13 March 2017

Clarkson PLC (Clarksons) is the world's leading provider of integrated shipping services. From offices in 21 countries on six continents, we play a vital intermediary role in the movement of the majority of commodities around the world.

Preliminary results

Clarkson PLC today announces preliminary results for the twelve months ended 31 December 2016.

Summary

- Continued strong performance despite challenging markets
- Underlying profit before taxation fell from £50.5m to £44.8m, reflecting significantly lower freight rates and asset values during the year, offset by increased transaction volumes, increased market share and a strong US dollar
- Reported profit before taxation increased from £31.8m to £47.3m
- Robust balance sheet, including a 64% increase in net funds[1] to £74.8m (2015: £45.5m)
- Dividend increased by 5% to 65p; 14 consecutive years of dividend increases

[1] Net funds are cash and cash equivalents and current investment deposits, after deducting amounts accrued for performance-related bonuses and outstanding loan notes

	Year ended 31 December 2016	Year ended 31 December 2015
Revenue	**£306.1m**	£301.8m
Underlying profit before taxation*	**£44.8m**	£50.5m
Reported profit before taxation	**£47.3m**	£31.8m
Underlying earnings per share*	**105.2p**	121.9p
Dividend per share	**65p**	62p

2015 financials include 11 months post-acquisition results of Platou

* Before exceptional income of £11.1m (2015: £2.5m expense) and acquisition related costs of £8.6m (2015: £16.2m)

Andi Case, Chief Executive Officer, commented:

"Clarksons remains cash generative and highly profitable, allowing us to deliver continued dividend growth for our shareholders despite the challenging shipping markets. A number of indicators suggest that the shipping and offshore markets are beginning to recalibrate and we are well positioned to capitalise on the opportunities this presents in 2017 and beyond."

Enquiries:

Clarkson PLC:
Andi Case, Chief Executive Officer — **020 7334 0000**
Jeff Woyda, Chief Financial Officer and Chief Operating Officer

Camarco:
Billy Clegg — **020 3757 4983 / 4994**
Jennifer Renwick

Alternative performance measures (APMs)

Clarksons uses APMs as key financial indicators to assess the underlying performance of the Group. Management considers the APMs used by the Group to better reflect business performance and provide useful information. Our APMs include underlying profit before taxation and underlying earnings per share. Explanations of the term ‘underlying’ and related calculations are included within the financial review.

About Clarkson PLC

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

Founded in 1852, Clarksons offers its diverse and growing client base an unrivalled range of shipbroking services, sector research, on-hand logistical support and full investment banking capabilities in all key shipping and offshore sectors. Clarksons continues to drive innovation across its business, developing digital solutions which underpin the Company’s unrivalled expertise and knowledge with leading technology.

The Group employs 1,398 people in 49 different offices across its four divisions and is number one or two in all its market segments.

The Company has delivered 14 years of consecutive dividend growth. The highly cash generative nature of the business, supported by a strong balance sheet, has enabled Clarksons to continue to invest to position the business to capitalise on the upturn in its markets.

Clarksons is listed on the main market of the London Stock Exchange under the ticker CKN and is a member of the FTSE 250 Index.

For more information, visit www.clarksons.com.

Chairman's review

Overview

2016 has been another challenging year for shipping markets, characterised by continued difficult trading conditions and tonnage oversupply. Freight rates have seen historic lows in some sectors during the year whilst in the second half volatility has been added, on the upside, by the strengthening of the US dollar (the currency of the great majority of our revenues) and, less positively, by the weakness of the pound sterling against several of the currencies in which our overhead costs are incurred. Against this uncertain backdrop, we are pleased Clarksons has delivered a robust performance and, once again, value for our shareholders. We have remained focused on our core strategy of delivering continuous service enhancement, thus offering Clarksons' clients the unique breadth of product and global reach that has enabled us to maintain, and in many cases extend, our leading position in our markets. One significant and virtuous outcome of this has been the actual growth of our broking transaction volumes in 2016, as has the healthy cash generation underlying our profit performance.

We have continued to invest in the technology to drive innovation across our business and we regard our focus in this area to be a key differentiator and source of even greater competitive advantage for the future; our research capability already underpins our full client service offering, and in 2017 we intend to offer further knowledge and data based initiatives to our clients. Our position at the heart of the shipping and offshore markets has ensured that in these difficult times, clients have turned to Clarksons for our deep sector knowledge and tailored ability to service their requirements; our capacity to offer both broking and a range of financial market solutions creates synergies and outcomes that are not available elsewhere.

Integration of the Platou business is now complete, with anticipated synergies realised and the complementary expertise of the combined businesses proven. The acquisition has broadened our service offering to clients and puts us in a strong position for when markets recover.

Our ability to continue to grow and gain share in more difficult markets has given us considerable confidence in the business. Clarksons is significantly more diverse in terms of product offering, reach and balance sheet strength than we were before the last upturn in the sector; we are well placed to continue the solid performance delivered in 2016 and are leveraged to benefit strongly from growth when the shipping cycle turns.

Results

Underlying profit before taxation was £44.8m (2015: £50.5m). Reported profit before taxation was £47.3m (2015: £31.8m).

Underlying earnings per share was 105.2p (2015: 121.9p). Reported earnings per share was 119.7p (2015: 68.2p).

Dividend

Clarksons continues to maintain its remarkable dividend record, having increased the dividend paid every year since 2002. In line with this progressive dividend policy, Clarksons again intends to raise the dividend paid to its shareholders. The Board is recommending a final dividend of 43p (2015: 40p). The interim dividend was 22p (2015: 22p), resulting in a 5% increase in the total dividend for the year to 65p (2015: 62p).

The dividend will be payable on 2 June 2017 to shareholders on the register at 19 May 2017, subject to shareholder approval.

People

Our people are the heart of our business and are the key to our success. This year we have continued to hire and invest across our business divisions to ensure we always have the best people delivering the best advice and the best transactional execution. We have a position to protect as the leading employer and operator in the sector and remain determined to do so.

Board

As previously announced, James Morley will be retiring from the Board following the AGM on 12 May 2017. I would like to thank James for the always wise guidance he has given Clarksons over the last nine years as a Board member and Chair of the audit committee.

I am delighted to have welcomed Marie-Louise Clayton to the Board at the beginning of 2017. Marie-Louise brings a wealth of board experience to the role and we look forward to her taking over as Chair of the audit committee.

Outlook

In the short-term at least, shipping markets seem most likely to remain challenging whilst current difficult market conditions and an unusually opaque global macro-economic environment persist, but there are now a number of indicators of improvement in the industry via measurable, if as yet relatively modest, demand growth and a slowing in the new capacity reaching the market.

James Hughes-Hallett
Chairman
10 March 2017

Chief Executive Officer's review

2016 has been a year of growth, consolidation and delivery for Clarksons, despite the shipping market undergoing one of the most challenging periods in living memory, as highlighted by the lowest level for the ClarkSea Index since 1990, and the offshore market facing challenges as a result of the depressed oil price. To have once again increased market share shows we have a stronger, more diverse business that remains cash generative and highly profitable and has enabled us to deliver a 14th consecutive year of dividend growth for investors.

We had anticipated that 2016 would be another tough year, with oversupply, volatile commodity prices and global macro-economic uncertainty creating significant challenges for the sector as a whole. It is testament to the calibre of our teams and the breadth and depth of our client offering that, even in the most difficult of times, we have maintained or improved upon our market leading position across all of our divisions.

Despite the headwinds, we have focused on our long-term strategy for growth, delivering 'best in class' client service, investing in tools for trade and positioning the business to capitalise when the upturn in our markets comes.

Shipping markets are multi-cyclical, and our strategy of diversifying within our core markets has given us a unique product breadth and global reach and an ability to grow consistently, even in downturns. In these difficult times, we have continued to benefit from a 'flight to quality', in which clients are choosing Clarksons as their service provider.

Overall our broking teams have performed well, even though in offshore the operators continue to focus on cost cutting, with limited sanctioning of new field developments and moderated maintenance activities. The dry cargo market, which started the year with the weakest rates in recorded history, was also depressed, though there were some more encouraging signs towards the end of the year. However, the tankers, specialised products, gas and sale and purchase markets performed particularly well. Clarksons' teams have again increased broking volumes.

Our research offering has grown significantly this year, particularly in digital and valuations income, as our clients continued to value the importance of authoritative intelligence.

The port services teams remained profitable in some of the toughest markets ever seen for this type of business; the reduced spending by the oil and gas sector in the North Sea affected our supplies activities.

We are also particularly encouraged with the performance of our financial division, in its first 12 months as a fully-integrated division. The solutions and expertise of the financial team has greatly enhanced our client offering, uniquely positioned our business amongst its peers and places us well to deliver a service, with deep industrial understanding, to debt and equity providers alike. The team has achieved a leading position in the market, participating as sole or joint lead on a number of capital-raising transactions throughout shipping and offshore, whilst also leading restructuring mandates and generating a strong pipeline for future business.

