11 March 2019

Clarkson PLC (Clarksons) is the world's leading provider of integrated shipping services. From offices in 23 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 12 months ended 31 December 2018.

Summary

- Robust performance in line with expectations, despite a challenging start to the year
- Underlying profit before taxation £45.3m (2017: £50.2m)
- Underlying earnings per share 105.2p (2017:116.8p)
- Strong balance sheet, including a 5% increase in free cash resources[1] to £57.0m (2017: £54.1m)
- Dividend increased by 3% to 75p; 16 years of consecutive dividend increases

[1] Free cash resources are cash and cash equivalents and current investment deposits, after deducting amounts accrued for performance-related bonuses, outstanding loan notes and monies held by regulated entities.

	Year ended 31 December 2018	Year ended 31 December 2017
Revenue	**£337.6m**	£324.0m
Underlying profit before taxation*	**£45.3m**	£50.2m
Reported profit before taxation	**£42.9m**	£45.4m
Underlying earnings per share*	**105.2p**	116.8p
Reported earnings per share	**98.8p**	104.4p
Dividend per share	**75p**	73p

* Before acquisition related costs of £2.4m (2017: £4.8m).

Andi Case, Chief Executive Officer, commented:

"Despite a challenging start to 2018, I am pleased to announce that we delivered a robust financial performance in line with expectations, strengthening our position at the forefront of the market and generating further returns for our shareholders with our 16th consecutive year of increased dividend. We continue to invest in our innovative technology offering and hire the best talent, maintaining our leading position by providing first class products and services for our clients.

"Geo-political uncertainty and natural disasters are currently affecting global sentiment and exchange rates, which in part offsets the better visibility from an improved forward order book. These headwinds are having an impact, in particular within our financial segment, but as the year progresses, we expect these to diminish and the impact from changes in regulation around sulphur emissions to begin. Consequently, we believe that the strength and breadth of Clarksons, enhanced by technology platforms which continue to be rolled out to our clients, positions the Group well for the future. The Board remains confident about the longer-term outlook for Clarksons."

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Alternative performance measures (APMs)

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

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 1,584 people in 23 different offices across its four divisions and is number one or two in all its market segments.

The Company has delivered 16 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.

Chair's review

Overview

Despite a first quarter that saw difficult shipping and offshore markets impact financial performance, the breadth, depth and quality of Clarksons' underlying business has proved robust against market challenges. We finished the year in line with market expectations and have made significant progress in strengthening further our market-leading position, expanding our presence geographically, introducing new products and continuing to deliver first class solutions for our clients.

Clarksons' focus on outstanding service, unique market insights and deep sector expertise has enabled us to perform even in a challenging global marketplace.

Whilst technology enables us to revolutionise the way we work with our clients and our advanced technology platform remains a clear differentiator for our business, at our core we are a people business. Our success depends upon the strength of our team to originate and execute on behalf of our clients and we continue to work hard to hire and retain the best people in the industry.

As we move into 2019, the macro-economic environment continues to present uncertainty, but opportunities remain, particularly as the market leader. We have previously talked about a market turnaround and we remain confident in the economics of the shipping industry. The rate environment has improved in a number of our markets and even in challenged markets, opportunities exist and we are well positioned to capitalise on these as and when they occur.

Results

Underlying profit before taxation was £45.3m (2017: £50.2m). Reported profit before taxation was £42.9m (2017: £45.4m). Underlying earnings per share was 105.2p (2017: 116.8p). Reported earnings per share was 98.8p (2017: 104.4p).

As explained in the financial review, free cash resources as at 31 December 2018 were £57.0m (2017: £54.1m).

Dividend

Clarksons is increasing its dividend for the 16th consecutive year in line with its progressive dividend policy. The Board is recommending a final dividend of 51p (2017: 50p). Combined with the interim dividend of 24p (2017: 23p), the resulting full year dividend is up 3% to 75p (2017: 73p).

The dividend will be payable on 31 May 2019 to shareholders on the register at 17 May 2019, subject to shareholder approval.

As a cash-generative business with net free cash resources and a strong balance sheet, Clarksons continues to be in a strong position to take advantage of opportunities as the markets recalibrate. We remain committed to our progressive dividend policy, whilst seeking to further expand our client offering and consolidate our market-leading position.

People

Our people are what makes Clarksons a success and we are grateful for their continued hard work, knowledge and expertise in cementing our position as the global market leader. Recruiting, developing and retaining the best people is fundamental to our business as we remain committed to providing our clients with a unique, tailored service to suit their changing needs.

I would like to thank all of our colleagues for their hard work and commitment during 2018.

Board

We announced in March 2018 that Ed Warner would be taking on the role of Acting Chair whilst James Hughes-Hallett recovered from illness. Subsequently, in our interim results it was confirmed that the Board had decided to commence a search for a new independent Non-Executive Director, with a view to that person taking on the chairmanship at the appropriate time. I was appointed Chair on 13 February 2019 and Ed stepped off the Board at that time. On behalf of the Clarksons team, I would like to thank Ed for his contribution during his years on the Board and for extending his tenure whilst the chair process was underway. We wish him every success for the future. I am also pleased to report that James has returned to the Board to resume his role as a Non-Executive Director, whilst relinquishing the chairmanship, thus we retain his immense knowledge of shipping, offshore and world trade within the Clarksons Group.

I am delighted to be joining Clarksons as the Chair. With its heritage, strong financial position and outstanding executive management team focused on clients and innovation, this is an exciting time to be joining the business.

During 2018, we welcomed Dr Tim Miller to the Board as a Non-Executive Director, Chair of the Remuneration Committee and member of the Audit Committee and Nomination Committee. Tim is an experienced Non-Executive Director and has significant expertise in the areas of HR and remuneration.

Finally, Peter M. Anker has expressed a wish to retire from full-time employment on his 62nd birthday in July 2019, and consequently he has decided not to offer himself up for re-election as a Director at the AGM in May. Peter has invested a huge amount of time and energy into the success of RS Platou, and the integration within the Clarksons Group, and on behalf of the entire Board I would like to thank him.

Outlook

We start 2019 with a stronger forward order book. Nevertheless, geo-political uncertainty, be it from trade wars, Brexit impacting exchange rates or the imposition of sanctions, is continuing to have an impact on global sentiment. This is causing delays in the ability for our financial segment to execute on awarded mandates and also, combined with the effects of tragic natural disasters, is impacting the rate environment within the dry cargo segment. Consequently, we believe our results in 2019 will be second half weighted as it will take a time for these headwinds to improve. We are however confident that as we approach 2020 the fundamentals of the shipping market will continue to improve, and that Clarksons' 'best in class' offering and market-leading position leaves us well placed to take advantage of this opportunity.

Bill Thomas
Chair
8 March 2019

Chief Executive Officer's review

I am pleased to report that, despite Clarksons experiencing a challenging start to the year amidst a backdrop of market headwinds in the shipping industry, the business has delivered a full year performance in line with expectations.

This robust performance underpinned by the efforts and 'best in class' service of our market-leading teams across the business and a trend of continuing market share gains, has enabled the Board to recommend another increase in the final dividend, allowing Clarksons to deliver a 16th consecutive year of dividend growth for our shareholders.

We remain confident in the overall recalibration of the shipping markets despite a macro-economic environment that continues to provide an uncertain trading backdrop for the global financial markets. The 18% annual increase in the Baltic Dry Index and the steady 13% rise in the ClarkSea Index, in 2018 compared to 2017, point to the fact that the underlying fundamentals in shipping continue to improve. Despite geo-political volatilities weighing on market sentiment, we believe global trade demand will continue to grow and are encouraged as we start the new year with a strong forward order book for delivery in 2019 of US$107m, an impressive 15% increase on the position going into 2018.

We are confident that Clarksons' strengthening position at the forefront of the market means we can be optimistic about the longer-term outlook for the business.

