from traditional trade routes.

Although seaborne trade by weight declined by 2.1%, tonne-mile demand continued to grow, albeit at a slow 0.5%, as many Atlantic-originated cargoes normally intended for the Atlantic market deviated to China.

Capesize rates suffered the biggest decline, falling by 27%, with underperforming volumes during the first five months alongside reduced iron ore supplies and COVID-19-induced coal demand destruction. For vessels smaller than capesizes, markets also declined with rates down for kamsarmaxes by 20%, supramaxes by 18% and handysizes by 16%. However, sub-cape vessels were supported by a buoyant grain and oilseeds sector, driven by plentiful supply and the rapid recovery in China's animal feed market, which cushioned the gap that was left by the severe downturn in coal demand.

Many newbuild ships entered the fleet, although tonnage growth was countered by accelerated recycling of obsolete ore carriers and heightened fleet inefficiencies caused by COVID-19-related requirements, such as quarantine periods for crew changes, minimum sailing days between ports, newbuilding and repair yard delays and increased port waiting times.

Looking ahead, dry cargo seaborne trade is forecast to rebound by 4.3% along with a 5% increase in tonne-miles in 2021. The demand for most dry cargo commodities is expected to grow, particularly with infrastructure-based economic stimuli, continued grain demand and any recovery in coal consumption. While the growth is not expected to be uniform across all commodities and all countries, each sector of the dry cargo fleet should see solid demand-side support compared with the unprecedented disruption of 2020. Fleet growth is expected to reduce to less than 3%.

The drive towards decarbonisation will be debated as regulatory and market-led initiatives gain traction, while many older vessels could head for early recycling as it becomes too costly under such new green regimes.

Containers

Containership market conditions in 2020 saw dramatic trends, in both directions, with COVID-19 dominating the dynamics. Despite the effects of COVID-19 on consumer activity and supply chains, which significantly reduced container trade flows and the box shipping markets overall, 2020 ended with container markets looking extremely positive.

The initial COVID-19 'shock' placed box trade volumes and container shipping markets under severe stress; the SCFI box freight index was 20% down in April relative to the start of the year. The boxship charter market saw acute downward pressure on earnings with the rate index down 33% from the start of the year by end of the first half. Idle capacity hit 12% of the fleet in May. In the second half, with volumes returning ahead of expectations, the markets bounced back firmly and the SCFI index increased by 178%, with box spot freight rates surging globally in the final quarter. Charter rates tightened from June and saw major improvements by the end of the year, with the index up 129% relative to that at the end of June. The one-year time charter rate for a 4,400 TEU 'old panamax' unit, for example, increased more than threefold in the second half to US$25,000 per day at the end of the year. At the year-end, the Clarksons Containership Charter Rate Index stood at a 12-year high, with the average across the year up 3% on 2019. On the container freight market, the SCFI index reached the highest level on record of 2,783 at the end of 2020, an average annual increase of 56% compared to 2019, with liner companies reporting operating margins not seen for a decade.

Secondhand prices, which fell in the first half, increased significantly in the second half, with the overall index up by 14%; for example, the price of a ten-year old 6,600 TEU unit increased by 62% to US$34m, with transaction volumes also picking up (125 vessels in the second six months compared to just 49 in the first). Idle capacity fell to 4% of the fleet during December.

Broking activities (continued):

Containers (continued)

Whilst robust capacity management by operators provided the initial support to alleviate pressure on freight rates, the primary driver of the dramatic swings was the major recovery in trade volumes. Global box trade fell by an estimated 1.1% (in TEU) in 2020, a better result than initially feared. However, the annual trend did not capture the full magnitude of the variation in volumes within the year. Seaborne box trade volumes dropped 10% year-on-year in the second quarter alone. In the second half of the year, returning volumes were driven by a range of factors, including firmer than expected improvements in some economies unlocking 'pent up' demand, inventory restocking and frontloading in key regions, shifts in consumer spending patterns away from services towards goods and shipments of PPE. Global volumes were up by 6% year-on-year in the last quarter and 16% on the levels in May, led by rapid Transpacific growth. A shortage of box availability in Asia (with inland moves disrupted in key import regions) combined with regional port congestion provided significant disruption, which amplified the market impact of returning trade volumes.

These trends took place against the backdrop of a supply side providing underlying support. Containership fleet growth remained manageable at 2.9%. The order book fell to a new low of 8% of the fleet in October, though a pick-up in orders (1.0m TEU in the full year) took it to 10% by the end of the year. Operating speeds, though increasing towards the end of the year, were on average 1.3% down on 2019. Scrubber retrofitting absorbed on average over 2% of fleet capacity across the year.

Meanwhile the container sector greenhouse gas footprint, arguably closer to consumer consciousness than in bulk shipping, remains firmly in focus. Over the last decade slower service speeds and the introduction of 'eco' ships have helped reduce boxship emissions, which are now 40% below 2008 levels. Alternative fuels, which make up 25% of TEU capacity on order, are also now gaining traction, and a range of units have been fitted with energy saving technology equipment. The green transition and technology will be key themes in post-COVID-19 planning for boxship operators and owners.

Heading into 2021, fundamental expectations suggest continued support for positive market conditions in the near-term. However, with such acute impetus seen in the second half of 2020, some easing back of rate gains is probable at some stage, and significant COVID-19-related uncertainty clearly remains.

Tankers

2020 was a mixed year for tankers, both in terms of the contrast between the first and second halves of the year and the changes in the earnings for different sectors compared to 2019. The first half of the year was characterised by generally very strong and extremely volatile earnings, while the second half saw weaker earnings.

Clarksons' published annual average earnings for VLCCs on the main Middle East to Far East route increased by 16% compared with the 2019 average, however Clarksons' published annual average earnings for suezmaxes and aframaxes decreased by 4% and 15% respectively when compared with 2019. VLCC earnings were well above the long-run average levels, whilst suezmax earnings matched long-run averages and aframax earnings fell marginally below the long-run average.

Crude tankers

In the early part of the year, crude tanker earnings continued to be supported by sanctions that restricted the trading activity of a significant number of VLCCs. The lifting of these sanctions, combined with simultaneous COVID-19-related oil demand destruction, led to a short period of weaker earnings in February before the market moved upwards very sharply in early March following the decision by the key OPEC+ group of oil producers to increase production in spite of falling demand. This led not only to a sharp increase in the volume of crude oil cargoes to be lifted, but also a surge in time charter enquiry and floating storage, as oil prices collapsed, and crude oil forward price curves moved into steep contango. These developments all contributed to very strong crude tanker earnings from mid-March until early May, further supported by recovering demand in China and crude pricing that was attractive to buyers, which culminated in new record levels of Chinese crude imports and additional vessel congestion along the Chinese coast.