Clarksons is a highly cash generative business and our strong balance sheet ensures that we have been able to invest strategically and react quickly to take advantage of opportunities as they arise. Our cash position gives us great comfort that, regardless of market conditions, we can position the Group for upturns in each of our markets when they come, invest in growth (tools for trade) and deliver shareholders a growing cash return. We have also looked hard at the structure of the business and focused on efficiencies where necessary to ensure our model is fit for purpose and best placed for the current market conditions.

We are seeing significant benefits from our investment in our market-leading technology platform, which is changing the way our brokers are able to access and use information, increasing knowledge and improving the communication of vast amounts of data across the business. The sheer scale of the market activity in which Clarksons is involved means that we are able to leverage our deep understanding of activity across the market by interpreting this data, and thus delivering the best advice to our clients.

We constantly strive to deliver 'best in class' client service, and the quality, knowledge and experience of our employees are central to Clarksons' continued outperformance across all sectors and geographies. We are a truly international and culturally diverse business, employing the best people from 65 nationalities across 21 countries to deliver first rate advice and expertise to our clients. The security of a robust balance sheet gives us the ability to hire and retain the best candidates and we have also made a number of extremely experienced hires across all of our divisions this year. As a team, we share the same goals and ambitions and I would like to thank all of our employees for their hard work and dedication over the course of the year.

Whilst we anticipate that the market will remain challenging in the near-term, we believe the medium-term outlook for the sector is more positive. Demand continues to progress and the recalibration of the demand/supply balance is improving following lower levels of ordering and continued scrapping assisted by the impact of environmental regulation. Seaborne trade continues to increase and further positives for growth include the prospect of higher infrastructure spending from the world's two largest economies. We have also seen a change in investor appetite from the fourth quarter. All of this gives us encouragement that the shipping and offshore markets are recalibrating. Accordingly, we are well positioned to benefit from any improvement.

The diverse nature of our business has enabled Clarksons to deliver healthy profits and continued dividend growth despite challenging shipping markets. As the markets progress, we believe we are well positioned to capitalise on the opportunities that 2017 will provide and look forward to the year ahead. We remain focused on executing our proven strategy of delivering 'best in class' service and offering a unique product breadth across our globally connected business.

Andi Case
Chief Executive Officer
10 March 2017

Business review

Broking

Revenue: US$314.4m (2015: US$365.3m)
Revenue (sterling equivalent): £233.6m (2015: £239.5m)
Segment underlying profit: £40.2m (2015: £49.1m)
Forward order book for 2017: US$112m* (At 31 December 2015 for 2016: US$151m*)
* Directors' best estimate of deliverable forward order book (FOB)

The breadth of our fully integrated client offer combined with our geographic reach has enabled us to grow significantly volumes in our broking division during the year.

Dry cargo

2016 was an extraordinary year in the dry cargo sector, which started with the weakest rates in recorded history as the Baltic Dry Index (BDI) bottomed out at 290 in February. Vessels moved into various stages of idleness and lay-up and older tonnage rushed to demolition yards, witnessing the third highest level of demolition on record. Cash flow pressures led many owners to cancel or defer newbuilds, resulting in less than half of the 2016 order book being delivered on time.

After two years of lacklustre industrial production and a decline in new housing starts, China eased monetary policy which resulted in higher public investments and a recovery in the property market. New housing starts grew for the first time in two years, driving the demand for construction and thereby steelmaking raw materials. Thermal power demand has also surged and, together with Chinese coal mining cuts, created a rise in imports in what had previously been thought of as a defunct trade.

Commodity prices reached multi-year lows in February, before rebounding to significantly higher rates by the end of the year. The new record high rates were reinforced by the newly elected US President's infrastructure investment promises and the continuation of the multi-billion dollar infrastructure investment in the Chinese “One-Belt, One-Road” initiative. The positivity sent the BDI above 1,000 in November to a year high of 1,257 on 18 November, followed by the unwinding towards the traditional weaker first quarter.

Although the demand outlook remains positive for 2017, there is still more to contend with. Relatively firmer rates are likely to slow down demolition activity, whilst the still substantial amounts of newbuilds yet to deliver will likely push net fleet growth higher and therefore likely result in uninspiring earnings.

However, due to the market weakness in 2016, newbuild contracting slipped to the lowest levels since 2001. A more positive rates scenario could act as a catalyst for additional ordering, however, for this to happen the newbuild price premium over the secondhand market will need to narrow considerably.

Looking ahead, our base case is for seaborne trade to increase by 3.4% and fleet growth to be slightly lower than this at 3.1% in 2017. As a result, freight rates could improve depending on the promptness of the fleet to adjust to the seasonal demand increases. Sudden acceleration in new deliveries will be less responsive than in demolition and thereby should act as a catalyst to volatility which should favour a more positive rate environment in 2017.

We have increased transaction volumes across all continents in the world and have continued to strengthen our presence by recruiting and relocating key staff as appropriate. In the final quarter we also benefited from the opening of a new office in Japan.

Containers

2016 saw the container shipping sector remain, as many expected, under severe pressure. Box freight rates in general remained weak, although by late in the year it did appear that they might be bottoming out on some trade lanes. Against this backdrop, charter market vessel earnings remained extremely challenged, at bottom of the cycle levels. The one year rate for a 2,750 TEU ship averaged US$6,000 per day in 2016, 27% lower than the average since the start of 2009. Old panamax types fared even worse, averaging US$4,979 per day in 2016, 56% down on the same basis, with the opening of the new locks at the Panama Canal impacting vessel deployment patterns.

Demand conditions did however improve in 2016, with global volumes projected to expand by around 3% in the full year to 181m TEU. Volumes on the key Far East-Europe trade returned to positive growth and the rate of growth on the intra-Asian trades accelerated back to more robust levels. However, North-South volumes and trade into the Middle East remained under severe pressure from the impact of diminished commodity prices, though volumes into the Indian Sub-Continent grew strongly.

Containership capacity growth did slow significantly in 2016, reaching not much more than 1% in the full year. Deliveries slowed dramatically to 0.9m TEU and demolition accelerated rapidly to a new annual record of 0.7m TEU. However, given the level of surplus built up in the sector in recent years, and in particular the impact of the delivery of substantial capacity, much of it in the form of new ‘megaships', the improved fundamental balance seen in 2016 was not enough to generate an improvement in conditions. At the end of the year, 7% of total fleet capacity stood idle. The financial collapse of a major Korean operator was a further illustration of the acute distress facing the sector.

Looking ahead, further improvements in fundamentals still appear necessary to generate improved market conditions. However, pressurised earnings, financial distress and regulatory requirements are all expected to drive further recycling, and the ordering of newbuild capacity dropped to just 0.2m TEU in 2016, a dramatic slowdown compared to recent years; the order book fell to 16% of fleet capacity. Moreover, further significant steps in the consolidation of the sector have been taken in the form of merger and acquisition activity involving major operators.

We have made considerable progress in the last 12 months with a number of key clients and, as a result of the consolidation within the sector, significantly increased volumes.

Tankers

As expected, the tanker market was somewhat weaker in 2016 after the very strong market seen in 2015, as fleet growth took its toll. Earnings for VLCCs, suezmaxes and aframaxes were each down by some 40% on 2015's levels, however VLCC spot market earnings nevertheless averaged a relatively healthy US$41,000 per day, in line with long-run averages. Earnings in the products tanker sector were also lower in 2016, with returns on key routes down by between 35% and 50% on average from the high levels seen in 2015.

Rising Middle Eastern crude oil exports, coupled with very strong growth in Chinese and Indian crude imports, led to further increases in crude tanker demand. However the market suffered from disrupted Nigerian exports in the third quarter, leading to a deeper than anticipated seasonal downturn. In the products tanker sector trade growth continued, albeit at a slower pace, as an overhang of products inventory weighed on the market.

Both the crude and products tanker fleets grew by some 6% in 2016. The crude tanker fleet is expected to grow by a further 5.1% in 2017, maintaining supply side pressure on earnings. Products tanker fleet growth is expected to fall to 3.7% in 2017. However, following strong fleet growth in 2015 and 2016, supply side pressure will likely remain in this sector. Extremely low levels of tanker ordering in 2016 point to reduced deliveries from 2018 and recent regulatory developments may accelerate removals of older tonnage.

Oil production cuts from both OPEC and non-OPEC countries seem likely to compound the strong crude tanker fleet growth in 2017. The cuts may be partially offset by additional cargo from Nigeria and Libya, which are exempt from OPEC's agreement, and Brazil may also raise exports. Uncertainty over compliance with production cuts and instability in some producing countries means there is potential for unexpected increases or decreases in crude tanker demand through 2017. In the US, higher oil prices resulting from the production cuts and potentially less stringent regulation, following the presidential election, point to a possible rebound in production. The derestriction of US crude exports now means that exports will likely increase as output grows and reductions in imports may be more muted. New refining capacity and strategic stock building should drive further growth in Chinese and Indian crude imports.