The broking teams delivered an encouraging performance during 2018 after experiencing what was a difficult start to the year. Whilst headwinds from geo-political uncertainty weighed heavily on market sentiment, a strong level of seaborne demand saw dry cargo vessel earnings reach their highest levels in six years, whilst activity in sale and purchase markets rebounded strongly during the second half of the year. Elsewhere, despite a tough three quarters, the tanker market showed more positive signs approaching previous levels in the final quarter and overall we ended the year with better medium-term visibility with an impressive forward order book for 2019. We anticipate forthcoming regulatory changes such as IMO 2020 sulphur cap regulations will provide significant market disruption towards the end of 2019, and believe that the broking business is heading into the new financial year in a strong position following another year where the supply/demand imbalance continued to improve.

The financial division has had a more challenging year, with activity being affected by a weakened sentiment in the global shipping capital markets. Macro-economic uncertainties have undoubtedly led to a more cautious approach in both the shipping and offshore capital markets, and although the team executed a number of high profile transactions, we expect a similarly cautious sentiment to remain in the near-term. We continue to invest in our financial teams in the belief that positive markets will return in the medium-term, buoyed by global demand and regulatory changes, ultimately allowing Clarksons to take advantage of the exciting opportunities and market appetite that remains from an even stronger platform.

Clarksons Research continued its strong annual revenue and profit growth during 2018, confirming its position as the global leader in shipping, trade, energy and offshore data. We have invested in the research team during the year, improving our product offering through new technology and innovation. By doing this, we have been able to further provide both our clients and internal teams with invaluable insight and intelligence that allows them to make efficient and informed decisions.

The port services team has enjoyed a year of modest profit growth, driven by increased North Sea activity and a significant contract win in Egypt. The team continues to strengthen its offering, expanding through new hires and new offices, and we expect to see this level of investment boost activity levels in the new financial year.

Our people are our most important asset and it is as a team that we continue to drive the Clarksons business forward. We remain committed to investing in our first class talent, as evidenced by the growth of our Tokyo office, where the team has grown to 18 people in just 18 months, and the new wet futures team which expands our futures broking capabilities to take advantage of our significant presence in the physical freight market. After what has been at times an uncertain trading environment for our teams, I would like to thank everyone at Clarksons for their extremely hard work and dedication during 2018.

We continue to invest in our market-leading technology offering and are positive about the number of clients that have shown interest in, and signed up to, our platform modules during 2018. We are committed to the continued roll out of our cloud-based products as we look to provide innovative and improved solutions to our client base and the market more generally.

Following his decision to step down from his role as Acting Chair and his position on the Board, I would like to thank Ed Warner for his significant contribution to the Company over the last decade. James Hughes-Hallett will remain on the Board as a Non-Executive Director. We look forward to once again drawing on all of his experience in this capacity going forwards. I am delighted to welcome Bill Thomas to Clarksons in his new role as Chair, where his significant experience in IT and business development will be invaluable. I look forward to working with him as the business focuses on taking advantage of the various opportunities in the global shipping market.

Finally, I thank Peter M. Anker enormously for his dedication to the business, providing success for so many of our clients, staff and the business overall. I understand completely his desire to retire from the Board, and look forward to continuing to work together with him in his changed part-time role over the coming years.

The fundamentals of shipping continue to improve across the sectors, with ongoing growth in demand and a tightening of supply arising from lower shipbuilding activity, additionally impacted by increased cost of build coupled with reduced availability of finance, and accelerated scrapping programmes following greater regulation. Highlighted headwinds are having an impact, in particular within our financial segment, but as the year progresses, we expect these headwinds to diminish and the impact from changes in regulation around sulphur emissions to begin. Consequently, we believe that the strength and breadth of Clarksons, enhanced by technology platforms which continue to be rolled out to our clients, positions the Group well and will set the foundations for the next stage of growth in future years.

Andi Case
Chief Executive Officer
8 March 2019

Business review

Broking

Revenue: £251.7m (2017: £238.9m)
Segment underlying profit: £44.0m (2017: £43.9m)
Forward order book for 2019: US$107m* (At 31 December 2017 for 2018: US$93m*)
* Directors' best estimate of deliverable forward order book (FOB)

Despite a challenging start to the year, performance in the second half was encouraging, particularly across sale and purchase and dry cargo markets.

Dry cargo

Dry cargo vessel earnings increased across all sectors reaching the highest level in seven years. Year-on-year sectoral performance is reflected by an 18% improvement in the Baltic Dry Index compared to 2017. The capesize market was responsible for the highest volatility and peaked during the third quarter, while the smaller sizes continued the upward trend towards the end of the year to finish with the strongest quarter. On average the capesize sector improved by 9%, the panamax sector by 19%, the supramax sector by 22% and the handysize sector by 14%. Period rates and asset values both increased on the stronger market fundamentals.

Newbuild deliveries slowed to a 10-year low, which kept tonnage tight and reduced demolition to a minimal level. As a result, the fleet expanded by a mere 2.9%. Irrespective of the improved earnings, newbuild orders slowed year-on-year with the majority scheduled for delivery in 2020 or later.

The year was impacted by the well-documented US-China trade war, which started in April. For the dry cargo market, China's announcement to retaliate on the imposed trade tariffs, by limiting US grain imports and soybeans in particular, weighed on market sentiment. Yet, the market remained balanced as non-Chinese buyers took advantage of the heavily discounted US grain prices, while China took advantage of other suppliers, mainly from East Coast South America (ECSA). The market weakened towards the end of the year when the ECSA crops were depleted.

The manufacturing sector in emerging Asian economies expanded during 2018, which ensured healthy demand for industrial materials. However, seaborne trade growth was limited by a variety of supply disruptions, such as environmental and labour strike-related mine and railway closures. Those 'lost' volumes will return to the market in 2019 and will offset some of the expected losses due to recent iron ore tailings dam collapse in Brazil. China's industrial manufacturing output expanded throughout 2018, but succumbed to the uncertainty of the outcomes of the trade dispute with the US and contracted in December. The Chinese government intends to stabilise economic growth through monetary and fiscal policy measures. The allocated capital towards infrastructure spending as part of such an economic stimulus package is supportive of demand for industrial materials.

Irrespective of the many disruptions in 2018, dry bulk seaborne trade grew by 2.6% and with the signs of amicable trade solutions between the US and China, dry bulk trade is well positioned to accelerate growth.

The incoming IMO 2020 sulphur cap legislation on marine fuels has been the subject of many discussions as it is shrouded with uncertainty regarding the most economical solution for shipowners. However, the time leading up to enforcement in 2020 is limited and the new regulations will limit available fleet supply to some extent as ships go out of service to prepare for compliance, thereby keeping the expansion of the active fleet below 3%.

Containers

Following the improvements seen in 2017, 2018 was a more mixed year for the containership sector. Containership earnings fluctuated, as improvements in the first half of the year were followed by an easing back in the second half. Meanwhile, the box freight market saw volatility across the year, as well as a clear divergence between the performance on the key Transpacific and Far East-Europe trade lanes in the second half. Year-on-year fuel price increases also placed significant pressure on liner company financials.

Globally, container freight rates throughout the year were fairly flat compared to 2017. The full year 2018 SCFI composite index averaged only 1% up on the 2017 average, though still up by 28% on 2016. It is however noteworthy that in the second half of 2018, benchmark China-US West Coast freight rates were up 54% year-on-year whilst China-North Europe freight rates were up just 3% year-on-year.

On the charter market, earnings continued to make positive progress in the first half, backed by limited supply expansion outside the largest ship sizes and rapidly expanding regional trade volumes. The charter market 'basket' index increased by 32% to 68 points in the first half, but then eased back in the second half to 52 points at the end of 2018, a level only marginally higher than at the end of 2017. Nevertheless, the average 'basket' index level across the year stood at 60 points, 28% up on the 2017 full year average, with the average 2,750 TEU ship one year rate up by 23% on the same basis. Volume growth moderated a little, with rates for some of the larger asset classes holding up better than for their feeder counterparts, a reversal of the previous trend. The one year charter rate for a 2,750 TEU ship stood at US$9,500 per day at the end of 2018, 2% above the end of 2017 level, having previously increased to US$12,100 per day at the end of the first half. The one year rate for a 9,000 TEU ship stood at US$29,000 per day at the end of 2018, 71% above the end of 2017 level.