Crude tanker earnings started to fall back to lower levels from early May, after major oil producers regrouped in mid-April to agree steep crude production cuts that led to a sharp reduction in cargo liftings and hence reduced demand for tankers and lower earnings. Although these oil production cuts began to be eased from August, crude tanker earnings remained generally low throughout the third and fourth quarters as a combination of compensatory production cuts from countries that had previously over-produced and unwinding of floating storage employment kept cargo shipments low and added tonnage back to the trading fleet. By the end of the year the number of suezmaxes and aframaxes employed in floating storage had fallen back towards levels seen in 2018 and 2019. VLCC floating storage remained at elevated levels, albeit substantially below the peak levels.

The crude tanker fleet grew by a modest 3.3% in 2020, while the size of the trading fleet throughout the year was restricted by a combination of floating storage, sanctions and fluctuations in the number of vessels in dry docks. Crude tanker newbuilding deliveries are expected to remain modest in 2021, however fleet growth may decline if demolition of older tonnage, which was low in 2020, starts to increase once again.

The early part of 2021 has seen a mixed reaction from the OPEC+ group of oil producers, with an agreement to increase production in January followed by a commitment from Saudi Arabia to reduce production once again in February and March, while other producers in the group are due to either hold production steady or slightly increase volumes. Looking ahead, we anticipate further tapering of oil production cuts as oil demand recovers throughout 2021 and crude oil inventories are drawn down. This is expected to lead to increased crude oil shipments and rebounding levels of crude tanker demand.

Broking activities (continued):

Tankers (continued)

Products

The products tanker market also witnessed similar strength and volatility in earnings in the first half of the year followed by generally weaker earnings in the second half, albeit punctuated by some volatility particularly on the larger sizes of vessels. Clarksons' assessed average earnings for LR2s on the benchmark Middle East to Far East route increased by 30% year-on-year in 2020, while assessed average earnings for LR1s on the same route increased by 31% year-on-year. Meanwhile, assessed average clean MR earnings increased by 11% in 2020 compared to 2019.

A sharp increase in floating storage, time charter enquiry and vessel delays as well as long-haul shipments from West to East, all contributed to the very strong earnings that were seen across the products tanker markets in the first half of the year. However, by mid-year, products tanker earnings had also fallen back to lower levels as the reduced level of underlying products demand and refinery run cuts took their toll, despite many vessels remaining in floating storage employment.

The second half of the year saw low earnings across the products tanker sector as a result of the low levels of demand and refinery output. However, the LR2s and LR1s did see some increases to healthier levels based on some periods of greater activity.

Products tanker fleet growth was modest at 2.4%, while the trading fleet size was also restricted by floating storage, particularly in the second quarter. By the fourth quarter, the vast majority of products tanker floating storage had unwound. Products tanker deliveries are expected to increase slightly in 2021, while remaining at modest levels overall. Fleet growth may decline from 2020 levels due to an increase in products tanker demolition. Meanwhile, the anticipated restoration of higher oil demand and refinery runs throughout 2021 and depletion of excess product inventories is expected to lead to increasing levels of products tanker demand.

Looking further ahead, in both the crude and products tanker sectors, the requirement for significant fleet renewal in the next few years, together with measures to reduce existing vessels' CO_2 emissions and dilemmas regarding the specification of newbuilding tankers that will reduce emissions, may all act to restrain fleet capacity growth and create tighter market conditions.

Specialised products

Despite the impact of COVID-19, the specialised products market performed much better than expected in 2020. The freight environment in the first quarter was strong, driven in part by a buoyant products tanker sector. The start of the second quarter saw the customary slowdown. The crude oil price crash in April/May led to a huge increase in edible oil and bulk chemical freight rates, as swing tonnage exited the edibles sector to take advantage of the higher CPP earnings that were available as a result of the oil price contango-driven floating storage boom. We also saw a small number of IMO2 MRs leave the chemicals sector for the first time for the same reason.

The second half of the year was difficult with performance below 2019 levels. Second waves of COVID-19 and lockdowns across the globe severely hampered spot market sentiment. However, Chinese demand for bulk chemical feedstock volumes was largely flat year-on-year, a factor that was reflected in the performance of CoA nominations. As the year ended, demand for 'Made in China' plastic goods seemed to perform well with containerised exports from the region holding up in the face of the pandemic. Chemical inventory levels were also decreasing, suggesting that manufacturing supply chains had recovered to some extent. Spot chemical freight rates closed at 7% up for the year compared to 2019. This relates more to the influence of the petroleum products market rather than increased chemical tonnage demand. Meanwhile, edible oil freight rates finished the year 2% lower than 2019 as this sector is much more closely aligned to the volatility of the petroleum products market, and so it will exhibit any adverse effects with a higher degree of severity than in chemicals.

Deal liquidity in the time charter market was limited for much of the year due to the uncertainty caused by COVID-19.

At the beginning of the COVID-19 pandemic, it was expected that specialised seaborne trade levels would contract by as much 5%. However, it appears that the CoA volumes driven by encouraging PMI and IP data, particularly in the Chinese markets, led to a slightly improved picture. Seaborne trade is now expected to have contracted by approximately 2% in 2020, to around 365m tonnes. The key end-user markets of China and India remain pivotal to the future performance of seaborne trade, and tonnage demand for imports held up for much of the year. We do expect some delays to US shale gas liquid chemical projects because of financing, legal and environmental issues in some cases. Whilst project delays in the Middle East are also likely, no major cancellations have been announced and as such, in our view, the outlook for bulk chemical export growth remains strong.

On the supply side, the chemical tanker fleet was recorded at 55.5m dwt at the start of 2020. 3.5m dwt was added to the fleet during the year, whilst 0.9m dwt was removed. The order book still remains at the lowest level in 20 years and is recorded at just over 6% of the in-service tonnage as at the end of 2020. We do not expect much change in the order book considering the lack of finance that is available and thus we expect the fleet to contract through 2021 and into 2022.

The green transition is very much at the forefront of all stakeholders' minds. The breadth and depth of the business means that we are uniquely positioned to utilise our unparalleled market knowledge to advise and support charterers and shipowners alike in their green agendas. Throughout 2020, our market share of the biofuels sector remained strong, supported by an improved analysis and strategy provision. This is a key area of growth for the sector and the business continues to expand.

Overall market sentiment was downbeat as we approached the end of the year. Spot market tonnage demand was depressed and chemical tanker earnings were under considerable pressure at a time when bunker prices were rising amid geo-political and macro-economic uncertainty. The speed with which global manufacturing supply chains return to pre-COVID-19 levels will be crucial to a recovery in tonnage demand and fleet utilisation levels. However, the very low order book will provide a floor, with any sustained recovery in the products sector likely to lead to a more bullish edible and chemical freight rate environment.