Re-balancing of the global oil market resulting from production cuts may eventually assist products' tanker demand, as inventories become depleted and trading opportunities re-emerge. Above average oil demand growth is still projected for 2017 by the major forecasting agencies, despite an expectation of somewhat higher prices.

We continue to increase volumes with the addition of new clients.

Specialised products

Despite limited signs of an increase on certain arterial trade lanes towards the end of 2016, the chemical tanker spot markets have softened considerably. The Clarksons Platou Spot Chemical Index has seen a 6.9% decline year-on-year whilst the Edible Oils Index is 20.7% lower year-on-year. Earnings continue to remain under pressure and are significantly lower than seen in 2015. The delta between owners' and charterers' ideas has grown considerably into the second half of 2016, and, as such, deal volume on the period charter and asset markets has been lacklustre for the latter part of the year.

Overall trade volume growth in specialised products has been robust throughout 2016. That said, sentiment has been weak for the second half due primarily to petroleum products' market dynamics and also the hangover from the El Nino weather phenomenon and its impact on palm oil trade. Overall seaborne trade is estimated to have gained 2.3% year-on-year in 2016, to 283m mts.

China's imports of specialised products drove the market in 2015 with a gain of 8%, but during the first 11 months of 2016 Chinese import growth slowed to 3.2% year-on-year. India, now the world's fastest growing major economy, saw seaborne specialised products import growth of 16% for the first half of 2016 compared to the first half of 2015.

We estimate that the other part of the tonne-mile factor, distance growth, continued its increase in 2016 with chemical tankers on average travelling 1.8% further per voyage. US-China seaborne trade of specialised products gained 67% for January-August 2016 when compared to the same period in 2015.

Average annual growth for the total chemical tanker fleet accelerated in 2016 due to a number of stainless steel vessels being delivered throughout the year. From 2017 onward, we believe deliveries will slow down at a faster rate, with net fleet growth reducing from high 4% in 2016 to high 3% in 2017.

Our base case points to expected volumes at approximately 1.1x world GDP growth or around 3.5% per year, for the next few years. With average annual fleet growth in 2016 above these levels, we believe that steady utilisation continues to depend on both economic growth and longer trading distances contributing as expected.

Despite the persistence of weak market sentiment in the second half of 2016, and for the most part a lack of seasonality, based purely on fundamentals the medium-long term outlook for the sector remains encouraging.

Gas

As expected, the LPG carrier market has succumbed to a softer freight environment during 2016 as fleet supply continued to expand, most notably in the VLGC sector. VLGC freight rates continued to be placed under downward pressure with time charter earnings for an 84,000 cbm unit averaging 74% lower compared to 2015 levels. Spot freights have fallen by a similar magnitude, though the reduction has been slightly less marked with a 67% reduction.

Seaborne trade growth of LPG has continued during 2016, though export volumes from the US were dealt a blow over the summer months as price margins with Asia narrowed. This adversely impacted tonne-mile demand and an increase in export volumes from the Middle East placed additional downward pressure on average voyage time. The prospects for ammonia trade growth offer minimal respite in the near term, although growth in tonne-mile demand is expected to improve as Caribbean volumes are displaced into the North African and Asian markets. If US oil and gas production is encouraged by the new Trump administration, this should only prove positive for NGL availability.

There has been a significant volume of newbuilding tonnage delivered, with still more vessels to be absorbed in 2017 as an additional 27 units look set to hit the water. The order book begins to thin out from 2018 onwards, slowing the pace of fleet growth, which suggests that we may then start to see some tightening of the supply/demand balances.

Following a weak start to the year, the market for the smaller LPG carriers improved in the final months of 2016.

This uptick helped to slow the scale of the decline in freight rates year-on-year. Benchmark 12 month time charter levels for the small 3,500 cbm pressure vessels ended the year 6% down on 2015 at around US$170,000 pcm whilst the rates for the 3,200 cbm semi-refs fell by a more modest 2%.

Sluggish coastal LPG trade combined with reduced propylene import demand into China were the key factors behind the softer freight sentiment, as in the smaller segments there has been minimal change in fleet supply.

With no newbuildings currently on the order book, any increase in demand may shift the fundamental balance in the market.

The general feeling in the smaller sizes is that we may have reached the bottom of the market. That said, the size sector 8,000 cbm and above remains long, due to upsizing, plus newbuildings have still to deliver in the larger pressure segment.

Time charter levels for the 8,250 cbm ethylene units have fallen by 5% year-on-year whilst the assessed rates for the 12,000 cbm ethylene units dropped almost 9% on the back of fleet growth through 2015/16. Within the size segment 5-14,999 cbm there is still 7% of the fleet left to deliver in the pressure sector and 6% in the ethylene capable sector. Therefore, this diverging trend amongst the smaller and larger units is expected to continue through 2017.

The Clarksons Platou gas teams in London, Oslo, Singapore and Houston have all increased volumes in 2016.

LNG

The LNG shipping market fundamentals improved from June onward, after going through a challenging first half. The freight rate assessment for modern dual fuelled ships was at US$45,000 per day in late December, whilst averaging US$33,500 per day for the full year, around US$3,000 less than a year earlier. Shipping demand is estimated to have grown by 2% while the net fleet expanded by 7% during the year. The spot chartering activity continued to grow as over 210 fixtures were concluded in 2016, compared with circa 180 in 2015.

The ‘wave’ of new LNG production capacity started to reach the markets and after four stagnant years the seaborne trade increased by 7%, reaching circa 265m tonnes. Australia was the main contributor with five new liquefaction trains commissioned, lifting the nation’s exports by 50% to 43m tonnes. Qatar, the world’s biggest LNG exporter, also increased its exports by 3m tonnes and for the first time utilised its entire production capacity. The long-awaited LNG from US shale also started to reach the markets with the commissioning of two trains in the Sabine Pass.

Asian markets absorbed most of the incremental volumes in 2016. Flows into the world’s two largest markets, Japan and Korea, remained relatively flat whilst China’s appetite for LNG increased significantly with a 30% hike in imports. India experienced encouraging import growth on the back of lower gas prices, government subsidies and high economic activity.

Middle East LNG imports were also strong, up by 50%, and the region formed a new significant market for spot trading and shipping. Low gas prices combined with an uptick in coal prices also proved an important factor for a 10% increase in European LNG imports.

The relatively low increase in shipping demand was attributed to the decline in average LNG transport distance as trade has become increasingly intra-basin. 29 new vessels entered the fleet in 2016, adding 4.9m cbm of carrying capacity, of which two ships were FSRUs. Meanwhile, two vessels were sold for scrapping and six carriers, one FSRU and one LNG bunkering vessel were ordered.

The tightening in the shipping market witnessed through the second half of 2016 is expected to carry through 2017 as significant new volumes from new plants commissioned through 2016 and 2017 will be lifted. These cargoes, coupled with an increase in short-term trading, will result in an alteration of the shipping balance as the growth in fleet supply, despite remaining strong, will still be below the growth in demand for required LNG tonnage.

On the LNG projects side, we could finally see an FID in Mozambique as well as potentially more decisions taken on US brownfield terminals where the new administration may provide favourable conditions for oil and gas industry and LNG export growth.

Sale and purchase

Secondhand

As mentioned in our half year commentary, 2016 continued to be an extremely challenging year across all sectors so it is with some degree of pride that we can report an increase in the number of second hand sale and purchase transactions we concluded year-on-year against 2015. Of course, with values under the pressures they were then, it was not possible to maintain the same levels of income but considering that we had the Baltic Indices at all-time lows in the early part of the year, the difference is not too negative, and when combined with our newbuilding desk overall we were up when compared to last year.

Looking forward into 2017, we have reason to be confident that for dry cargo the worst may well be behind us and that the oversupply of tonnage that the sector as a whole has been suffering for the past few years has started to work its way through, resulting in a level of confidence which we have not seen for some time. Sub-opex level charter rates are a thing of the past and the period time charter markets have even started to return, allowing asset values at least to stabilise if not yet start to rise. We are by no means out of the woods but with newbuilding business remaining very quiet, it is reasonable to assume that negative fleet growth might even start to happen come 2018 as the new ballast water treatment regulations accelerate demolition of the older vessels.

On the tanker side, having generally enjoyed a better than expected 2016 as far as earnings are concerned, there is a rather more pessimistic view, at least in the short-term, and this continues to hamper the volume of business we are able to conclude. In general, values have yet to fall to the levels that buyers feel they need to be at in order for them to invest whilst sellers remain under little pressure to reduce their price expectations, having enjoyed the good earnings of 2016. For those who need to transact, the buying market is quite thin and as brokers we are not sure that this will change in the near term.