In 2018, demand remained fairly robust, though risks from the world economy have clearly escalated. Global trade volumes are estimated to have expanded by 4.5% to 201m TEU in the full year 2018, following growth of an estimated 5.5% in 2017. The rate of expansion on trades involving developing economies proved strong, though growth on the main lane east-west trades appears to have been more moderate. Expansion on the key westbound Far East-Europe was limited in part due to declining import levels to the UK and Germany, and a sharp drop in volumes into Turkey, though growth on the Transpacific was much firmer, partly supported by a 'rush' to ship cargo before the potential imposition of more stringent tariffs. Containership fleet capacity growth accelerated in 2018, through the ongoing delivery of new 'mega-ships'. In 2018, capacity expanded by 5.6%, pushing the balance between supply and demand growth in favour of the former. However, surplus capacity in the sector remains much reduced, with around 2% of fleet capacity on average standing idle through 2018 compared to 7% back at the start of 2017.

Looking ahead, boxship capacity expansion is set to slow to around 3% in both 2019 and 2020. Whilst trade growth could well remain robust and supportive of market progress, demand side risks have grown and will need to be tracked closely. The trade war between the US and China could potentially have an impact on 5% of global container trade. There are, however, a number of 'wild cards' related to the potential impact of the IMO 2020 global sulphur cap on vessel recycling, operating speeds and time out of service, which could help further containership sector rebalancing. On the supply side, despite a steady flow of feeder ship ordering, at an aggregate level, the ordering of newbuildings remained relatively moderate with 1.2m TEU contracted in 2018; the order book now stands at a historically low 13% of fleet capacity. Liner company consolidation has continued, and for operators and owners alike, fuel economics are now firmly in play.

Tankers

The tanker market was extremely weak for much of 2018, but rebounded strongly in the final quarter. In spite of the early weakness, annual average earnings for VLCCs on the main Middle East-Far East route declined by just 2% versus the 2017 average. Meanwhile, average annual earnings for suezmaxes and aframaxes increased by 7% and 17% respectively versus 2017 levels.

In the products tanker sector, the strong end to the year meant that annual average earnings for LR2s and LR1s trading in clean products on the key Middle East-Far East route increased by 9% and 2% respectively versus 2017 average levels. However, average earnings for MRs in 2018 declined by 14% versus 2017 levels.

In the first half of the year, the crude tanker market was held back by a combination of strong voluntary compliance with OPEC and non-OPEC production cuts and additional unplanned output reductions. However, in the second half of the year, sharp increases in production and exports from a combination of OPEC countries, Russia and the US, together with weather-related delays to vessels in the fourth quarter, conspired to drive earnings back up to higher levels.

In the products tanker sector, the market continued to feel the effects of the strong fleet growth of the previous three years and the oil products trade was hampered by backwardation in forward price curves for much of the year, albeit earnings started to recover in November and December. Forward price curves for a number of oil products returned to contango and some long-haul arbitrage opportunities were seen. In addition, the clean products tanker market was assisted by the strength of the crude tanker market, as several LR2 products carriers switched to crude oil or fuel oil trade. Meanwhile, a number of other LR2s were delayed in discharging clean products cargoes in Asia.

Crude tanker fleet growth fell sharply in 2018 due to a combination of reduced deliveries and a sharp increase in vessel demolition. The overall crude tanker fleet in dwt grew by just 0.6%, compared to growth of 5.2% in 2017 and 6.0% in 2016. In the products tanker sector, fleet growth also fell sharply, principally due to a further reduction in newbuilding deliveries. Deep sea products tanker fleet growth fell to 1.2% in 2018, which was the lowest growth in percentage terms since 2001, lower than the 4.0% in 2017 and 6.2% in 2016.

In 2019 crude tanker fleet growth is expected to be 3.1% due to a slight increase in newbuilding deliveries, and reduced demolition due to an anticipated increase in vessel earnings. Products tanker fleet growth is expected to increase to 2.7% due to increased deliveries of MR products tankers after a year of very low deliveries in 2018.

Tanker earnings are expected to soften temporarily in the first half of the year from the strong levels seen in late 2018 due to a combination of new OPEC and non-OPEC oil production cuts, a concentration of newbuilding deliveries in the early part of the year, refinery maintenance, and a seasonal reduction in oil demand and vessel delays in the spring.

Nevertheless, unless a significant global economic downturn or unpredictable geopolitical factors intervene, both crude and products tanker markets are expected to strengthen on average in 2019.

A number of factors are expected to support the markets including: the removal of tankers from the market for the installation of exhaust gas cleaning systems ahead of the IMO 2020 reduction in the sulphur content of bunker fuels; geopolitical disruption to oil markets that may favour increased spot market shipments of crude oil; the commissioning of substantial new refining capacity in Asia; rising US crude oil exports; and potential changes in crude oil and oil products cargo flows ahead of the impending bunker fuel sulphur content reduction. These factors are expected to be particularly supportive of tanker markets in the second half of the year.

Specialised products

Early optimism in 2018 quickly changed as earnings for chemical tankers came under substantial pressure, negatively influenced by challenging market conditions in the increasingly interlinked deep sea products tanker world.

Whilst the Clarksons Platou Bulk Chemical Index actually recorded a 6% increase from January to December 2018, and the index was on average 9% higher than 2017, increased voyage costs compressed net earnings for owners for much of the year. In a similar manner to the prevailing spot markets, the period charter and asset sectors were also bereft of the usual activity with deal volume reduced, especially in the summer period. Uncertainty surrounding the impending IMO 2020 regulations and their impact was undoubtedly a contributory factor to lower deal volume and also increased short-termism with initial periods of time charter.

Overall, the volume of seaborne trade for specialised products in 2018 was however encouraging, with estimated annual growth of around 6%. Organic chemicals (such as methanol, benzene and styrene) and inorganic chemicals (such as caustic soda, sulphuric and phosphoric acids) growth was particularly evident throughout the year, along with a rapidly increasing lubricants and base oils sector. For the first time ever, annual seaborne trade in this sector is now greater than 300m mts, more than double that of 15 years ago. Seaborne trade in this sector has only declined once (1992 by just 0.6%) in the last 35 years. Despite geo-political uncertainty generally flowing through to downgraded economic expectations, the market experienced continued import demand from a number of key end-user locations, with China and India recording 7% and 5% year-on-year import increases respectively. US-China trade wars have thus far had little direct impact on our overall market as the trade lane only accounts for just over 0.5% of total seaborne trade.

Turning to the other part of the tonne-mile demand equation, distance growth, chemical carriers on average travelled 0.6% further in 2018 when compared to the previous year, meaning more ships were needed to satisfy the same volume obligation.

On the supply side, real net fleet growth was slightly higher in 2018 compared to 2017, with an influx of modern products tankers. That said, the order book is still well below the long-run average and we expect the available fleet to contract in the medium-term. The fleet of chemical tankers, including 10% of 'IMO 3' product tankers, stood at 53.7m dwt at the start of 2018. By the end of the year, we believe 2.7m dwt of deliveries and 1.3m dwt of removals were registered. The overall fleet of chemical tankers at the end of 2018 was more than three times the size of the fleet in 2001.

Whilst earnings and market sentiment were somewhat depressed throughout much of 2018, fundamentals continue to point to a potential increase in utilisation over the medium to long-term.

Gas

2018 saw some improvement in fortunes across most of the sectors of the LPG carrier market, albeit more pronounced in some segments than in others. This recovery was supported by a slowdown in newbuilding deliveries combined with an acceleration in the pace of older vessel removals. In conjunction with the continued expansion of LPG trade, average freights for the year edged above the average 2017 levels.

Following a slowdown in the growth of US LPG exports in the first quarter, which negatively impacted tonne-mile demand, volumes have since recovered. However, the movement of US tonnes into China was adversely impacted from the second quarter by the imposition of trade tariffs. Whilst these volumes have been largely displaced by Middle Eastern suppliers, the redirection of US cargoes into Middle Eastern import markets such as Indonesia, Japan and South Korea has served to support laden distances overall. Despite the ongoing delay of new flows from the Mariner East II terminal expansion in the US, high utilisation levels from the existing terminals in the US Gulf in particular, have continued to drive the lion's share of the growth in seaborne trade, which is estimated to have expanded at a rate of just below 4% year-on-year.