Broking activities (continued):

Gas

The larger LPG carrier market proved surprisingly healthy in 2020 despite an influx of newbuildings, a lack of removals and some demand destruction as a result of COVID-19 from the petrochemical and autogas sector. It was only the second quarter that was characterised by a steep dip in VLGC freights. In the West, demand faced some headwinds from cheaper naphtha, when oil prices collapsed. Meanwhile, although demand in Asia dipped in the first quarter, most notably in China, it started to rebound as the year progressed supported by a recovery in PDH utilisation levels and the start of new petrochemical capacity in the second half of the year. Demand growth from the domestic sector in India was also aided by the introduction of a free LPG programme for the poorer segments of the population. A combination of a contraction of Middle Eastern and other export regions' volumes largely due to OPEC cuts, and a 5m mt increase in exports from North America, meant more longer-haul exports were required to cover this deficit in the East, in addition to the incremental demand growth. Overall seaborne LPG trade has risen only marginally compared with 2019, but it has been the changes in flows which have been of greater importance.

With West-East flows on the ascendency, this placed growing pressure on the NeoPanama canal which, in combination with growing demand from other sectors of the shipping market, resulted in an increase in waiting time for the LPG carriers. Additionally, delays at key discharge ports added to the already extended voyage times. Although there were no delays in newbuilding deliveries, with an additional 21 vessels added into the VLGC fleet in 2020, and no units sold for recycling, a heavy and postponed dry dock schedule served to also remove supply side pressure, further underpinning the recovery in freights during the fourth quarter in particular. Reflecting this, average annual VLGC time charter equivalent earnings rose by 8% year-on-year, with levels breaching US$3m per month in December. Despite a strong start to the year, with a heavy export schedule from the US and increased seasonal domestic demand, rising prices started to place margins into the East under pressure and by the end of January 2021, time charter equivalent earnings had fallen to just below US$1.4m per month.

A heathier VLGC carrier market also affected the fortunes of the sizes below, with both LGC and midsize freights firming. The Clarksons' assessed 12-month time charter rate for a 59,000 cbm LGC rose from US$0.8m per month in 2019 to US$0.9m per month in 2020. Similarly the midsizes market also strengthened, with assessed time charter rates on 38,000 cbm units rising by 20% to US$0.8m per month as the LPG tonne-miles rose and as seaborne trade contracted much less than anticipated earlier in the year. The midsizes also received support from the handysize carriers which benefited from the addition of new ethylene volumes with the start-up of the new Enterprise/Navigator terminal in the US Gulf. As a result of this, and the rising market share of petrochemical trades generally, assessed 12-month time charter rates on the 20,500 semi-ref units rose by the same magnitude as the midsizes.

Looking ahead, whilst newbuildings are expected to deliver into each of the size categories, the challenges of fleet supply growth are expected to be mitigated somewhat by continued market inefficiencies, dry-docking schedules and petrochemical feedstock demand growth in Asia. Additionally, both LPG and ammonia seaborne trade volumes are expected to register growth of over 3%. LPG volumes will be affected by the level of export flow from the US and the proportion of which is destined for Asia to fill the continued shortfall in supply East of Suez. Further growth is also expected in ethylene exports from the US, even if the new terminal does not run at full capacity on a continual basis.

The smaller sized vessels, in contrast, have continued to fare less well than the larger units. Support for the larger handysize units from the increased ethylene volumes relieved some of the downward pressure they had exerted on the smaller sizes. Despite this, idle time remained an unwelcome feature of the market and the assessed 12-month time charter on the benchmark 8,000 cbm ethylene vessels fell 2.1% year-on-year, although the term market was virtually non-existent, and the 3,200 semi-refs fell by 6.5%. The decline in assessed pressure rates was more dramatic with the average falling 5.7% in the East and over 20% in the West. The fall in spot levels, however, was far more severe across the sectors. Despite this, the age profile of the fleet continues to deteriorate, most notably in the smaller sizes sub 6,000 cbm, where there are also limited newbuilding orders. The prospects of the smaller size sectors overall will be very much dictated by operating levels at crackers and PDH facilities run in 2021.

LNG

Near-term LNG freight rates dropped on an annual basis in 2020, principally as a result of weak demand for LNG in first half of the year which was eventually balanced by LNG exports cuts, reducing tonnage demand for spot cargoes in the process.

The spot headline rates for conventional 160km3 Tri-Fuel Diesel Electric tonnage fell 12.1% year-on-year averaging US$60,900 per day in 2020. However, the trading environment was particularly volatile through 2020, with spot rates bottoming in July at US$27,000 per day, before rebounding in the second half of 2020 to US$145,500 per day, on the back of wide open Atlantic-Pacific arbitrage.

The spread between the Northeast Asia LNG price and the US Henry Hub natural gas price fell 25% year-on-year to US$2.24 per million British Thermal Unit (BTU) in 2020, from US$2.99 per million BTU in 2019. The narrower price spread resulted in the US Gulf Coast export plants operating well below their nameplate capacity, especially in the second and third quarters of 2020, reducing tonnage demand eventually. However, the spread recovered in the second half of 2020 to US$3.44 per million BTU, driven by cold weather-related demand from Asia, unplanned outages at several export plants in the Pacific, Middle East and Africa and delays in the transit of LNG carriers through the Panama Canal.

The spread between the Northeast Asia LNG price and the European Title Transfer Facility natural gas price rose 12% year-on-year to US$1.19 per million BTU in 2020, with the spread trading above US$3.00 per million BTU in the fourth quarter of 2020, which helped incentivise LNG cargo re-exports to Asia.

Broking activities (continued):

LNG (continued)

Global LNG trade volumes were up 1.7% to 363m mt in 2020, pushed primarily by new supplies from the US and to a lesser extent by higher exports from Papua New Guinea and Qatar. US LNG exports rose by around 32% to 48.2m mt with the commissioning of Cameron T2-3 and Freeport T2-3, and the ramp-up of projects commissioned in 2019. However, in the second and third quarters of 2020, US LNG exports plunged as much as 60% compared to the first quarter due to a price-sensitive reduction in output of some 150-180 LNG cargoes. Exports from Papua New Guinea and Angola rose by a combined 14.1% to 12.8m mt, driven by increased spot tender activity. Qatar retained its position as the world's biggest exporter with exports rising by 1.0% to 77.6m mt in 2020. Australia's LNG exports were up 0.6% to 77.3m mt, as higher exports from Pluto LNG and projects in the Northern Territory were partially offset by lower exports at Prelude FLNG and Gorgon LNG, both impacted by unplanned outages. Elsewhere, Egypt's LNG exports plummeted 64% to 1.2m mt in 2020, Malaysia's exports were down 7% to 23.8m mt and exports from Indonesia fell 8% to 13.9m mt; all were largely attributed to the low LNG price environment of the first half of 2020. Exports from Trinidad and Tobago were down 19% to 10.9m mt in 2020 and Norway's exports were down 28% to 3.4m mt, driven by long-lasting unplanned outages at their export terminals. LNG re-export increased by 240% to 7.0m mt, driven by surging activity in the Northwest European terminals, used to tranship Russian's Yamal LNG cargoes to other destinations in Europe and Asia.