Having said that, our ability to continue to act for more corporate clients with their own ongoing requirements regardless of market cycles should shelter us somewhat from this. Additionally, we would hope to be able to continue to replicate some high value project type transactions in conjunction with our project finance and structured asset finance teams as some clients look to re-finance away from traditional bank debt more towards sale and leaseback type structures.

Newbuilding

In 2016 the shipping industry saw significant supply side adjustments in reaction to continued market pressures. Historically low levels of newbuild demand, higher levels of delivery slippage and strong demolition saw fleet growth fall to its lowest level in over a decade.

2016 was an extremely challenging year for the shipbuilding industry. Contracting activity fell to its lowest level in over 20 years with just 480 orders reported, down 71% year-on-year. Domestic ordering proved important for many builder nations and 68% of orders in dwt terms reported at the top three shipbuilding nations were placed by domestic owners last year. Despite a 6% decline in newbuild price levels over 2016, few owners were tempted to order new ships, especially with the secondhand market offering ‘attractive’ opportunities. Only 48 bulkers and 46 offshore units were reported contracted globally last year, both record lows, and tanker and boxship ordering was limited. As a result, just 126 yards were reported to have won an order (1,000+ GT) in 2016, more than 100 yards fewer than in 2015.

However, a record level of cruise ship and ferry ordering provided some positivity in 2016. Combined, these ship sectors accounted for 52% of last year’s US$33.5bn estimated contract investment and, whilst such segments had not been a traditional focus for the Group, the addition of the newbuilding team in Oslo enabled us to take advantage of these more industrially routed opportunities, with contracting in these segments accounting for a significant proportion of Clarksons Platou newbuilding contracting activity in 2016.

European shipyards were clear beneficiaries, taking 3.4m CGT of orders in 2016, the second largest volume of orders behind Chinese shipbuilders’ 4.0m CGT. Year-on-year, contracting at European yards increased 31% in 2016 in terms of CGT while yards in China, Korea and Japan saw contract volumes fall by up to 90% year-on-year.

In light of such weak ordering activity, the global order book declined by 29% over the course of 2016, reaching a 12 year low of 223.3m dwt at the start of January 2017. This is equivalent to 12% of the current world fleet. The number of yards reported to have a vessel of 1,000 GT or above on order has fallen from 931 yards back at the start of 2009 to a current total of 372 shipbuilders.

Looking forward, 2017 will continue to be a challenging proposition for shipbuilders and volumes are likely to remain tempered against the backdrop of prevailing fragility in the freight markets and a continued disconnect between secondhand values and newbuilding prices. Nevertheless, with the shipbuilding market having now endured a substantial period of inactivity, there is the potential for builders to consider making some strategic decisions in order to incentivise buyers and maintain levels of production and this in turn may deliver a little more activity into 2017.

Offshore

General

In spite of continued oil price strengthening in the last quarter of 2016, market conditions in general in the offshore segment remain highly challenging. Operators continue to focus on cost cutting, implying limited sanctioning of new field developments and moderated maintenance activities. This, combined with continued substantial overcapacity in the asset-heavy segments of offshore oil services, supported persistent low utilisation and rates. Looking to 2017, we expect activity to increase somewhat in certain offshore segments, but it will generally take time to work through overcapacity, suggesting adverse market conditions for most contractors. Operators have also signalled further investment reductions in 2017. Previous downturns have demonstrated that rebasing supply-chain costs usually takes 12-24 months. Even though costs have already come down significantly, we believe operators will seek further expenditure reductions and also require higher oil prices and visibility on the anticipated sustainability of prices before increasing investments again.

The Clarksons Platou offshore team continued to build market share in chartering, sale and purchase and restructuring, strengthening the team in anticipation of the recovery.

Drilling market

Reduced spending by operators has put severe downwards pressure on rig fixing activity which has declined by more than 65% since 2012-13. At the same time, legacy contracts have expired rapidly, and as a result active rig utilisation has dropped to 66% and 63% for jackups and floaters respectively. Day rates have followed and are close to operating expenses on both categories in all regions of the world. Rig owners are naturally aware of the situation and, due to the age of the existing fleet, scrapping/removals have started to come to fruition, especially on the floater side. There has also been considerable movement in the order book, where units have been delayed and cancelled. In spite of this, a rebalancing of the MODU-market is likely to take some time, mainly due to the overhang of supply.

The subsea market

For the subsea industry low sanctioning activity will have a great impact on demand for construction/installation and SURF subsea services. 2015 represented the lowest level of subsea tree awards since 2000, reflecting operators' reduced E&P spending and re-bidding of contracts to obtain the lowest possible pricing. The end result for 2016 was an even lower level of subsea equipment awards. On the back of the oil price strengthening, sanctioning of new projects could increase with more subsea equipment awards during 2017. This is important for SURF work, which is largely driven by new field developments. Subsea maintenance activity has also now largely been deferred for about two years, implying potential demand could be pent up. We are starting to see increasing tendering activity within the subsea maintenance sector, and we expect awards in this segment to increase through 2017. This should lead to a gradual improvement of subsea fleet utilisation, which was around 50% on a global basis in December 2016, naturally with significant variations per sub-segment.

PSV

The North Sea PSV market has remained challenging for owners in 2016, with spot rates ranging between £2,740 and £14,826 per day for 499-900m² deck PSVs and between £2,410 and £13,994 per day for 900m² PSVs. Term rates have bottomed out between £4,750-£6,000 per day for the different categories and year to date numbers are down 21-22% vs last year. Utilisation has been falling steadily since the middle of 2014, and the 900m² PSVs have obtained an average utilisation of 75% in the first 11 months of the year, compared to 88% for the same period last year. The current utilisation for the largest vessel category is 68%. Approximately 130 PSVs have been laid up in the North Sea, compared to 97 at the beginning of the year. As term contracts are at operating expense levels, and laid up vessels are still being bid for longer-term contracts, we expect rates to remain steady through 2017. Globally, rates have still decreased further both year-on-year and versus the second quarter of 2016. PSV rates across the vessel categories declined by an average of 13%, 20% and 1% versus the second quarter of 2016 in GoM, Brazil and West Africa. Figures for the first 11 months are down 35%, 28% and 32% versus the same period from 2015. Vessel lay ups have also increased in all regions of the world and around 30% of the global fleet is currently laid up.

AHTS

As for the PSVs, the North Sea AHTS market has remained challenging in 2016 with spot rates ranging between £4,750 and £52,920 per day for 16-20,000 BHP AHTS and between £5,997 and £62,705 per day for the largest class of AHTSs. The market for long-term AHTS contracts, historically a very small market, is almost non-existent. Around 56 vessels are currently laid up in the North Sea, representing 62% of the fleet. Utilisation has been falling steadily since mid-2014, and the 20,000 BHP category has obtained an average utilisation of 35% in the first 11 months of the year, compared to 51% for the same period last year. The current utilisation for the largest vessels is 29%. At the same time, we are seeing reduced demand for large AHTS vessels in certain regions. Globally, rates have still decreased further both year-on-year and versus the second quarter of 2015. Term rates across the AHTS vessel categories declined by an average of 7%, 10% and 1% versus the second quarter of 2016 in GoM, Brazil and West Africa, and year to date figures are down 26%, 23% and 26% versus year to date 2015 for the same regions.

With more vessels coming off contracts internationally (especially in Brazil), an increasing number of vessels will likely find their way to the North Sea spot market. Owners have few other places to trade large AHTS units, but many of these units will likely go straight into lay-up.

Futures

The first quarter of 2016 produced new lows for the Cape 4TC 172 with a record index of US$485 posted on 17 March. Panamax and supramax markets fared little better with first quarter averages of US$3,067 and US$3,800 respectively. By late April the same index had risen to US$8,374, proving once again the intrinsic volatility in the dry freight market. Despite a lacklustre summer, September saw a further rise and a period of increased volatility from a higher base, with capes peaking at US$20,063 on 17 November. The cape index for the year averaged US$6,373 (2015: US$6,996) whilst panamax averaged US$5,562 (2015: US$5,560) and supramax US$6,268 (2015: US$6,965). Market volumes on cape futures fell 14.3%, whilst the smaller panamax and supramax sectors showed minor volume improvements.

The promising start in freight options volumes witnessed in the first quarter was not sustained and the market volume ultimately shrank 10% year-on-year. Despite this we performed well.

The iron ore growth story continues with a 56% rise in market volumes to 1.34bn tonnes. Once again, we have increased our market share in this growing sector.

Reflecting the diminished volume in freight swaps, our team has reduced in size but renewed vigour has resulted in improved performance. At the same time, we have increased our staffing in the growing iron ore sector both in London and Singapore, where our volumes remain on a growth trajectory.

The adoption of the cape 180,000 5TC contract seems likely to take place early in 2017, removing some of the trader uncertainty and immediately providing an uplift in values of approximately US$1,000.