Net growth in the VLGC fleet shrank to 1.3% in 2018, following the addition of ten newbuildings and the removal of six units which, in combination with volume growth, saw the benchmark Arabian Gulf-Japan rate jump by 25.1%. Higher bunker prices eroded some of these gains, but the time charter equivalent earnings were still up by over 21% at an average of just over US$18,000 per day. As a result of improved trading conditions, there has also been an increase in secondhand sales and acquisitions this year. Partially on the back of a firming larger vessel market, rates for the mid and handysizes also experienced some improvement, although growth in both fleets segments of 2.7% year-on-year has moderated the impact of this. Benchmark handysize semi-refrigerated freights have risen by 11% to average US$14,800 per day. In contrast, despite ammonia trade growth of over 4%, midsize freights have fallen by 2% as they were not able to capitalise on the longer haul petrochemical market, which continued to provide an increasingly large number of the handy units with employment.

The absence of any notable growth in overall petrochemicals trade prevented any significant recovery in term charter levels for the 12,000 and 8,000 cbm units, which generally flatlined overall during 2018. However, spot levels started to edge upwards in the second half of the year. The smaller units have fared much better and the recovery in the pressure sector has continued the gradual improvement started last year and the 12 month assessed time charter levels for pressure carriers in the East have risen by 19.4% to US$8,000 per day, whilst those in the West have jumped 24%, driven by an ageing fleet, an absence of newbuildings and healthy coastal LPG and petrochemical gas trades.

The outlook for LPG trade remains positive next year, with the pace of growth to rise slightly to an estimated 5% per annum, as volumes from Mariner East II start to flow and as the Enterprise terminal in the US Gulf Coast undergoes another phase of expansion. There are however a number of factors which may moderate the scale of this expansion, including lower arbitrage opportunities from the US into Asia, with the new Australian projects now up and running. However, Middle Eastern flows to China should remain healthy, particularly as new propane dehydrogenation plants in China build production in the second half of 2019. Ammonia trade should show some further upside next year, although growth expectations are fairly restrained at 1.5%, with further possibility of increased exports and growth from Russia. On the petrochemical gas side, most of the upside is set to come with the start-up of the new ethylene terminal in the Gulf Coast which should help absorb some of the fleet growth which will take place in the handysize segment. Whilst fleet growth is expected to be modest in most sectors of the fleet, the VLGC fleet is expected to undergo a further phase of growth next year as another wave of newbuildings deliver. This will be moderated by the removal of older units but we will still expect the scale of the expansion to offset some of the positive impact of trade growth, as well as the shift in trade flows to soften tonne-miles.

LNG

The LNG shipping market experienced significant growth in 2018. The near-term LNG shipping market was strong throughout 2018 with rates reaching all-time highs later in the year. The spot freight rate assessment for tri-fuelled diesel electric (TFDE) vessels averaged US$88,700 per day for 2018, up 93% compared with 2017. Spot TFDE rates reached record levels of US$190,000 per day in November.

High shipping demand was driven primarily by new projects ramping up production and early winter restocking by northeast Asian importers.

Global LNG trade volumes were up 9.4% to 322.5m mts per year, with Australian exports jumping by 22.8% to 69.3m mts. The Wheatstone project second liquefaction train (T2) and Ichthys project started production in 2018, and the Gorgon facility, which started in 2017, continued to ramp up exports into 2018 which added to growth.

Although Qatar was still the world's largest exporter at just over 77m mts, Australia is expected to become the biggest in 2019 once its new export projects reach full capacity. The US and Russia also increased exports significantly in 2018. US production was up by 54.7% to 22.1m mts and Russian LNG loadings from both Sakhalin and Yamal projects were up by 71.8% to 18.2m mts.

Elsewhere, rising upstream gas production also resulted in additional LNG exports. In Oman, the Khazzan gas project has meant the country could boost its LNG production by 16.8% to 9.5m mts and in Trinidad exports increased by 14.3% to 13.0m mts. Additional domestic gas production in Egypt resulted in climbing LNG exports, with shipments up 93.9% to 1.51m mts. In West Africa, Cameroon also started exporting LNG from a floating LNG (FLNG) production unit in June and shipped around 0.7m mts in 2018.

On the demand side, Asia remained the largest and fastest growing importing region. Japan remained the largest importer at 82.6m mts, but year-on-year growth was flat. The second largest buyer, China, continued its growth with imports up 30.5% to 51.7m mts, driven by environmental policy to switch to gas from coal and economic growth. South Korea remained the world's third largest buyer and increased imports by 11% to 41.9m mts. Meanwhile, India also increased imports by 12.3% to 21.4m mts.

New Atlantic basin production in the US and European transshipments of Russian Yamal cargoes, combined with the long-haul to supply Asian buyers, raised the average distance travelled globally by each cargo. In 2018, average distances were up by 4.4% to around 4,077 nautical miles compared with last year's average of 3,904 nautical miles.

Traded volumes are expected to increase again in 2019, with seven large projects to come online including Shell's Prelude FLNG project in Australia, and six onshore US liquefaction facilities.

Some 48 conventional LNG carriers and four FSRUs were delivered in 2018, double the number of LNG vessels delivered in the previous year. 64 conventional LNG carriers and one FSRU were ordered in 2018, the highest for 14 years. Most were placed against long-term contracts for upcoming export projects, however, a number of speculative orders were also placed by new and existing entrants, who anticipate tonnage requirements into early 2020s and beyond. Newbuild ordering is expected to continue into 2019, with a number of liquefaction projects anticipated to reach final investment decision in 2019.

Sale and purchase

Secondhand

Following a slow start to the year, we are pleased to report that 2018 ended with our year-on-year figures up both in terms of volume of transactions and value of income generated when compared with 2017.

Market conditions across all shipping sectors remained fairly challenging which when combined with the tightening of the capital markets as a source of funds for our publicly quoted clients, meant that we had to work especially hard to find meaningful business to transact.

We won a number of major exclusive mandates which, alongside our other more regular business, gave us deep insight into market flow. This meant we were able to better service our clients leading to success when compared to our competitors. The standout exclusive mandate was for a fleet of 27 vessels which had gone into Chapter 11 via the US courts and was a modern fleet of suezmaxes, aframaxes and kamsarmax bulkers, all of which we successfully disposed of in an orderly fashion during the second half of the year without allowing the asset prices to be significantly eroded. This was the second time we have been appointed in such a way by a US liquidator on behalf of the US Supreme Court to handle a fleet sale and, when combined with the major appointment we won during 2017 from the Korean Banks during the collapse of Hanjin, cements our position as the only broking house worldwide who has either the experience or the resources to professionally handle such business.

Looking forward to 2019, it is difficult for us to predict whether this volume of business is repeatable. However, with all the regulatory changes concerning fuel and Ballast Water Treatment Systems, there are sure to be differing views amongst shipowners worldwide as to how best to manage their fleets and that in itself should provide the foundations for sale and purchase activity.

Newbuilding

2018 showed a steady level of contracting against 2017, remaining above the 2016 lows.

In value terms, US$64.7bn of orders were placed compared to US$69.2bn in 2017 and US$36.7bn in 2016. Although in dwt terms ordering fell 14% year-on-year, contracting volumes by cgt were up 2%, reflecting increased orders for high value LNG and large containerships.

Tanker ordering fell by around a third to 23m dwt, including 39 VLCCs (2017: 56) while bulker order volumes dropped 25% to 31m dwt. A run on LNG ordering developed over the year, both driven by speculative and project demand, with 69 orders of US$11.7bn being placed. LPG ordering increased to 41 vessels (2017: 27) and containership orders increased to 190 (2017: 140). Cruise and ferry also remained active sectors.