On the demand side, Japan-Korea-Taiwan remained the largest demand area, while the biggest rise in imports were recorded in China, India and Turkey. LNG imports into China rebounded from the drop in the first quarter and increased by 11.3% to 67.1m mt on the back of industrial demand, natural gas grid expansion and the debottleneck of the Zhoushan terminal and residential demand induced by the colder winter weather in the fourth quarter. Imports into India rose by 12.9% to 25.2m mt, driven by price-sensitive industrial demand and declining domestic gas production, while imports into Turkey rose 21% to 11.0m mts, offsetting a decline in gas pipeline imports from Russia and Iran. Japan remained the largest importer at 74.6m mt, but its imports slipped 2.1% on the back of lower power demand and high inventories in the first half of 2020. Imports into Europe, including Turkey, dropped by 0.8% or 0.7m mt to 87.2m mt, with the fall in the second half of 2020 more than offsetting rather strong growth in the first half of the year.

LNG tonnage demand continued to grow in 2020 by 7.9% to 1,543 trillion tonne-miles driven by growth in LNG trade flows on a long-haul voyage, on the back of a 16.4% growth to 46.5m mt in West to East trade, in particular LNG exports from US towards Asia. The average laden distance sailed by LNG carriers was up 6.1% to 4,250 nm in 2020, compared to 4,006 nm a year ago, driven by LNG cargoes shipments from US to the Far East Asia and India.

32 conventional LNG carriers and three FSRUs were delivered in 2020, a drop of eight LNG vessels from 2019, with several deliveries delayed to early 2021 for commercial reasons. 49 conventional LNG carriers were ordered in 2020, in line with 2019 levels, with a total of 16 LNG conventional carriers ordered from the Arctic LNG 2 project in Russia alone. In addition, two medium-size LNG carriers and two large FSUs were ordered for projects in Malaysia and in Russia respectively.

Traded volumes are expected to increase again in 2021, led by US project Corpus Christi T3, Indonesia's Tangguh T3 and Russia's Yamal LNG T4 which are set to bring online some 9.2m tonnes per annum and stronger utilisation of those plants whose output was reduced due to the low-price environment in the first half of the year. The majority of developers which were anticipated to reach final investment decisions in 2020 for export projects in the US, Qatar, Canada, Australia and Africa have delayed the announcement to 2021-2022, on the basis of market uncertainties and the low oil and LNG price environment of 2020. The only LNG export project reaching final investment decision in 2020 was the 3.5MTPA Energia Costa Azul in Mexico.

Newbuild ordering is expected to continue into 2021, supported by several liquefaction projects which anticipate reaching final investment decision, by portfolio players holding long-term supply contracts on a FOB basis from projects under construction and by players looking at renewing existing tonnage with more efficient LNG carriers.

Offshore

2020 was a year of significant contrasts within offshore and offshore renewables. The traditional offshore market, focused on the oil and gas business, saw a lacklustre year with a significant decline in activity, utilisation levels and day rates. However, the offshore renewables (wind) business, has seen continued strong growth, healthy earnings and a record volume of new projects sanctioned.

The significant decline in the traditional offshore business was induced by COVID-19 and the fall in the price of oil. This decline, combined with an uncertain outlook for near- and mid-term oil demand, forced Exploration and Production (E&P) companies to rapidly and significantly reduce investment levels and operating expenses. Global E&P spending dropped 30% in 2020 compared to 2019 and the latest indications suggest flat spending or moderate further reductions in 2021. Additionally, most operators also paused, deferred or cancelled already initiated projects due to operational and logistical challenges induced by COVID-19. This has also had an adverse effect on offshore services in general. Finally, most owners faced significant increases in their own operating expenses due to COVID-19, which have been far from compensated by operators. Consequently, we saw another significant round of refinancing, restructuring and Chapter 11 processes in the sector.

The continued strong growth for offshore renewables (wind) is underpinned by solid, long-term drivers; the green transition and the world's desire to decarbonise primary energy supply. As the pandemic escalated, market participants discussed whether it could derail the strong growth for renewables in general, due to the risk of countries and regions reverting to fossil fuels as these became cheaper. If anything, it seems to have accelerated the pace of growth for renewables. Many of the fiscal stimuli packages that have been launched have a solid 'green component', based on the 'build back better' rationale. Several countries have launched very significant programmes, hoping to stimulate and cultivate domestic industry and, to some extent, establish market-leading positions. Several stakeholders have also highlighted the risk of relying too heavily on imported energy in potential future pandemic situations and have thus pushed to develop local or regional energy supply, which, in many cases, implies wind and solar. Finally, the capacity freed up in the oil and gas business (and other industries) has made it easier for companies in the renewables sector to recruit and retain highly capable professionals and rapidly build and grow their organisations.

Broking activities (continued):

Sale and Purchase

Secondhand

In March, sale and purchase business was challenging as crew changes became almost impossible to organise at short notice, resulting in some vessels ballasting in circles around the Far East looking for a port where changes of ownership could be arranged. Shipowners had so many logistical problems with their own fleets that they had little interest in buying more vessels and with the recycling beaches of the Indian sub-continent closed down, transaction levels for new business pretty much ground to a halt. In March and April we also struggled to maintain existing business which had already been concluded, with effectively deals failing exceeding the ships we managed to sell in this period. We made real efforts to maintain morale during those challenging times. With clients reluctant to talk about new business and our existing business falling away, the early months of lockdown were difficult for sale and purchase and the year at that point looked bleak.

However, as things settled into the new normal and it became clear that fundamentals were not going to change quickly, shipping as always started to find ways around the new obstacles. For example, buyers agreed to take over sellers' existing crews or sellers found specific jurisdictions that started specialising in allowing vessel deliveries and crew changes. Globally across sale and purchase, the team worked hard at sharing this sort of information with each other. New business started to move again during the summer months with a certain amount of pent-up demand accelerating that process to the extent that the second half of the year more than made up for that initial market paralysis.

On a global basis, year-on-year against 2019, there was a significant increase in the volume of transactions concluded for 2020.

Newbuilding

The newbuilding market remained challenging for the large part of 2020.

Overall, output fell to 29.0m CGT, according to Clarksons Research, down 15% year-on-year to its lowest level since 2005 and to 50% of the 2010 production peak.

Macro-economic volatility and the ongoing debate around the green transition also had a major part to play in inhibiting investment decision. However, despite these challenges, several markets showed resilience and overall meaningful levels of contracting and activity remained, albeit at historically diminished levels.

Whilst the speculative end of the market was stifled by the more macro variables, project demand and the industrial sector remained relatively active. The dry cargo market was also heavily buoyed by Asian interests, namely domestic buyers in China, and Japanese owners who accounted for broadly over 80% of contracting activity across the major segments. Gas and container business also remained active and we saw a material increase in activity in the fourth quarter of the year as competitively priced deals across the large asset classes were motivated by yards seeking to compensate for a quiet year and soak up opportunity prior to year-end.