Financial

Revenue: US$55.2m (2015: US$43.8m)
Revenue (sterling equivalent): £41.0m (2015: £28.7m)
Segment underlying profit: £6.8m (2015: £1.2m)

The solutions and expertise provided by the financial team have greatly enhanced our client offering and uniquely positions our business amongst its peers and places us well, as some of the major banks step back from lending to the shipping market.

Securities

2016 will be remembered as the year the UK voted to leave the European Union and the year Donald Trump was elected the incoming US President. Although these issues were predicted to impact the financial markets significantly, the capital markets have been relatively stable and resilient and have throughout the year survived relatively untroubled as a whole.

2016 started as 2015 left off; namely with a continuing downward spiral in the stock markets whereby major indices took a 10% haircut the first few weeks into 2016. The downward spiral was fuelled by concerns of China's slowing economy and the ever-falling oil prices. At the worst the oil price was below US$30 but at the end of the year was back above US$50. Our corporate finance revenues, however, increased approximately 40% compared to the same period in 2015. Similar to 2015, the first quarter of 2016 saw very strong secondary trading in bonds, mainly relating to trading in distressed offshore bonds, however activity came down in March and continued into April. Corporate finance revenues in the first quarter of 2016 were driven by equity capital markets transactions which kicked off in February with Golden Ocean (raising US$200m) followed by Scorpio Bulkers (raising US$63m) in March.

In the second quarter of 2016, the markets again took a hit as the UK voted to leave the EU, causing mass confusion about the future of European financial markets and the value of the British pound. Despite the difficult markets, we led a US$192m equity offering for Scorpio Bulkers Inc. in June, and advised Golar LNG in the establishment and private placement of US$500m of Golar Power in July, in addition to being retained as advisor for several Norwegian and international companies.

In the third quarter of 2016, markets were somewhat shut down within our core sectors despite our strong pipeline. Despite the still difficult market conditions we led the US$51.5m equity issue in Star Bulk Carriers Corp. completed in September 2016. In addition, we were retained for performing valuations and submitting fairness opinions to two US listed companies, one of which was a new client.

In the fourth quarter of 2016 markets recovered from the initial shocks following the Brexit vote and the soothing of China's stimulus that stabilised the global economy. The election of Donald Trump as the new President of the United States shook the markets in the minutes that followed, but ultimately resulted in a rally. Major indices added between 6% and 12% through the end of the year as investors bid up stocks in anticipation of deregulation, lower taxes, inflation and infrastructure spending. For Clarksons Platou Securities (CPS), markets opened up, and we completed six equity offerings raising in total approximately US$545m for, amongst others, Golar LNG, Maritime & Merchant Bank, Songa Bulk and Standard Drilling, in addition to being a part of the syndicate raising US$150m in senior notes for Rowan Industries, a new client of CPS, and a US$225m offering of convertible senior notes for Ship Finance International.

Looking into 2017, we believe it will likely be a more positive capital markets environment as we see improvement in both commodity prices and increasing investor risk appetite. Hence we remain cautiously optimistic for the year to come.

Project finance

Shipping

At the beginning of the year and until the end of the second quarter of 2016, we experienced lower transaction activity and fewer projects being placed in the Norwegian project finance market compared to earlier years. One major reason for this is clearly the lack of finance, due to the fact that banks have enough shipping exposure, and earnings in most segments are not sufficient to provide a cash flow that covers interest, amortisation and a return on equity. Another reason has been that the low charter levels and decline in ship values have had a negative effect on liquidity and balance sheets of shipowners, which has affected their creditworthiness and hence their access to finance.

In 2016, we have seen that the project finance market has been split into two categories: opportunistic asset play projects and long-term leasing deals. The asset play segments have been mostly dry cargo, offshore and containers, while we have seen leasing activity on the tanker side being quite active. The investors in the asset play deals have been mostly European investors with the deals arranged and syndicated in the Norwegian project finance market. On the leasing side, the Chinese leasing banks have been very active, and a few other private equity funds specifically targeting the offshore industry have also concluded a couple of transactions.

In the second half of the year we focused on financing projects with 100% equity. The activity picked up significantly after the summer, and in the second half of the year, we structured and placed three PSV projects (seven vessels), one handysize bulker project (one vessel) and one feeder containership project (two vessels). The total equity raised in these transactions amounted to close to US$65m.

In addition to this, our project sales team has successfully worked together with Clarksons Platou Securities on the placement of three private placement transactions.

The outlook for 2017 is positive, as we have several projects in the pipeline and the momentum going forward is strong.

Real estate

The Nordic real estate market continued the strong path in 2016 with strong growth in Sweden, Finland and Denmark compared to 2015. The Norwegian market however dropped from NOK118bn to an estimate of NOK70bn in 2016 mainly due to fewer large transactions than we experienced in 2015. Across the entire Nordic market, yields on prime assets and long leases compressed as institutional funds and family offices sought yielding assets with stable dividends in stable macro-economies like the Nordic. Foreign investors have had an increasing appetite for the Norwegian market over recent years but this was significantly down in 2016. The major reason is the continuous drop in CBD Oslo Yields with 3.75% as a new all-time-low record. This makes Oslo one of the most expensive commercial real estate markets in Europe. Domestic property companies and property funds (listed and unlisted) accounted for 63% of the volume. Even though yields on prime assets have declined, the yield gap (difference between real estate yield and interest rate level) is still attractive. The vacancy rate in the Oslo office market is expected to decline over the next two years as a result of conversion and demolition of older office buildings to residential properties combined with few new office buildings.

Whilst total transaction values have declined in 2016 compared to 2015 we still see strong demand from the equity side and expect this to continue.

Structured asset finance

During the course of 2016, it was evident that traditional shipping finance (particularly from financial institutions in Europe) had become much harder to obtain. This was largely driven by more stringent capital regulations, ongoing legacy portfolio losses and a more cautious approach to credit risk towards the sector. Whilst a number of smaller banks began to increase exposure to the sector, this in no way made up for the flight to quality and reduced syndicated lending from the major shipping banks.

The continuing emergence of global leasing companies (notably in China and Japan) has provided some of the much needed additional financing support for the sector but again, whilst these leasing companies are in expansionary mode and are actively looking for sound business opportunities beyond their national borders, they alone do not fill the void. Insurance companies, pension and wealth funds, incentivised by regulation to match medium-term liabilities with assets, remain hungry for volume and yield but continue to have limited risk appetite for the sector and this pool of capital, aside from a few notable recent US Private Placement transactions, remains largely untapped by the industry.

In summary, shipping financing is still available for the right transactions but liquidity is very tight and unlikely to improve in the next 12 months.

Support

Revenue: £17.8m (2015: £22.5m)
Segment underlying profit: £2.1m (2015: £3.3m)

It has been a very strong year for most areas of our business handling dry cargoes, but, as expected, 2016 was a struggle for those areas in the oil and gas sector. We have concentrated, therefore, on controlling overheads whilst providing a market-leading level of service.

Agency – dry cargo

Grain

As far as grain exports are concerned, 2016 has been an excellent year for the agency business. Ipswich, Tilbury and Southampton have seen high shipping volumes, and the smaller coastal ports such as Poole and Boston have remained busy too.

Additional grain export business has been won which has not only increased our activity in our traditional grain ports, but also has seen us handling grain in Sheerness and on the Tyne.

The indications from the trade are that volumes will fall off in the early part of 2017 as much of the UK exportable surplus has already been shipped, but levels should pick up again after July's harvest.

Animal feed

After a steady start to 2016, animal feed imports picked up significantly in the last few months of the year, with Liverpool and Avonmouth seeing much increased volumes.

Coal / biomass

Coal imports have now largely been replaced by biomass as power stations are either converted or closed. The switch of fuel type alone has not affected Clarkson Port Services (CPS) but we have seen an overall reduction in activity as customers reduce volumes due to both planned maintenance on their burners and teething problems with new port side handling facilities. In 2017 we expect to return to more normal import volumes.

Agency – liquids

Although in 2016 CPS handled a small number of liquid calls, mainly based around Harwich, Fawley, Thames and the Mersey, the agency fees offered by the tanker owners remain very low.

Agency – offshore

Oil and gas

This has been much the hardest part of our business in 2016. We have seen volumes more than halved because of the downturn, forcing us to restructure our offices and decrease overheads, whilst ensuring we remain in a strong position to react to our customers' requirements both now and in the future.

A slight upturn was seen in the lower fee-earning PSV market towards the end of 2016, and we are starting to receive enquiries for a number of projects scheduled for early 2017. We hope that this is a sign of a slow market improvement, although it will be some time until it returns to previous levels.

Offshore renewables

Much of 2016 was spent laying the groundwork to ensure that CPS is involved in the various offshore wind projects commencing around the UK.

In the third quarter of 2016, we began handling projects in Belfast and East Coast UK, which will continue well into 2017. During the coming year we expect this activity to increase significantly and currently have sight of projects that we should be involved with at least until 2020.