Korean yard order intake increased 67% and, driven by a 98% share of LNG orders, achieved a 44% global share of orders by cgt, compared to 32% for China and 13% for Japan. The equivalent numbers in dwt are Korea (43%), China (39%) and Japan (15%). Shipyard output declined by 10% during 2018 to reach 30.2m cgt, with a steeper decline when measured in dwt, reflecting an 18% year-on-year reduction in tanker and bulker tonnage delivered. The market continues to fragment with respect to a division of focus between high value/technology asset classes such as gas and offshore, where the Korean yards continue to place an increased focus, and dry and wet conventional tonnage, where the Chinese yards are continuing to press their intentions to maintain and grow market share. From a regional perspective, Chinese yards retained their lead position with a 36% market share by cgt, followed by Korea and Japan both at 25%. The equivalent numbers in dwt are China (43%), Japan (25%) and Korea (25%) with Japanese output actually slightly higher than Korea.

Whilst contracting levels were relatively consistent, much of the activity that took place was catalysed by what remained bottom cycle pricing and yards took challenging deals to secure production and maintain market share. The likely consequence of this is that they will seek to increase their pricing policy for 2019 to mitigate against challenging contracts placed over the last 18 months.

Our performance remained up year-on-year, with significant contributions from both Sweden and Norway in the passenger and container sectors driving real volume and value into our order book. We continue to capitalise on our position in the industrial space, on the relationships that this volume of contracting activity creates, and on the strong synergies existent throughout the Group.

Offshore

General

2018 has, in general, been another challenging year for the offshore oil services sector. During the first half of the year, oil prices strengthened significantly, inducing much needed optimism across the industry, and operators signalled increasing activity levels moving forward. The strong oil price drop towards the end of the year, however, has once again increased uncertainty with regard to future market conditions, which could adversely affect the recovery for offshore oil services.

During 2018, we have observed a steady increase in rig tendering and fixing activity and slightly improving utilisation for selected rig and OSV segments. Field development activity is, however, still progressing slowly and operators did not increase sanctioning of new developments notably compared to last year. Offshore contractors and suppliers, however, regained some optimism and seem to be preparing for increasing activity levels. This is evidenced by increasing sale and purchase activity and a few noteworthy M&A transactions, particularly in the offshore rig segment. In spite of the careful optimism, utilisation and rates in general across the different offshore service segments remain at depressed levels.

Drilling market

Total offshore rig demand improved slightly through 2018 having bottomed in early 2017. The global offshore rig count (rigs on contract) was at 462 units as at the end of December 2018, up from 449 units at the end of 2017. Active utilisation currently is around 71% for jackups and 65% for floaters versus 66% for both segments at the end of 2017.

A deeper analysis of the rig market displays significant regional and sub-segment variances. In shallow water, we see increased rig demand in the Middle East, Asia and West Africa. For the deep water and ultra-deep water floater segment, we see indications of demand growth in Brazil, West Africa and Asia. The North Sea Harsh Environment (HE) semi-submersible market remains the strongest floater segment, especially in Norway. This segment has experienced pronounced tightening due to rising demand and significant supply side attrition, resulting in day rates doubling from trough levels, and HE-focused players picking up all of the HE semis stranded at yards in Singapore and Korea.

2018 also saw a number of secondhand jackup transactions, with more buyers acquiring secondhand and stranded newbuild units. In addition, there has finally been movement in the market for stranded newbuild ultra-deep water drillships for the first time since the downturn.

Rebalancing of the broader rig market continues to progress further on the back of low utilisation and rates, financial stress and contractors' realisation of the need to reduce capacity across the industry. As such, contractors have retired approximately 40% of the total floater fleet since late 2014. While the pace of retirements in the jackup segment has been slower for various reasons, a positive update is that 2018 witnessed the largest number of scrapping announcements. Continuing industry consolidation is also anticipated to be a driver of further retirements in the industry.

The subsea and field development market

In spite of oil prices strengthening during the first half of 2018, leading to operators generally reporting strong cash flow, sanctioning of new offshore field developments has not yet seen a significant uptick. A large number of offshore oil projects seem to be economically viable even after oil prices have dropped and, consequently should not prevent operators from increasing sanctioning activity. Actual sanctioning in 2018 seems to have been broadly in line with that observed in 2017, indicating stable development in sanctioning activity, rather than an uptick. This impacts the subsea and field development market, where backlog for leading contractors generally remains flat. The order backlog is however, down significantly from levels seen in 2015 and 2016, and as a consequence, fleet utilisation for leading subsea contractors has continued to be under pressure during 2018. This has adverse knock-on effects for vessel providers, leading to low global subsea fleet utilisation. A slight increase in the market for subsea inspections, maintenance and repairs and strong activity in the offshore wind segment has compensated somewhat, but this is far from sufficient to cover the shortfall in subsea EPC/project work. Furthermore, as backlogs for leading contractors have not yet started to build, the outlook for improving fleet utilisation is also subdued for the near-term future.

Offshore support vessels (PSV and AHTS)

The market for OSVs remains challenging, characterised by significant vessel overcapacity, low utilisation and day rates marginally above operating expenses in most regions. Global fleet utilisation (taking into account stacked vessels) for large OSVs is currently around 67% and 78% for AHTS and PSV respectively, while active utilisation levels in some regions naturally remain substantially higher (87% and 92% globally for AHTS and PSV respectively). In these severe market conditions, most or all vessel operators are struggling, and we have continued to witness high corporate activity in terms of refinancing, restructuring and consolidation. Some US players have managed to reduce their debt substantially as a result, making them more competitive going forward. Increased consolidation and significant vessel attrition bodes well for the longer-term rebalancing of the segment, but on the back of the substantial overcapacity, we anticipate a recovery to more sustainable day rate levels to still be several years out. As for rigs, regional differences do apply, and rates have come up slightly already, for example in the North Sea where both spot and term rates have come up noteworthy from trough levels.

Futures

2018 was another year of improvement in the dry indices, albeit less substantial than had initially been anticipated. Capes averaged US$16,528 (US$15,128 in 2017), panamaxes US$11,653 (US$9,766 in 2017) and supramax 6TC averaged US$11,196 (US$9,168 in 2017). Supramaxes are slowly migrating from the 6TC 52,000 dwt to the 10TC 58,000 dwt (10TC index averaged 11,486 in 2018).

Volumes for the year were mixed with capes deteriorating from 501,511 lots in 2017 (one lot is 1,000 tonnes) to 488,234 lots in 2018. This was compensated in part by an increase of over 40% in options volumes, particularly in the cape sector, from 192,779 lots in 2017 to 272,666 lots in 2018. Panamax volumes improved from 519,387 lots in 2017 to 576,040 lots in 2018, re-establishing panamaxes as the highest volume futures contract. Supramaxes lost minimal ground from 150,297 lots in 2017 to 142,128 lots in 2018 in part due to the split liquidity between the old 6TC average and the newer 10TC, which has taken a long time to gain traction.

The headline cape index was volatile throughout the year, particularly in the fourth quarter, when expectations of a strong end to the year ultimately failed to materialise. This volatility together with the improved notional values resulted in an improved year for the division with stronger revenues particularly in the options area.

2018 marked the re-entry of the Company into the wet FFA market, with a team that built in numbers through the year, achieving full strength only in the fourth quarter. The team have made a solid start and quickly established themselves in the market. The year saw a minor drop in clean volumes from 144,127 lots in 2017 to 131,106 lots in 2018, but a substantial growth in dirty volumes from 126,911 lots in 2017 to 191,975 lots in 2018.

Iron ore volumes shrank for much of the year, dropping for an average of 5m mt per day during 2017 to 3m mt per day for the first three quarters of the year. This was predominantly due to the market falling from a US$41.50 high/low range in 2017 to US$20 range for much of 2018. This was only remedied in the fourth quarter when volumes returned to the 5m mt per day mark on the back of a spike in volatility, taking the market out of its narrow range.

Financial

Revenue: £46.1m (2017: £52.0m)
Segment underlying profit: £8.0m (2017: £10.1m)

Against a backdrop of volatile markets and regulatory change, we executed a number of key transactions and positioned ourselves to take advantage of opportunities as they arise.