31% of new orders placed in 2020 incorporated alternative fuels and there remains an increasing attention to transition to green as the market adjusts in preparation for the approaching IMO 2030 measures. Going forward, we fully expect this trend to be a pivotal driver of new demand.

As a Group, we continue to leverage our strengths and offering into the industrial markets, which accounted for a large part of our activity in 2020. In parallel, we continue service to our historical and heritage relationships and invest into being at the forefront of this meaningfully transitional phase in the market. Our market share continues to grow and we remain a major tonnage provider to the key global shipbuilding players. We remain well placed to capitalise on this next phase of shipbuilding as we progress into 2021.

FUTURE OUTLOOK

Whilst the shipping industry has had to face several stiff tests over this past year, Clarksons has continued to perform well as a business. We expect the Broking division to continue to perform well in 2021, whilst the new opportunities arising as a result of the green transition, an insatiable appetite by clients for data and analysis, and the increased awareness of digitisation and technology mean the fundamental medium-term business outlook for the Group remains strong.

The long-term impact of the COVID-19 pandemic on the global economy remains unclear. Nevertheless, the Company is in a robust financial position to face the challenges in this uncertain period. As at the date of this report, the COVID-19 pandemic has not materially impacted the Company's financial position or its performance.

An assessment was carried out by management surrounding going concern, with particular focus on the risks the Company faces due to the current COVID-19 pandemic. The Directors believe that the Company is well placed to manage its business risks successfully, despite the challenges created by COVID-19 and have reasonable expectation that the Company 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.

SECTION 172(1) STATEMENT

The Board has had regard to the factors set out in section 172(1) in discharging its duties and in working towards and within the Group's wider purpose, which is 'To enable smarter, cleaner global trade by empowering our clients and our people to make better informed decisions using our market-leading technology and intelligence; and in doing so, meet the demands of the world's rapidly evolving maritime, offshore, trade and energy markets.'

The Company's key stakeholders are its clients, its people and the communities in which it operates, as well as its shareholder.

Stakeholder engagement

The Board recognises that building strong relationships with the Company's stakeholders will help to inform the Board's decision-making, deliver the Group's strategy in a sustainable way and meet the Group's stated purpose. The Board is therefore committed to effective engagement with the Company's stakeholders, and it gathers feedback and input from them through a variety of approaches.

Clients

The Group's position at the heart of the shipping industry has been built over 169 years and its business is based on long-term relationships and trust. The Group has worked with many of its clients for generations, and as their business grows and adapts to the changing world, it is at the forefront with them. Clients turn to the Group for its unrivalled breadth of service and its industry-leading range of products that span the maritime market.

The Company's clients are at the centre of what it does, and the Company's Directors and employees engage with the Company's clients on a regular basis. This engagement provides the Board with valuable insights into areas such as service delivery and product development, and those insights are communicated and acted on across executive and divisional management forums. They are also shared with the Clarkson PLC Board through management updates, and ultimately form part of the Group's wider engagement strategy.

People

The Company's people are key stakeholders in the business and, as its most important asset, the Company invests in its people and takes employee engagement seriously. The Company's engagement mechanisms align with those of the Group and utilise a variety of channels, including digital platforms, employee townhalls and social media.

Given that employees have worked remotely for much of the year as a result of COVID-19, communication and engagement has been even more important. Targeted communication during the year has included:

- regular communications from senior management updating employees on key matters, and in particular video updates from the Group's CEO and CFO & COO presenting publicly released financial results and updates on the work of the CSR Committee; and
- increased use of the new intranet (Voyage), updated constantly with news from the Group's offices; education on topics of interest to the industry; information regarding the evolution of products and services provided by the Group; and 'Focus on' and 'Clarksons meet' content to get to know global colleagues.

Further two-way communication and engagement has been enabled through:

- global executive and divisional management forums that meet online monthly;
- the Employee Voice Forum with Clarkson PLC Non-Executive Directors, which is attended virtually by employees from across the Group and provides for and encourages two-way communication between employees and Non-Executive Directors. The forum is chaired by the designated Non-Executive Director for employee engagement; and
- the Communication and Innovation Forum which takes place quarterly and is attended by a mix of employees depending on the topics for discussion.

The involvement of employees in the Company's performance is encouraged through inviting eligible employees to participate in the Group's ShareSave Plan. Some employees also participate in the Group's Long Term Incentive Plan, holding restricted shares as a result.

Communities

The Board's strategy for engagement with communities is driven through the corporate social responsibility programme within the wider Group. The Group's aim is to bring about positive social change and have a lasting impact on people and communities.

The Group engages with communities in various ways, including volunteering, charitable donations and industry partnerships.

Our shareholder

The Company's ultimate shareholder is Clarkson PLC and engagement with the Clarkson PLC Board is principally effected through the Clarkson PLC executive directors, who are also Directors of the Company. In addition, from time to time, members of the Company's Board are requested to attend Clarkson PLC Board meetings in order to provide updates on strategy, business performance and people matters.

Suppliers

Whilst the Board does not consider the Company's suppliers to be a significant stakeholder in the business, it is committed to treating our suppliers fairly. In particular, the Board recognises the importance of prompt payment of invoices for the Company's smaller suppliers. The Company complies with payment practices reporting, with circa 93% of all invoices being paid within 60 days and circa 77% being paid within 30 days.

Approved by the Board of Directors and signed on its behalf:

M J C Cahill

M J C Cahill
Director
14 July 2021

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their Directors' Report together with the audited financial statements of the Company for the year ended 31 December 2020.

DIVIDENDS

During the year, the Company paid a total dividend of £nil (2019: £nil). The Directors do not recommend a final dividend for the year (2019: £nil).

FUTURE OUTLOOK

Likely future developments in the business of the Company are discussed in the Strategic Report on page 8.

The long-term impact of the COVID-19 pandemic on the global economy remains unclear. Nevertheless, the Company is in a robust financial position to face the challenges in this uncertain period. As at the date of this report, the COVID-19 pandemic has not materially impacted the Company's financial position or its performance.

After reviewing the Company's performance and assessing the outlook for the forthcoming year, the Directors are satisfied that the Company has adequate access to resources to enable them to meet its obligations and to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing these financial statements.

GOING CONCERN

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

An assessment was carried out by management surrounding going concern, with particular focus on the risks the Company faces due to the current COVID-19 pandemic. The Directors believe that the Company is well placed to manage its business risks successfully, despite the challenges created by COVID-19 and have reasonable expectation that the Company 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.

FINANCIAL RISK MANAGEMENT

The Company's financial risk management policy is disclosed in the principal risks and uncertainties section of the Strategic Report. The business of the Company includes the use of financial instruments. Details of the Company's risk management objectives and policies and exposures to risk relating to financial instruments are set out in note 3 to the financial statements.