Gibb Industrial Supplies

As with our other businesses involved in the oil and gas sector, 2016 was a tough year. Orders from the sector reduced significantly as clients reined in their spending and, consequently, we cut overhead in order to ensure we remain in a healthy position when the market improves.

The second half of the year showed signs of improvement but we continue to focus on promoting our supply business in other sectors. In addition, in 2016 we completed the implementation of an electronic stock system that will not only improve the service we are able to offer our clients, but should also help us control overheads.

Stevedoring

Our stevedoring operation in Ipswich has perhaps been the most successful area of our business in 2016, benefiting from an increased client base, a good harvest year and a widening of products handled. We continue to benefit from being one of the few facilities in the UK not directly connected to just a single major grain house.

With the cooperation of Associated British Ports we have been able to increase our storage facilities in the port, and are in discussions to take on additional space in 2017.

Although the prediction is that grain volumes will decrease in the first half of 2017, we are already seeing our customers switching their attention away from grain export and focusing on imported products such as animal feed and rice.

We continue to look for other stevedoring opportunities outside Ipswich.

Freight forwarding and logistics

In 2016, we concentrated on expanding our focus to new sectors including renewables, but the market remains challenging.

Research

Revenue: £13.7m (2015: £11.1m)
Segment underlying profit: £4.9m (2015: £3.4m)

Our 2016 performance builds on a consistent long-term growth profile, supported by ongoing investment into this important area of our business.

Research revenues and results grew strongly in 2016, with sales reaching £13.7m (2015: £11.1m). Despite the challenging markets, underlying sales grew by an encouraging 19% during the year, as our clients continued to value the importance of authoritative intelligence. This performance builds on a consistent long-term growth profile, supported by ongoing investment into this important area of our business.

Clarksons Research is respected and trusted worldwide as the market-leading provider of authoritative intelligence and data across shipping, trade, offshore and energy. We continue to invest heavily to expand our wide ranging proprietary database, to develop and enhance our digital product offering and to promote the Clarksons' profile across the global shipping and offshore industries. Research also continues to be a core data provider to the broking, financial and support teams of Clarksons.

The research focus on the collection, validation, management, processing and analysis of integrated data about the shipping and offshore markets continues. Our fully integrated and relational database continues to expand in breadth and depth, with our shipping and trade database now providing coverage on over 135,000 vessels totalling 1.9bn dwt, over 40,000 companies, over 25,000 machinery models, over 600 active shipyards and fabricators, over 600,000 fixtures and over 100,000 commercial and trade time series, including coverage of 11bn tonnes of seaborne trade. The offshore and energy database provides comprehensive coverage of all offshore fields, projects, production platforms, subsea infrastructure, rigs, support vessels and construction vessels, all integrated within a Geographical Information System (GIS). The development of new proprietary data remains important, including the utilisation of AIS data, trade and commodity flows, the tracking of capital market activity and shipping loan data, machinery and environmental packages on board ships, offshore renewables, ports and terminals, ship repair yards and other shore side infrastructure relating to trade and energy.

Over 75% of research sales are annuity based and there is excellent customer retention. A broad and diversified client base includes good market penetration across the financial, shipowning, insurance, supplier, governmental, private equity, energy, commodity, shipyard, fabrication and oil service sectors. There is also broad global client spread, including across Asia Pacific. Total research headcount is now over 100, with a continued broadening of geographic footprint, involving expansion of operations in both Shanghai and Singapore during 2016.

Research derived its income from the following principal areas:

Digital

Sales from digital products performed very well in 2016, growing by 19%. We continue to invest heavily in our digital product offering, utilising our growing proprietary database, IT and data analytics to remain both market leading and to develop new digital products to add to our offer.

Sales from our flagship maritime commercial database, Shipping Intelligence Network, continue to grow, while a major upgrade to our online vessel register, World Fleet Register, during the year was very well received by clients and helped support robust sales growth of 27%. Our relaunched register offers a range of new and powerful functionality including owner and yard profiles, alert functions and expanded data on equipment, incidents and additional fleet sectors. Sales of our digital offering across offshore continue to expand and a further product enhancement to World Offshore Register is planned for early 2017.

Our launch of a new ship tracking system in late 2016, Clarksons SeaNet, blends satellite and land based AIS data with our proprietary database of vessel characteristics and infrastructure. It tracks global vessel movements for over 60,000 ships, with a combined fleet tonnage of 1.2bn gt, across over 5,000 ports and zones. This is a very positive development and is fully complementary to both the research digital offer and broader technology strategy across broking and financial. Further new digital products and product enhancement are expected to come on line in 2017.

Services

Clarksons Research continues to expand its provision of bespoke service contracts to a range of large corporate and institutional clients in both the shipping and offshore industries. A specialist team concentrates on managing retainers and providing bespoke data, consultancy and valuations for banks, shipyards, fabricators, engineering companies, insurers, governments, asset owners and other corporates. These bespoke services often become embedded within our clients' workflows, supporting client retention.

Clarksons Valuations performed particularly strongly in 2016, growing its position as the leading provider of valuation services to the ship finance sector. The valuations team work closely with all major ship finance banks and leading owners, as the value our clients place on authoritative and comprehensive support increases with the challenging market conditions. The valuation team headcount has been expanded in 2016, along with investment in their operating support tools.

Reports

Market intelligence reports remain an important aspect of the Clarksons Research overall offering, generating provenance and profile. Research publishes weekly, monthly, quarterly and annual reports, publications, registers and maps, available both in print and within our digital offering, continuing a 50 year heritage. Our flagship shipping report, Shipping Intelligence Weekly, remains market-leading while our comprehensive offshore offering, including Offshore Drilling Rig Monthly and Offshore Support Vessel Monthly, continues to gain traction.

Financial review

Dividend per share: 65p (2015: 62p)
Underlying profit before taxation*: £44.8m (2015: £50.5m)
*Before exceptional items and acquisition related costs

Results

The Group made revenue of £306.1m (2015: £301.8m) and incurred administrative expenses of £253.0m (2015: £242.0m). The majority of revenue, and a significant proportion of expenses, are earned in foreign currency. Following the Brexit vote in 2016, sterling has fallen against most currencies.

Underlying profit before taxation was £44.8m (2015: £50.5m). The term 'underlying' excludes the impact of exceptional items and acquisition related costs, which are shown separately on the face of the income statement. Management separates these items due to their nature and size and believe this provides further useful information, in addition to statutory measures, to assist users to understand the results for the year.

	2016 £m	2015 £m
Underlying profit before taxation	**44.8**	50.5
Exceptional items	**11.1**	(2.5)
Acquisition related costs	**(8.6)**	(16.2)
Reported profit before taxation	**47.3**	31.8

Exceptional items

Exceptional items include the gain on the sale of shares in The Baltic Exchange to SGX. A special final dividend from The Baltic Exchange, which was closely linked to the sale, was also treated as an exceptional item in 2016, although the £1.4m special dividend received in 2015 was included in underlying income in keeping with the treatment in previous years.

Acquisition related costs

Acquisition related costs includes £6.6m of amortisation of intangibles, £1.1m of cash and share-based payments spread over employee service periods and £0.9m of interest on loan notes, half of which were repaid in June 2016 and the last of which will be repaid in June 2017. Estimated acquisition related costs for 2017, assuming no other acquisitions are made, would be £4.9m.

Taxation

The Group's effective tax rate, before exceptional items and acquisition related costs, was 25.0% (2015: 24.9%), reflecting the broad international operations of the Group and the disallowable nature of many incurred costs, particularly entertaining. After exceptional items and acquisition related costs, the rate was 19.8% (2015: 29.8%).

Earnings per share (EPS)

Underlying basic EPS was 105.2p (2015: 121.9p), calculated as underlying profit after taxation divided by the weighted average number of ordinary shares in issue during the year. The reported basic EPS was 119.7p (2015: 68.2p).

Forward order book (FOB)

The Group earns some of its commissions on contracts where the duration extends beyond the current year. Where this is the case, amounts that are able to be invoiced and collected during the current financial year are recognised as revenue accordingly. However, those amounts which are not yet invoiced and recognised as revenue are held in the FOB. In challenging markets, such amounts may be cancelled or deferred into later periods. Consequently, the Directors review the FOB at the end of the year, and only publish the total of those items that are in the FOB which will, in their view, be invoiced in the following 12 months. At 31 December 2016, this estimate was US$112m (at 31 December 2015: US$151m). The reduction in forward visibility of earnings reflects the low levels of newbuilding contracting and the prevalence of spot business arising from the highly challenged rate environment, as highlighted in the interim statement.