Securities

2018 was unquestionably volatile. Stock markets, in particular, suffered mainly due to raised interest rates. During the fourth quarter, global stocks experienced their worst performance since 2010. The US Federal Reserve feared an overheating in the US with high inflation, and raised interest rates faster than expected, which affected the market negatively. Throughout the first three quarters of 2018, most global economic indicators strengthened. Global equities rallied amid strong corporate earnings and solid economic growth in developed markets, having shrugged off the heated-up trade tensions between the US and China. In Norway, the Oslo Børs Benchmark Index had consecutive highs during September, culminating in a new all-time high set on 26 September due to the increased oil price. However, the trend was short-lived. In the final quarter global stocks fell almost 7% and any gain earned during the first nine months were erased due to concern over Chinese economic growth, fear of higher interest rates, trade wars and the fear of a hard Brexit. The S&P fell almost 13%, FTSE down almost 11% and the OSE fell 15.5%.

In the first half of 2018, the demand for oil increased due to the cut in production from OPEC and bargaining disturbances from Venezuela, Angola and Libya. In addition, the decision to abandon the Iranian agreement has also influenced the oil price. Despite the gloomy performance globally, Norway did not see an extremely negative impact in 2018, and the energy index (which contains a large proportion of companies active in the oil sector) climbed 3%, mainly due to the performance of Equinor, DNO and Aker BP.

2018 also came with the implementation of some significant regulatory changes, including MiFID II and GDPR, which have had a negative impact on Investment Banking earnings as continued pressure on commissions due to research payments has become more evident. During 2018, Clarksons Platou Securities established a subsidiary in Calgary, Canada in order to introduce our services into the Canadian metals and mining and E&P sectors. In addition, we have applied to establish a branch in London under our current licences held in Norway, for which we expect to receive the approval to start business during the first quarter of 2019.

Contrary to the first quarter of 2018, the second was extremely good for Clarksons Platou Securities. During the first half of 2018 we completed a total of 21 transactions, raising US$900m in equity and US$1.6bn in debt and in the second half of 2018 we closed 18 transactions raising approximately US$1.3bn in equity and US$1.1bn in debt.

Key transactions during the year were the closure of the acquisition of Songa Offshore ASA for Transocean and the acquisition of all vessels from Songa Bulk ASA by Star Bulk Carriers Corp. These transactions totalled approximately US$1.4bn and continued to build our position as a trusted M&A advisor. We have also continued our focus on metals and mining and participated in several deals, including the US$350m bond offering for Nemaska Lithium.

During the first half of 2018, we established a new convertible bond desk, and by the end of December this totalled six people; in Oslo, New York, Frankfurt and Calgary. This team completed its first convertible bond transaction of US$350m in Borr Drilling Limited in May 2018 and has an evolving pipeline.

In our core industries of shipping, offshore and metals and mining, low ordering, robust global demand and regulatory changes all fuel positive expectations, albeit balanced against global macro-economic uncertainty.

Project finance

Shipping

The Norwegian project finance market experienced a growing level of deal activity in 2018 compared to the previous year. The Norwegian KS structure is still popular among shipowners who are seeking investors to co-invest in their projects. The typical deal size is US$10-15m with 50-100% equity finance. Domestic and international investors seeking direct investment in the shipping market, often find the project market in Norway a good platform to make such investments. In addition, the investor market seeks fixed yield investments through long-term bareboat leases. Competition in the leasing space is growing, with several new players having raised equity for leasing funds with capital ready to be deployed. Clarksons Platou Project Finance placed two leasing projects in 2018 and will focus on growing its market share going forward.

Clarksons Platou Project Finance transaction volume reached its highest level since 2009 with 17 vessels financed through 12 transactions, totalling US$170m of invested capital. The majority of projects placed have been within the container, bulk, tanker and offshore markets.

Real estate

The Nordic real estate market delivered solid volume in 2018 although a slight decrease from the volumes seen in 2017. Throughout the Nordic market, yields on prime assets and long leases compressed as institutional funds, private equity funds, family offices and other investors sought yielding assets with stable dividends in low volatility macro-economies like the Nordics. In 2018, prime yields in Stockholm and Oslo were similar to major European cities like Berlin, Paris and Madrid.

The vacancy rate in the Oslo office market is expected to decline over the coming years as a result of conversion and demolition of older office buildings to residential properties, combined with few new office buildings. The growth in rent levels exceeded 10% even in 2018, and the consensus expectation for 2019 is that the rent levels will continue with strong growth making office buildings with short leases an attractive investment opportunity.

During 2018 Clarksons Platou Real Estate completed 24 projects and sold two projects, generating substantial success fees. In addition, we have established a new fund management company with two employees. This company launched its first opportunistic real estate fund in the fourth quarter, where we raised NOK500m in committed equity in less than a week. The fund has already concluded two investments and is considering others.

Structured asset finance

As expected, the challenging financing landscape has persisted throughout 2018 with a fundamental undersupply of credit to the shipping industry. We have seen banks adopt a more cautious approach to ship finance given market regulation alongside Basel III and IV and have seen that the traditional relationship banking approach is beyond only the very few top tier owners.

Global ship finance has fallen 25% since 2008, whilst the global fleet has increased by 28% during the same period. Although the Chinese, Japanese and Korean leasing companies have filled some of the lending gap, banks are lending less and less to shipping and sources of capital are getting tighter. It is also noteworthy that the leasing solutions are only for owners with sizeable fleets and consolidated financials.

Alternative capital providers targeting small- to medium-sized owners have also been on the rise to fill some of the gap, however finance is not cheap, with the price of capital very much matched to the quality of risk. The fundamental shifts in the banking industry and the lack of financing have created some interesting dynamics with owners having to think carefully about new ways to finance their assets.

We expect that in 2019 shipping finance will remain testing as the shipping finance landscape evolves.

Support

Revenue: £23.9m (2017: £18.5m)
Segment underlying profit: £2.3m (2017: £2.1m)

The breadth of services offered to our clients enables us to capitalise on increasing levels of market activity wherever they arise.

Agency - UK

A poor 2018 grain season caused by extremes in weather conditions leading up to the harvest resulted in a marked reduction in activity for our offices that concentrate on the export of grain. We saw some movement of malting barley, but very little feed or milling wheat moving.

The announcement towards the end of the year that two bioethanol plants on the east coast of the UK were suspending production created some welcomed optimism in the grain market, with the hope that more of the UK surplus will now be released for export.

Grain imports remained steady, even seeing increased volume being shipped from the US and Canada.

As a result of the wet weather conditions in the early part of the year, we have seen an increase in animal feed volumes being imported throughout the UK offices, and have taken the opportunity to open a new office on the Clyde in support of our clients.

The import of biofuels remains steady through our Liverpool and Tyne offices and aggregates continue to be an important part of our business, with imports handled by our east coast offices and exports taking place from Ireland.

There was a marked improvement within the offshore oil and gas sector albeit that levels of activity are still nowhere near those seen in 2014.

Our offshore services have been further bolstered by a continued increase in the renewables market as the UK continues to invest in the construction of offshore wind farms. We have now seen several large projects start off the Scottish coast, which are set to give us sustained work for the next few years.

Agency - Egypt

During 2018, Clarkson Shipping Agency in Egypt has successfully expanded its range of services through the signing of a long-term contract with one major customer liner business. Consequently, we have commenced the execution of outsourced customer service centres across all Egyptian ports with the addition of about 50 new joiners to our agency and chartering team.

Gibb Tools

Our supply business has had a good year on the back of the increase in activity in the oil, gas and offshore wind sectors. In Aberdeen, we have seen customers increase their levels of spend with us and are pleased to see contracts for the supply of tools and consumables being renewed into 2019.

Stevedoring

As with our agency business, our stevedoring operation in Ipswich has suffered from the reduced levels of grain exports from the UK.

The lower levels of grain available in the UK did, however, naturally lead to increased import demand. Although providing welcome tonnage through the port, higher levels of imports do rely on increased storage capacity being readily available. With this in mind, we were delighted to be given sole use of Associated British Ports' recently completed purpose-built warehouse facility. The greatly increased storage capacity within the port will allow us to accommodate the growing needs of our customers.