EMPLOYEES

Details of the number of persons employed by the Company during the year are set out in note 8 to the financial statements.

Diversity and inclusion

The Group practices equal access to jobs, development and promotion opportunities as it believes that it is the differences amongst its employees which create a dynamic and agile organisation. The business is meritocratic and the Company seeks to appoint the best candidate for each and every role. Candidates are considered against fair and objective criteria.

Engagement

Details of how the Directors have engaged with employees are included in the section 172(1) statement in the Strategic Report.

ENGAGEMENT WITH SUPPLIERS, CUSTOMERS AND OTHERS IN A BUSINESS RELATIONSHIP WITH THE COMPANY

A summary of how Directors have engaged with suppliers, customers and others in a business relationship with the Company is included in the section 172(1) statement in the Strategic Report.

DIRECTORS

The Directors of the Company who were in office during the year and up to the date of signing the financial statements are shown on page 1.

From 1 January 2020 to date, the following changes have taken place:

M A Ross (resigned 11 August 2020)
P G J Middleton (resigned 11 September 2020)
N Tsangarides (resigned 28 April 2021)

The Board also reports with great sadness that Patrick Curry, Director, passed away on 31 March 2020 and John Milner, Director, passed away on 28 December 2020.

QUALIFYING THIRD PARTY INDEMNITIES

No qualifying indemnity provisions were in place for the benefit of the Directors during the financial year or at the date of approval of the financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the Directors who held office at the date of the approval of this report confirms that, so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Approved by the Board of Directors and signed on its behalf:

MJCCahill

M J C Cahill
Director
14 July 2021

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, H. Clarkson & Company Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2020; the Profit and Loss Account; the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements (continued)

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to international trade regulations, and income, sales and payroll taxes, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to revenue and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Review of minutes of meetings of those charged with governance;
- Identifying and testing journals, in particular journal entries posted with unusual account combinations, postings by unusual users or with unusual descriptions; and
- Challenging assumptions and judgements made by management in their critical accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

C. Burns

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

15 July 2021

H. CLARKSON & COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

PROFIT AND LOSS ACCOUNT

	Note	2020 £m	2019 £m
TURNOVER	5	**110.3**	110.1
Administrative expenses		**(100.1)**	(100.9)
Other operating income		**0.3**	1.1
OPERATING PROFIT	7	**10.5**	10.3
Income from other fixed asset investments	6	**0.6**	-
PROFIT BEFORE INTEREST AND TAXATION		**11.1**	10.3
Interest receivable and similar income	6	**0.7**	1.1
PROFIT BEFORE TAXATION		**11.8**	11.4
Tax on profit	10	**(2.0)**	(2.8)
PROFIT FOR THE FINANCIAL YEAR	16	**9.8**	8.6

All amounts arise from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 £m	2019 £m
Profit for the financial year	16	**9.8**	8.6
Other comprehensive income:			
Foreign currency hedge gain - net of tax	16	**3.0**	1.6
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12.8**	10.2

The notes set out on pages 18 to 26 form part of these financial statements.

H. CLARKSON & COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

BALANCE SHEET

	Note	2020 £m	2019 £m
FIXED ASSETS			
Intangible assets	11	**0.4**	0.5
Investments	12	**0.2**	0.2
		0.6	0.7
CURRENT ASSETS			
Debtors	13	**103.6**	57.1
Cash at bank and in hand		**27.0**	45.1
		130.6	102.2
CREDITORS: amounts falling due within one year	14	**(98.2)**	(82.7)
		(98.2)	(82.7)
NET CURRENT ASSETS		**32.4**	19.5
NET ASSETS		**33.0**	20.2
CAPITAL AND RESERVES			
Called-up share capital	15	**1.4**	1.4
Hedging reserve	16	**3.6**	0.6
Retained Earnings	16	**28.0**	18.2
TOTAL EQUITY	17	**33.0**	20.2

The notes set out on pages 18 to 26 form part of these financial statements.

The financial statements on pages 15 to 26 were approved by the Board of Directors on 14 July 2021 and signed on its behalf by:

MJCCahill

M J C Cahill
Director
14 July 2021

H. Clarkson & Company Limited
Company Registration No. 00152738

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 2019		1.4	(1.0)	9.6	10.0
Profit for the financial year	16	-	-	8.6	8.6
Other comprehensive income for the year	16	-	1.6	-	1.6
Total comprehensive income for the year		-	1.6	8.6	10.2
BALANCE AS AT 31 DECEMBER 2019		1.4	0.6	18.2	20.2
BALANCE AS AT 1 JANUARY 2020		**1.4**	**0.6**	**18.2**	**20.2**
Profit for the financial year	16	**-**	**-**	**9.8**	**9.8**
Other comprehensive income for the year	16	**-**	**3.0**	**-**	**3.0**
Total comprehensive income for the year		**-**	**3.0**	**9.8**	**12.8**
BALANCE AS AT 31 DECEMBER 2020		**1.4**	**3.6**	**28.0**	**33.0**

The hedging reserve comprises the effective portion of the fair value of cash flow hedging instruments net of deferred tax, relating to hedged transactions that have not yet occurred.

The notes set out on pages 18 to 26 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company 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 in the United Kingdom and registered in England and Wales. Its registered office is Commodity Quay, St Katharine Docks, London, E1W 1BF.

2 STATEMENT OF COMPLIANCE

The financial statements of the Company 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.

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.

(a) BASIS OF PREPARATION

The financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the recognition of certain financial assets or liabilities measured at fair value.

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) GOING CONCERN

The financial statements have been prepared on the going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future. The Company is a wholly owned subsidiary of Clarkson PLC.

An assessment was carried out by management surrounding going concern, with particular focus on the risks the Company faces due to the current COVID-19 pandemic. The Directors believe that the Company is well placed to manage its business risks successfully, despite the challenges created by COVID-19 and have reasonable expectation that the Company 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.

(c) 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.

(d) 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.

(e) REVENUE RECOGNITION

Turnover consists of commissions receivable from dry cargo 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. Consideration is therefore required as to whether the parties' obligations have been fulfilled and the commission revenue can be recognised. Provisions made at the time of invoicing are directly offset against revenue. Broking commissions are recognised when the services have been performed.

Shipbroking revenue consists of commission receivable and is recognised by reference to the stage of completion, which is measured by reference to the underlying commercial contract, except where doubt exists as to the ability to collect payment, as explained in note 13.

Other operating gains includes amounts receivable from the sale of investments.

(f) INCOME FROM OTHER FIXED ASSET INVESTMENTS

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

(g) EMPLOYEE BENEFITS

The Company provides a range of benefits to employees, including share-based compensation plans and defined contribution pension plans.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) EMPLOYEE BENEFITS (CONTINUED)

(i) Share-Based Payment Transactions

The Group 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.