Dividend

The Board is recommending a final dividend of 43p (2015: 40p), which will be paid on 2 June 2017 to shareholders on the register at the close of business on 19 May 2017. The interim dividend was 22p (2015: 22p) which, subject to shareholder approval, would give a total dividend of 65p (2015: 62p). In taking its decision, the Board took into consideration the 2016 performance, the strength of the Group's balance sheet and its ability to generate cash and the FOB. The dividend is covered 1.8 times by basic EPS (2015: 1.1 times). This increased dividend represents the 14th consecutive year that the Board has raised the dividend.

Foreign exchange

The average sterling exchange rate during 2016 was US$1.35 (2015: US$1.53). At 31 December 2016 the spot rate was US$1.24 (2015: US$1.47).

Cash and borrowings

The Group continues to be cash generative, ending the year with cash balances of £154.0m (2015: £168.4m), after the repayment of the first tranche of loan notes amounting to £23.3m in June 2016. A further £29.4m (2015: £5.4m) was held in short-term deposit accounts, classified as current investments on the balance sheet. The Board believes that deducting accrued bonuses before striking a total of net cash and available funds is a better representation of the net cash available to the business, as bonuses are typically only paid once a year after the year-end, and thus an element of the cash held at the year-end is earmarked for this purpose. Consequently, after deducting all outstanding loan notes and amounts accrued for performance-related bonuses, net cash and available funds amounted to £74.8m (2015: £45.5m). This significant increase arises as a result of profits, the proceeds from the sale of The Baltic Exchange, currency gains from holding non-sterling denominated funds and improved working capital management.

Balance sheet

Net assets at 31 December 2016 were £406.7m (2015: £340.9m). The balance sheet remains strong, with net current assets and investments exceeding non-current liabilities (excluding pension provisions) by £58.1m (2015: £36.2m). The overall provision for impairment of trade receivables was £15.5m (2015: £12.3m) and the underlying US dollar balance increased by US$1.0m, reflecting the continued challenging trading conditions in the shipping and offshore markets. The Group's pension schemes have a combined surplus before deferred tax of £2.3m (2015: £4.1m deficit). This improvement is a result of positive investment performances and updated actuarial assumptions more than offsetting the impact of the significantly lower year-end discount rate.

Key performance indicators (KPIs)

1. Financial KPIs used in the management of the business include revenue, profit before taxation, earnings per share and the FOB.
2. The business also aims to generate long-term shareholder value, as reflected by a review of total shareholder return.

Jeff Woyda
Chief Financial Officer and Chief Operating Officer
10 March 2017

Risk management

Full details of our principal risks and how we manage them will be included in the risk management section of the 2016 annual report, together with our viability and going concern statements.

Our principal risks are:

- Failure to achieve strategic objectives
- Negative perception of the Group as a result of employee misuse of confidential information
- Cyber and data security
- Economic factors
- Loss of key personnel
- Adverse movements in foreign exchange
- Adverse financial commitments relating to pensions
- Financial loss arising from a failure of a client to meet its obligations

Directors' responsibilities statement

The statement of directors' responsibilities below has been prepared in connection with the Group's full annual report for the year ended 31 December 2016. Certain parts of the annual report have not been included in this announcement as set out in note 1 of the financial information.

We confirm that:

- to the best of our knowledge, the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group;

- to the best of our knowledge, the strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of principal risks and uncertainties that it faces; and

- we consider the annual report, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 10 March 2017 and is signed on its behalf by:

James Hughes-Hallett
Chairman
10 March 2017

Consolidated income statement

for the year ended 31 December

	2016 Before exceptional items and acquisition related costs £m	2016 Exceptional items £m	2016 Acquisition related costs £m	2016 After exceptional items and acquisition related costs £m	2015 Before exceptional items and acquisition related costs £m	2015 Exceptional items £m	2015 Acquisition related costs £m	2015 After exceptional items and acquisition related costs £m
Revenue	306.1	–	–	306.1	301.8	–	–	301.8
Cost of sales	(8.9)	–	–	(8.9)	(10.3)	–	–	(10.3)
Trading profit	297.2	–	–	297.2	291.5	–	–	291.5
Other income	–	9.7	–	9.7	–	1.3	–	1.3
Administrative expenses	(253.0)	–	(7.7)	(260.7)	(242.0)	(3.8)	(15.1)	(260.9)
Operating profit	44.2	9.7	(7.7)	46.2	49.5	(2.5)	(15.1)	31.9
Finance revenue	0.8	1.4	–	2.2	2.5	–	–	2.5
Finance costs	(0.1)	–	(0.9)	(1.0)	(1.1)	–	(1.1)	(2.2)
Other finance costs – pensions	(0.1)	–	–	(0.1)	(0.4)	–	–	(0.4)
Profit before taxation	44.8	11.1	(8.6)	47.3	50.5	(2.5)	(16.2)	31.8
Taxation	(11.2)	–	1.8	(9.4)	(12.6)	0.6	2.5	(9.5)
Profit for the year	33.6	11.1	(6.8)	37.9	37.9	(1.9)	(13.7)	22.3
Attributable to:								
Equity holders of the Parent Company	31.4	11.1	(6.8)	35.7	35.3	(1.9)	(13.7)	19.7
Non-controlling interests	2.2	–	–	2.2	2.6	–	–	2.6
Profit for the year	33.6	11.1	(6.8)	37.9	37.9	(1.9)	(13.7)	22.3
Earnings per share								
Basic	105.2p			119.7p	121.9p			68.2p
Diluted	104.2p			118.6p	120.5p			67.4p

Consolidated statement of comprehensive income

for the year ended 31 December

	2016 £m	2015 £m
Profit for the year	37.9	22.3
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss:		
Actuarial gain on employee benefit schemes – net of tax	4.0	7.2
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences on retranslation of foreign operations	50.5	(20.4)
Foreign currency hedge – net of tax	(3.9)	(1.1)
Other comprehensive income/(loss)	50.6	(14.3)
Total comprehensive income for the year	88.5	8.0
Attributable to:		
Equity holders of the Parent Company	85.8	6.3
Non-controlling interests	2.7	1.7
Total comprehensive income for the year	88.5	8.0

Consolidated balance sheet
as at 31 December

	2016 £m	2015 £m
Non-current assets		
Property, plant and equipment	30.0	30.8
Investment property	1.2	1.2
Intangible assets	300.5	263.2
Trade and other receivables	1.8	1.1
Investments	4.1	1.9
Employee benefits	7.5	–
Deferred tax asset	12.8	12.5
	357.9	310.7
Current assets		
Inventories	0.7	0.9
Trade and other receivables	56.7	61.3
Income tax receivable	2.3	1.7
Investments	29.8	5.7
Cash and cash equivalents	154.0	168.4
	243.5	238.0
Current liabilities		
Interest-bearing loans and borrowings	(23.6)	(23.1)
Trade and other payables	(142.3)	(139.3)
Income tax payable	(6.5)	(5.9)
Provisions	–	(0.2)
	(172.4)	(168.5)
Net current assets	71.1	69.5
Non-current liabilities		
Interest-bearing loans and borrowings	–	(23.0)
Trade and other payables	(11.3)	(8.1)
Provisions	(0.1)	–
Employee benefits	(5.2)	(4.1)
Deferred tax liability	(5.7)	(4.1)
	(22.3)	(39.3)
Net assets	406.7	340.9
Capital and reserves		
Share capital	7.6	7.6
Other reserves	240.1	194.2
Retained earnings	155.8	136.2
Equity attributable to shareholders of the Parent Company	403.5	338.0
Non-controlling interests	3.2	2.9
Total equity	406.7	340.9

Consolidated statement of changes in equity
for the year ended 31 December

	Attributable to equity holders of the Parent Company					
	Share capital £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 1 January 2016	**7.6**	**194.2**	**136.2**	**338.0**	**2.9**	**340.9**
Profit for the year	**–**	**–**	**35.7**	**35.7**	**2.2**	**37.9**
Other comprehensive income:						
Actuarial gain on employee benefit schemes – net of tax	**–**	**–**	**4.0**	**4.0**	**–**	**4.0**
Foreign exchange differences on retranslation of foreign operations	**–**	**50.0**	**–**	**50.0**	**0.5**	**50.5**
Foreign currency hedge – net of tax	**–**	**(3.9)**	**–**	**(3.9)**	**–**	**(3.9)**
Total comprehensive income for the year	**–**	**46.1**	**39.7**	**85.8**	**2.7**	**88.5**
Transactions with owners:						
Share issues	**–**	**0.1**	**–**	**0.1**	**–**	**0.1**
Employee share schemes	**–**	**(0.3)**	**(1.8)**	**(2.1)**	**–**	**(2.1)**
Tax on other employee benefits	**–**	**–**	**0.3**	**0.3**	**–**	**0.3**
Tax on other items in equity	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Dividend paid	**–**	**–**	**(18.5)**	**(18.5)**	**(2.4)**	**(20.9)**
	–	**(0.2)**	**(20.1)**	**(20.3)**	**(2.4)**	**(22.7)**
Balance at 31 December 2016	**7.6**	**240.1**	**155.8**	**403.5**	**3.2**	**406.7**