Freight forwarding and logistics

We continue to expand our freight forwarding operations in Aberdeen, Great Yarmouth and Belfast.

We have now achieved Authorised Economic Operator status with HMRC, enabling us to increase the service we can offer to our customers when handling their import and export needs, and have also invested in new dedicated software allowing us to streamline our links with customs, carriers and warehouse requirements.

We are proud to offer a dedicated bespoke service to our customers, meeting a demand and service level not always available from some of the larger freight forwarding companies.

Research

Revenue: £15.9m (2017: £14.6m)
Segment underlying profit: £5.0m (2017: £4.8m)

Driving innovation to improve our product offering and expand our client base, thus cementing our market-leading position.

Research revenue grew by 9% to reach £15.9m (2017: £14.6m), with profits of £5.0m (2017: £4.8m). Clarksons Research is a globally respected leader in the provision of data and intelligence across shipping, trade, offshore and energy and we have invested heavily to expand our proprietary database, to improve our product offering through technology and innovation and to grow our wide client base through an expanded sales capability. Research continues to be a core data provider to the broking, financial and support teams of Clarksons, including to the Clarksons Cloud initiative, and helps enhance Clarksons' profile across the shipping industry with its wide distribution.

Research focuses on gathering, validating, processing and analysing data around the shipping and offshore markets to support our clients with their strategy and general decision-making processes. Total global research headcount is over 120, with a significant Asia Pacific presence. Recent headcount expansion has focused on our IT development and data analytics teams as well as our business development and sales capabilities. Over 75% of research sales are annuity-based and client retention levels remained high in 2018. Research maintains a regionally broad and diversified client base, including good market penetration across the financial, shipowning, insurance, supplier, governmental, private equity, energy, commodity, shipyard, fabrication and oil service sectors.

Our wide-ranging and proprietary database continues to expand with an ongoing focus on market relevance, depth and breadth. Our new data analytics team are now deriving a range of additional data utilising innovative techniques. Across shipping and trade, our database provides coverage on over 140,000 vessels totalling 2bn dwt, over 40,000 companies, over 25,000 machinery models including environmental packages on ships, over 600 active shipyards and fabricators, over 600,000 fixtures, capital market and shipping loan data and over 100,000 commercial and trade time series, including coverage of 11.9bn tonnes of seaborne trade and commodity flow data. Our ports and infrastructure database has seen significant expansion in 2018, including a total of 6,000 ports, 20,000 berths, 1,000 refineries and 400 LNG plants, all integrated within a Geographical Information System platform. Our offshore and energy database provides comprehensive coverage of 7,000 offshore fields producing 25m barrels of oil per day and 121bn cubic feet per day, tracking of over 2,000 investment projects through their lifecycle, 8,000 production platforms, 8,000 subsea trees, 1,000 offshore rigs, 5,000 support vessels and construction vessels. This data flows through into our Research offering and into systems used across the Clarksons operating divisions.

Digital

Sales from our digital product range grew by an encouraging 19% (2017: 16%) and there are now over 6,000 individual users across our single access integrated platform. Investments into our digital offer continue, with specific development plans for each of our digital products to ensure that all systems capture the benefits of our expanded database, utilise latest technology including new data visualisation and customisation tools and remain market relevant. Investment into the underlying architecture of our digital offer has also supported wide ranging benefits.

Major digital products include:

Shipping Intelligence Network. Sales from our market-leading commercial shipping database grew strongly, further enhancing our market position. Across 2018, our newly-developed intelligence management tool has allowed us to publish regular briefings on the shipping context of major geopolitical events such as the US-China trade war and Brexit. Investment across our time series and indices database in 2018 has also increased the volume of intelligence available to our clients.

World Fleet Register. Sales from our online vessel register have grown robustly across 2018, benefiting in part from strong client interest in the accelerating environmental regulatory timetable facing the shipping industry. The register focuses on providing intelligence around the world fleet, environmental regulation, the tracking of new technology on-board ships and market trends in the shipbuilding market. A range of new features introduced in early 2018 have been extremely well received by our client base and the roll out of a new ship repair module, focusing on retrofitting of new technology on ships, is scheduled for release in early 2019.

Offshore Intelligence Network. This system benefited from a major upgrade in the first half of 2018, including the roll out of regional OSV utilisation time series developed by our data analytics team using new algorithmic techniques. Other improvements include database driven intelligence alerts, rig availability charting, lifecycle project tracking and oil company investment profiles.

World Offshore Register. Our comprehensive offshore register provides detailed intelligence on all offshore oil and gas fields, oil company investment activity, the infrastructure involved and the mobile assets that support the offshore sector. A new module focused on the growing global renewables market was added to the offer in 2018, as was intelligence on decommissioning projects. Despite the continued challenging market, sales across our combined offshore digital product range grew by 13%. We have retained our market-leading position in the insurance market.

SeaNet. Our vessel movement system blends satellite and land-based AIS data with our proprietary database of vessels and ports, utilising innovative technology developed in-house and in conjunction with Clarksons Cloud. Across 2018, the development of intelligence around vessel speed, deployment patterns and port activity began to be rolled out across the system. This new intelligence leverages off our programme to create a market-leading port and infrastructure database. Further enhancements to SeaNet are planned for 2019.

Services

Our specialist services team, which concentrates on managing retainers and providing bespoke data, consultancy and seminars for a range of corporate clients, achieved some notable successes in 2018 and is working closely with our IT team to offer new delivery options and with our expanded sales teams to generate new business. These bespoke services typically become embedded within our clients' workflows, supporting good client retention. Important client groups include banks, shipyards, fabricators, engineering companies, insurers, governments, asset owners and other corporates. There was expansion of the client base across ports during 2018.

Clarksons Valuations performed well in 2018. Clarksons Valuations work closely with all major ship finance banks, leasing companies and asset owners, and are recognised as the market leader in the provision of authoritative valuations. The successful project to digitalise workflows, supported by significant investment into the team's operating platform, has substantially improved workflow efficiency and client deliverables.

Reports

Our comprehensive market intelligence report series continues to generate provenance and profile across the industry, benefiting from over 50 years of heritage. The series is widely recognised across the industry as a source of trustworthy intelligence and, in addition to being available individually, are increasingly accessed via our digital offer. Our flagship shipping reports include Shipping Intelligence Weekly, Shipping Review and Outlook and LNG Trade and Transport. Our offshore intelligence series includes Offshore Review and Outlook, Offshore Drilling Rig Monthly and Offshore Support Vessel Monthly.

Financial review

Revenue: £337.6m (2017: £324.0m)
Underlying profit before taxation*: £45.3m (2017: £50.2m)
Reported profit before taxation: £42.9m (2017: £45.4m)
Dividend per share: 75p (2017: 73p)
* Before acquisition related costs

Results

The Group generated revenue of £337.6m (2017: £324.0m) and incurred administrative expenses of £279.7m (2017: £264.8m). The majority of revenue and a significant proportion of expenses are earned in currencies other than sterling.

Underlying profit before taxation was £45.3m (2017: £50.2m). The term 'underlying' excludes the impact of 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 of the annual report to understand the results for the year.

	2018 £m	2017 £m
Underlying profit before taxation	**45.3**	50.2
Acquisition related costs	**(2.4)**	(4.8)
Reported profit before taxation	**42.9**	45.4

Acquisition related costs

Acquisition related costs include £1.7m of amortisation of intangibles and £0.7m of cash and share-based payments spread over employee service periods. We estimate acquisition related costs for 2019 to be £1.7m, assuming no further acquisitions are made.

Taxation

The Group's underlying effective tax rate was 23.6% (2017: 24.0%), reflecting the broad international operations of the Group and the disallowable nature of many incurred costs, particularly entertaining. After acquisition related costs, the rate was 23.7% (2017: 24.3%).

Earnings per share (EPS)

Underlying basic EPS was 105.2p (2017: 116.8p), 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 98.8p (2017: 104.4p).

Forward order book (FOB)

The Group earns some of its commissions on contracts where the duration extends beyond the current year. Where this is the case, amounts that are able to be invoiced and collected during the current financial year are recognised as revenue accordingly. Those amounts which are not yet invoiced, and therefore not recognised as revenue, are held in the FOB. In challenging markets, such amounts may be cancelled or deferred into later periods.