(ii) Pensions

The Company also 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 schemes' assets and liabilities, these schemes are accounted for as defined contribution schemes.

The Company also participates in 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.

(h) 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 the Profit or Loss Account.

(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.

(i) INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Development costs are recognised as intangible assets when the criteria of IAS 38 are met. That is, where the related expenditure is separately identifiable, the costs are measurable and management is satisfied as to the ultimate technical and commercial viability of the project such that it will generate future economic benefits based on all relevant available information. Directly attributable costs that are capitalised include the development employee costs and an appropriate portion of relevant overheads. Other development expenditure that does not meet the IAS 38 criteria such as data population, research expenditure and staff training costs are recognised as an expense as incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

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.

(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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 instrument 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.

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 instrument derivatives 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 RECEIVABLES

Trade receivables are non-interest bearing and are generally on terms payable within 90 days. Allowance for impairment of trade receivables is based on experience and ongoing market information about the credit-worthiness of specific counterparties and expected credit losses in respect of the remaining balances.

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.

(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.

(p) FINANCIAL INSTRUMENTS

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) FINANCIAL ASSETS

Basic financial assets, including trade and other receivables, cash at bank and in hand, are initially recognised at transaction price.

At the end of each reporting period financial assets are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and fair value. The impairment loss is recognised in the Profit and Loss Account.

If there is a decrease in impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Profit and Loss Account.

Financial assets are derecognised when (a) contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) FINANCIAL LIABILITIES

Basic financial liabilities include 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. 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.

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. The principal area where assumptions and estimates have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year is the provisioning of trade receivables, which is included above in the summary of significant accounting policies section.

5 TURNOVER

All areas of the business work closely together to provide the best possible service to our clients. All turnover originates in the UK and relates to broking.

6 INCOME FROM OTHER FIXED ASSET INVESTMENTS AND INTEREST RECEIVABLE AND SIMILAR INCOME

	2020 £m	2019 £m
Dividends received	**0.1**	-
Bank interest received	**0.7**	1.1
Profit on sale of investment (see note 12)	**0.5**	-
	1.3	1.1

7 OPERATING PROFIT

		2020 £m	2019 £m
Operating profit is stated after charging:			
Staff costs (see note 8)		**81.0**	74.4
Foreign exchange losses		**1.5**	2.0
Research and development		**-**	3.7
Auditors' remuneration:	Audit services	**0.1**	0.1

There were no fees payable for non-audit services (2019: £nil).

8 STAFF COSTS (INCLUDING DIRECTORS)

	2020 £m	2019 £m
Wages and salaries	**68.1**	62.9
Social security costs	**8.8**	8.0
Other pension costs	**4.1**	3.5
	81.0	74.4

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

Other pension costs include £3.3m recognised as an expense in the year for the defined contribution scheme (2019: £2.8m).

The monthly average number of persons employed during the year, including Executive Directors, is analysed below:	2020 No.	2019 No.
United Kingdom:-		
Contributing directly to the earning of revenue	**143**	152
Supporting roles	**222**	228
	365	380

14 Directors, whose services to the Company were of negligible value, were remunerated by other companies within the Clarkson Group (2019: 14).

In 2020, 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 were paid in the form of restricted shares which vest after four years.

During the year, 99,866 shares (2019: 150,003 shares) at a weighted average price of £28.87 (2019: £23.70) were awarded to employees in settlement of 2019 (2018) cash bonuses. There was no expense in 2020 (2019: £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

	2020 £m	2019 £m
Aggregate emoluments in respect of qualifying services	**20.4**	20.6
Pension contributions	**0.3**	0.3
	20.7	20.9

The emoluments of the highest paid Director, excluding pension contributions, were £1.7m (2019: £1.3m). Pension contributions of £nil (2019: £nil) were made on behalf of the highest paid Director. 37 Directors will receive shares in respect of qualifying services (2019: 41).

The highest paid Director did not exercise share options in 2020 (2019: no shares exercised) and is accruing benefits under a long-term incentive scheme in 2020 and 2019.

The Clarkson PLC defined benefit pension scheme, as described in note 19, closed to new entrants on 31 March 2004 and closed to further accrual for all existing members from 31 March 2006. 30 Executive Directors were members of the defined contribution scheme as at 31 December 2020 (at 31 December 2019: 30). 14 Directors received emoluments from other Group companies (2019: 14).

10 TAX ON PROFIT

(a) Tax on profit	2020 £m	2019 £m
Current Tax:		
UK Corporation tax on profits for the year	**3.3**	3.0
Adjustments in respect of prior years	**(0.5)**	0.1
Total current tax	**2.8**	3.1
Deferred Tax:		
Current year	**(0.6)**	-
Adjustments in respect of prior years	**0.1**	(0.3)
Impact of change in tax rate	**(0.3)**	-
Total deferred tax	**(0.8)**	(0.3)
Tax on profit	**2.0**	2.8

(b) Tax relating to items charged to equity	2020 £m	2019 £m
Deferred tax charge: Foreign currency hedge	**0.7**	0.4
Total tax charged in the Statement of Comprehensive Income	**0.7**	0.4

(c) Reconciliation of tax charge

The tax assessed for the year is lower (2019: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2020 of 19% (2019: 19%). The differences are explained below:

	2020 £m	2019 £m
Profit on ordinary activities before taxation	**11.8**	11.4
Tax at average UK corporation tax rate of 19% (2019: 19%)	**2.2**	2.2
Expenses not deductible for tax purposes	**0.6**	0.8
Non taxable income	**(0.1)**	-
Adjustments in respect of prior years	**(0.4)**	(0.2)
Impact of change in tax rate	**(0.3)**	-
Tax charge for the year	**2.0**	2.8

10 TAX ON PROFIT (CONTINUED)

(d) Deferred tax

Included in debtors (note 13) is a deferred tax asset comprising:	Share-based payments £m	Foreign currency contracts £m	Other £m	Total £m
At 1 January 2020	2.6	(0.1)	0.2	2.7
Adjustments in respect of prior years	(0.1)	-	-	(0.1)
Effects of short-term timing differences incurred in the year	0.5	-	0.1	0.6
Tax amounts recognised in equity	-	(0.7)	-	(0.7)
Impact of change in tax rate	0.3	-	-	0.3
At 31 December 2020	3.3	(0.8)	0.3	2.8

The standard rate of corporation tax in the UK remained at 19% throughout 2020. Accordingly, the Company's profit for this accounting year is taxed at a rate of 19% (2019: 19%).

During the year, the planned reversal of the reduction in corporate tax rate from 19% to 17% in the UK was substantively enacted. In March 2021, the Prime Minister announced that he intended to raise the corporate tax rate from 19% to 25% from 1 April 2023. This announcement does not constitute substantive enactment and therefore deferred tax rates at the balance sheet date continue to be measured at the enacted tax rate of 19%.