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

Consolidated cash flow statement
for the year ended 31 December

	2016 £m	2015 £m
Cash flows from operating activities		
Profit before taxation	**47.3**	31.8
Adjustments for:		
Foreign exchange differences	**(3.6)**	(1.9)
Depreciation of property, plant and equipment	**5.0**	4.2
Share-based payment expense	**1.3**	1.6
Gain on sale of property, plant and equipment	**(0.1)**	(0.1)
(Gain)/loss on sale of investments	**(9.6)**	0.3
Amortisation of intangibles	**6.6**	9.2
Difference between pension contributions paid and amount recognised in the income statement	**(1.9)**	(2.3)
Finance revenue	**(2.2)**	(2.5)
Finance costs	**1.0**	2.2
Other finance costs – pensions	**0.1**	0.4
Decrease in inventories	**0.2**	0.5
Decrease in trade and other receivables	**13.9**	20.8
Decrease in bonus accrual	**(3.0)**	(11.1)
Decrease in trade and other payables	**(1.9)**	(12.5)
Decrease in provisions	**(0.1)**	(2.8)
Cash generated from operations	**53.0**	37.8
Income tax paid	**(7.4)**	(13.1)
Net cash flow from operating activities	**45.6**	24.7
Cash flows from investing activities		
Interest received	**0.6**	0.8
Purchase of property, plant and equipment	**(3.1)**	(24.4)
Proceeds from sale of investments	**11.3**	6.8
Proceeds from sale of property, plant and equipment	**0.4**	0.3
Purchase of investments	**(3.8)**	–
Transfer (to)/from current investments (funds on deposit)	**(24.0)**	20.0
Acquisition of subsidiaries, including settlement of deferred consideration	**(23.7)**	(26.5)
Net cash and cash equivalents acquired on acquisitions	**–**	43.2
Dividends received from investments	**1.5**	1.7
Net cash flow from investing activities	**(40.8)**	21.9
Cash flows from financing activities		
Interest paid	**(0.1)**	(1.1)
Dividend paid	**(18.5)**	(18.2)
Dividend paid to non-controlling interests	**(2.4)**	(1.7)
Repayment of borrowings	**–**	(12.8)
Proceeds from shares issued (net of transaction costs)	**–**	1.2
ESOP shares acquired	**(6.0)**	–
Net cash flow from financing activities	**(27.0)**	(32.6)
Net (decrease)/increase in cash and cash equivalents	**(22.2)**	14.0
Cash and cash equivalents at 1 January	**168.4**	152.9
Net foreign exchange differences	**7.8**	1.5
Cash and cash equivalents at 31 December	**154.0**	168.4

Notes to the preliminary financial statements

1 General information

The preliminary financial information (financial information) set out in this announcement does not constitute the consolidated statutory financial statements for the years ended 31 December 2015 and 2016, but is derived from those financial statements. Statutory financial statements for 2015 have been delivered to the Registrar of Companies and those for 2016 will be delivered following the Company's Annual General Meeting. External Auditors have reported on the financial statements for 2015 and 2016; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

2 Accounting policies and basis of preparation

The financial information set out in this announcement is based on the consolidated financial statements, which are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use by the European Union, and complies with the disclosure requirements of the Listing Rules of the UK Financial Conduct Authority. The financial information is in accordance with the accounting policies set out in the 2016 financial statements and have been prepared on a going concern basis.

3 Segmental information

Business segments	Revenue		Results	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Broking	**233.6**	239.5	**40.2**	49.1
Financial	**41.0**	28.7	**6.8**	1.2
Support	**17.8**	26.2	**2.1**	3.3
Research	**13.7**	11.1	**4.9**	3.4
	306.1	305.5		
Less: property services revenue arising within the Group, included under support	**–**	(3.7)		
Segment revenue/results	**306.1**	301.8	**54.0**	57.0
Head office costs			**(9.8)**	(7.5)
Operating profit before exceptional items and acquisition related costs			**44.2**	49.5
Exceptional items			**9.7**	(2.5)
Acquisition related costs			**(7.7)**	(15.1)
Operating profit after exceptional items and acquisition related costs			**46.2**	31.9
Finance revenue			**2.2**	2.5
Finance costs			**(1.0)**	(2.2)
Other finance costs – pensions			**(0.1)**	(0.4)
Profit before taxation			**47.3**	31.8
Taxation			**(9.4)**	(9.5)
Profit for the year			**37.9**	22.3

4 Exceptional items

2016
Exceptional items include a gain of £9.7m on the sale of shares in The Baltic Exchange to SGX. A special final dividend from The Baltic Exchange of £1.4m, which was closely linked to the sale, was also treated as an exceptional item in 2016, although a £1.4m special dividend received in 2015 was included in underlying income in keeping with the treatment in previous years.

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

5 Acquisition related costs

Included in acquisition related costs are cash and share-based payment charges of £0.4m (2015: £2.1m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £0.7m (2015: £0.7m) relating to the acquisition of the remaining non-controlling interest in Clarksons Platou Tankers AS. The charge consists of cash and share-based payment charges which are linked to future service of the employees and are therefore spread over a four year period.

Also included is £nil (2015: £3.1m) of legal and professional fees relating to the Platou and other acquisitions and £6.6m (2015: £9.2m) relating to amortisation of intangibles acquired as part of the Platou and other prior acquisitions. Interest on the loan notes issued as part of the Platou acquisition totalled £0.9m (2015: £1.1m).

6 Taxation

The major components of the income tax charge in the consolidated income statement are:

	2016 £m	2015 £m
Profit at UK average standard rate of corporation tax of 20.00% (2015: 20.25%)	**9.5**	6.4
Expenses not deductible for tax purposes	**1.6**	2.8
Non-taxable income	**(2.3)**	(0.3)
Tax losses not recognised	**1.3**	–
Other adjustments	**(0.7)**	0.6
Total tax charge in the income statement	**9.4**	9.5

7 Earnings per share

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

Diluted earnings per share amounts are calculated by dividing profit for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2016 £m	2015 £m
Profit for the year attributable to ordinary equity holders of the Parent Company	**35.7**	19.7

	2016 Millions	2015 Millions
Weighted average number of ordinary shares	**29.9**	29.0
Diluted weighted average number of ordinary shares	**30.1**	29.3

8 Dividends

The Board is recommending a final dividend of 43p (2015: 40p), giving a total dividend of 65p (2015: 62p). This final dividend will be payable on 2 June 2017 to shareholders on the register at the close of business on 19 May 2017, subject to shareholder approval.

9 Business combinations

2016
There were no material business combinations in 2016.

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

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

Further information on the Platou acquisition, including details of the consideration paid, the fair value of the assets acquired and the liabilities assumed, can be found on pages 88 and 89 of the 2015 annual report.

10 Intangible assets

Goodwill and other intangible assets are held in the currency of the businesses acquired and are subject to foreign exchange retranslations to the closing rate at each year end. This has resulted in an increase of £42.5m in the carrying value of goodwill and £1.4m in the carrying value of other intangible assets in the year.

11 Current investments

The Group held £19.4m (2015: £5.4m) in a deposit with a 95 day notice period. The Group also held £10.0m (2015: £nil) in a deposit with a maturity of six months at the year-end. These deposits are held with an A-rated financial institution.

Other current investments amount to £0.4m (2015: £0.3m).

12 Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	**147.7**	161.3
Short-term deposits	**6.3**	7.1
	154.0	168.4

13 Interest-bearing loans and borrowings

Interest-bearing loans and borrowings comprise the vendor loan notes issued as part of the consideration for the Platou acquisition of £23.6m. Interest is charged at 12 month sterling LIBOR plus 1.25%. Half the loan notes were repaid on 30 June 2016, the balance is repayable on 30 June 2017.

14 Employee benefits

The Group operates three defined benefit pension schemes, being the Clarkson PLC scheme, the Plowrights scheme and the Stewarts scheme.

As at 31 December 2016 the combined schemes had a surplus of £2.3m (2015: £4.1m deficit), including a minimum funding requirement of £4.1m on the Plowrights scheme (2015: £1.4m). As there is no right of set-off between the schemes, the benefit asset of £7.5m (2015: £nil) is disclosed separately on the balance sheet from the benefit liability of £5.2m (2015: £4.1m). The Group has recognised a deferred tax asset on the benefit liability amounting to £0.8m (2015: £0.7m) and a deferred tax liability on the benefit asset of £1.2m (2015: £nil). The market value of the assets was £200.5m (2015: £170.1m) and independent actuaries have assessed the present value of funded obligations at £194.1m (2015: £172.8m).

15 Share capital

	2016 Million	2015 Million	**2016 £m**	2015 £m
Ordinary shares of 25p each, issued and fully paid	**30.2**	30.2	**7.6**	7.6

16 Contingencies

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