11 INTANGIBLE ASSETS

	Goodwill £m	Total £m
ORIGINAL COST		
At 1 January 2020	2.5	2.5
Disposals during the year	-	-
At 31 December 2020	2.5	2.5
ACCUMULATED AMORTISATION		
At 1 January 2020	2.0	2.0
Provided during the year	0.1	0.1
At 31 December 2020	2.1	2.1
NET BOOK VALUE AT 31 DECEMBER 2020	0.4	0.4
Net book value at 31 December 2019	0.5	0.5

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 £0.4m (2019: £0.5m).

Goodwill is allocated to cash-generating units which is considered for impairment at least annually.

As at 31 December 2020, no impairment was deemed necessary in light of the year-end Directors' assessment of future performance.

12 INVESTMENTS

	Unlisted £m
COST	
At 1 January 2020 and 31 December 2020	0.2
ADDITIONS / (DISPOSALS)	
At January 2020 and 31 December 2020	-
NET BOOK VALUE AT 31 DECEMBER 2020	0.2
Net Book Value at 31 December 2019	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 2020 was £38,962 (2019: £38,695). Subsidiaries and related undertakings are detailed in note 23. During the year an investment in HC Shipping & Chartering was disposed of for a consideration of £465,417 and was, at the time of disposal, held at a net book value of £25. The gain on disposal of £465,392 was recognised in income from other fixed asset investments (note 6).

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

13 DEBTORS

	2020 £m	2019 £m
Trade debtors	**16.1**	14.1
Amounts owed by Group undertakings (includes £2.0m (2019: £1.9m) due after more than one year)	**76.1**	34.7
Other debtors	**7.0**	3.6
Deferred tax asset (note 10) (includes £2.8m (2019: £2.7m) falling due after more than one year)	**2.8**	2.7
Prepayments and accrued income	**1.6**	2.0
	103.6	57.1

Trade debtors are stated after provisions for impairment of £4.2m (2019: £5.0m). Included within the movements in the provision were amounts which were provided at the time of invoicing for which no revenue has been recognised, because collectability was not considered probable.

Amounts owed by Group undertakings, includes loans to fellow Group undertakings, Clarksons Platou AS, Clarksons Platou (Korea) Company Limited and Clarksons Platou (Australia) Pty Limited totalling £14.2m at 31 December 2020 (2019: £13.9m). The loans are repayable under the agreed terms and interest is charged monthly or quarterly dependent on the agreement. All other amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Derivatives, which are shown above, under other debtors, represent the fair value of outstanding foreign exchange contracts at the year-end. At 31 December 2020 the company had US$100.0m outstanding forward contracts due for settlement between 2021 and 2022 (2019: US$30.0m for settlement between 2020 and 2021). 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 gain of £3.1m net of tax (2019: £1.6m gain) has been recognised in other comprehensive income.

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £m	2019 £m
Trade creditors	**4.1**	4.0
Amounts owed to Group undertakings (includes £2.0m (2019: £2.0m) due after more than one year)	**48.4**	37.1
Other creditors (includes £nil (2019: £nil) due after more than one year)	**0.1**	1.3
Corporation tax	**0.7**	0.2
Taxation and social security	**1.8**	1.6
Accruals and deferred income	**43.1**	38.5
	98.2	82.7

Amounts owed to Group undertakings, includes a loan from a fellow group undertaking, Clarksons Platou (Offshore) Limited, totalling £2.0m at 31 December 2020 (2019: £2.0m). The loan is repayable under the agreed terms and interest is charged on a monthly basis. The total interest charged in the year in relation to this loan was £54,167 (2019: £45,833). All other amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 CALLED-UP SHARE CAPITAL

	Number of shares	Nominal value £m
At 1 January and 31 December 2020		
Ordinary shares of 50p each: nominal value		
Allotted, issued and fully paid	**2,700,000**	**1.4**

16 RESERVES

	Hedging reserve £m	Retained earnings £m	2020 Total £m	Hedging reserve £m	Retained earnings £m	2019 Total £m
At 1 January	**0.6**	**18.2**	**18.8**	(1.0)	9.6	8.6
Profit for the financial year	**-**	**9.8**	**9.8**	-	8.6	8.6
Movement in other comprehensive income for the year	**3.0**	**-**	**3.0**	1.6	-	1.6
At 31 December	**3.6**	**28.0**	**31.6**	0.6	18.2	18.8

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, net of deferred tax loss of £0.8m (2019: £0.2m gain).

17 TOTAL EQUITY

	2020 £m	2019 £m
At 1 January	**20.2**	10.0
Profit for the financial year	**9.8**	8.6
Movement in hedging reserve during the year	**3.0**	1.6
At 31 December	**33.0**	20.2

18 CONTINGENT LIABILITIES

The Company has given no financial commitments to suppliers (2019: none).

The Company has given no guarantees (2019: 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 litigation 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.

19 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 by the principal employer 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 2019 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 assets (2019: assets) of the schemes at 31 December 2020. Schemes' assets are stated at their market value at 31 December 2020. The pension surplus (2019: surplus) for the schemes arising under these valuations is £18.1m (2019: £15.5m). 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 participates in 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 (2019: none).

20 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.

21 CASH FLOW STATEMENT AND RELATED PARTY DISCLOSURES

The Company is a 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 £140,500 (2019: £nil). There were no other related party transactions requiring disclosure that existed in the year (2019: none). During the year, the investment in HC Shipping & Chartering was disposed of for £465,417 (2019: £nil).

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 (2019: £nil).

22 SUBSIDIARIES AND RELATED PARTY UNDERTAKINGS

<u>The following companies are held directly:</u>

Company name	*Registered address*	*Percentage of equity shares*	*Principal activity*
LevelSeas Limited	Commodity Quay, St Katharine Docks, London E1W 1BF, United Kingdom	100	Dormant
Clarkson Holdings Limited	Commodity Quay, St Katharine Docks, London E1W 1BF, United Kingdom	100	Dormant

<u>The following companies are held indirectly:</u>

Company name	*Registered address*	*Percentage of equity shares*	*Principal activity*
Clarkson Dry Cargo Limited	Commodity Quay, St Katharine Docks, London E1W 1BF, United Kingdom	100	Dormant
Clarkson Tankers Limited	Commodity Quay, St Katharine Docks, London E1W 1BF, United Kingdom	100	Dormant
Clarkson Sale and Purchase Limited	Commodity Quay, St Katharine Docks, London E1W 1BF, United Kingdom	100	Dormant
Clarkson Shipbrokers Limited	Commodity Quay, St Katharine Docks, London E1W 1BF, United Kingdom	100	Dormant
Shipvalue.net Limited	Commodity Quay, St Katharine Docks, London E1W 1BF, United Kingdom	100	Dormant
Clarksons Platou Legal Services Limited	Commodity Quay, St Katharine Docks, London E1W 1BF, United Kingdom	100	Provision of legal services to the shipping industry

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.