The Directors review the FOB at the year-end and only publish the FOB items which will, in their view, be invoiced in the following 12 months. At 31 December 2018, this estimate was 15% higher than last year at US$107m (31 December 2017: US$93m).

Dividend

The Board is recommending a final dividend of 51p (2017: 50p), which, subject to shareholder approval, will be paid on 31 May 2019 to shareholders on the register at the close of business on 17 May 2019.

Together with the interim dividend of 24p (2017: 23p), this would give a total dividend of 75p, an increase of 3% on 2017 (2017: 73p). In taking its decision, the Board took into consideration the Group's 2018 performance, balance sheet strength, ability to generate cash and FOB.

The dividend is covered 1.3 times by basic EPS (2017: 1.4 times). This increased dividend represents the 16th consecutive year that the Board has raised the dividend.

Foreign exchange

The average sterling exchange rate during 2018 was US$1.33 (2017: US$1.30). At 31 December 2018, the spot rate was US$1.27 (2017: US$1.35).

Cash and borrowings

The Group ended the year with cash balances of £156.5m (2017: £161.7m) and a further £1.7m (2017: £5.5m) held in short-term deposit accounts, classified as current investments on the balance sheet.

Net cash and available funds, being cash balances after the deduction of accrued bonuses, at 31 December 2018 were £73.4m (2017: £79.1m). The Board uses this figure as a better representation of the net cash available to the business, since bonuses are typically paid once a year after the year-end, hence an element of the year-end cash balance is earmarked for this purpose.

Given the increasingly regulatory nature of our business, a further measure used by the Board in taking decisions over capital allocation is free cash resources, which deducts monies held by regulated entities from the net cash and available funds figure. Free cash resources at 31 December 2018 were £57.0m (2017: £54.1m).

The Group does not have any borrowings.

Balance sheet

Net assets at 31 December 2018 were £434.6m (2017: £423.4m). The balance sheet remains strong, with net current assets and investments exceeding non-current liabilities (excluding pension provisions) by £89.3m (2017: £77.1m).

The overall impairment allowance for trade receivables was £14.4m (2017: £13.3m).

The Group's pension schemes have a combined surplus before deferred tax of £14.0m (2017: £12.3m). During the year, the largest two schemes de-risked by replacing their equity holdings with less volatile investments.

Brexit

The UK referendum in June 2016 and subsequent triggering of Article 50 in March 2017 means that the UK is scheduled to leave the EU in March 2019 (Brexit), creating uncertainties surrounding global economic impacts. As a global Group, we do not currently believe that our businesses will be materially affected by Brexit, other than any impact arising from movements in the foreign exchange rates. We continue to monitor developments closely and assess the uncertainty and risks associated with the potential economic and geo-political volatility arising from Brexit. Our decentralised business model, with operations in diverse markets and locations, enables the Group to adapt quickly to changing trading conditions.

Jeff Woyda
Chief Financial Officer & Chief Operating Officer
8 March 2019

Risk management

Full details of our principal risks and how we manage them are included in the risk management section of the 2018 annual report, together with our viability and going concern statements.

Our principal risks are:

- Failure to achieve strategic objectives
- Changes in the broking industry
- Economic factors
- Cyber risk and data security
- Loss of key personnel
- Employee misuse of confidential information
- Adverse movements in foreign exchange
- Financial loss arising from 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 2018. 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 the principal risks and uncertainties that it faces; and

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

This responsibility statement was approved by the Board of Directors on 8 March 2019 and is signed on its behalf by:

Bill Thomas
Chair
8 March 2019

Consolidated income statement
for the year ended 31 December

	2018			2017		
	Before acquisition related costs £m	**Acquisition related costs £m**	**After acquisition related costs £m**	Before acquisition related costs £m	Acquisition related costs £m	After acquisition related costs £m
Revenue	**337.6**	**–**	**337.6**	324.0	–	324.0
Cost of sales	**(12.9)**	**–**	**(12.9)**	(9.7)	–	(9.7)
Trading profit	**324.7**	**–**	**324.7**	314.3	–	314.3
Administrative expenses	**(279.7)**	**(2.4)**	**(282.1)**	(264.8)	(4.5)	(269.3)
Operating profit	**45.0**	**(2.4)**	**42.6**	49.5	(4.5)	45.0
Finance revenue	**1.3**	**–**	**1.3**	1.0	–	1.0
Finance costs	**(1.3)**	**–**	**(1.3)**	(0.3)	(0.3)	(0.6)
Other finance revenue – pensions	**0.3**	**–**	**0.3**	–	–	–
Profit before taxation	**45.3**	**(2.4)**	**42.9**	50.2	(4.8)	45.4
Taxation	**(10.7)**	**0.5**	**(10.2)**	(12.0)	1.0	(11.0)
Profit for the year	**34.6**	**(1.9)**	**32.7**	38.2	(3.8)	34.4
Attributable to:						
Equity holders of the Parent Company	**31.7**	**(1.9)**	**29.8**	35.2	(3.8)	31.4
Non-controlling interests	**2.9**	**–**	**2.9**	3.0	–	3.0
Profit for the year	**34.6**	**(1.9)**	**32.7**	38.2	(3.8)	34.4
Earnings per share						
Basic	**105.2p**		**98.8p**	116.8p		104.4p
Diluted	**104.9p**		**98.6p**	116.4p		104.0p

Consolidated statement of comprehensive income
for the year ended 31 December

	2018 £m	2017 £m
Profit for the year	**32.7**	34.4
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss:		
Actuarial gain on employee benefit schemes – net of tax	**1.0**	7.6
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences on retranslation of foreign operations	**4.0**	(14.0)
(Losses)/gains on settled foreign currency hedges recycled to profit or loss – net of tax	**(0.6)**	2.8
(Losses)/gains on open foreign currency hedges – net of tax	**(1.4)**	3.2
Other comprehensive income/(loss)	**3.0**	(0.4)
Total comprehensive income for the year	**35.7**	34.0
Attributable to:		
Equity holders of the Parent Company	**32.8**	31.1
Non-controlling interests	**2.9**	2.9
Total comprehensive income for the year	**35.7**	34.0

Consolidated balance sheet
as at 31 December

	2018 £m	2017 £m
Non-current assets		
Property, plant and equipment	**27.0**	29.7
Investment property	**1.2**	1.1
Intangible assets	**293.4**	289.6
Trade and other receivables	**1.1**	2.5
Investments	**4.8**	4.9
Employee benefits	**18.2**	16.7
Deferred tax asset	**8.6**	11.1
	354.3	355.6
Current assets		
Inventories	**0.8**	0.7
Trade and other receivables	**77.0**	60.2
Income tax receivable	**1.2**	1.3
Investments	**9.7**	5.8
Cash and cash equivalents	**156.5**	161.7
	245.2	229.7
Current liabilities		
Trade and other payables	**(135.4)**	(132.0)
Income tax payable	**(8.0)**	(8.2)
Provisions	**(0.2)**	(0.1)
	(143.6)	(140.3)
Net current assets	**101.6**	89.4
Non-current liabilities		
Trade and other payables	**(10.5)**	(10.6)
Provisions	**(0.2)**	(0.1)
Employee benefits	**(4.2)**	(4.4)
Deferred tax liability	**(6.4)**	(6.5)
	(21.3)	(21.6)
Net assets	**434.6**	423.4
Capital and reserves		
Share capital	**7.6**	7.6
Other reserves	**237.1**	234.7
Retained earnings	**185.9**	177.4
Equity attributable to shareholders of the Parent Company	**430.6**	419.7
Non-controlling interests	**4.0**	3.7
Total equity	**434.6**	423.4

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 2018	**7.6**	**234.7**	**177.4**	**419.7**	**3.7**	**423.4**
Profit for the year	**–**	**–**	**29.8**	**29.8**	**2.9**	**32.7**
Other comprehensive income:						
Actuarial gain on employee benefit schemes – net of tax	**–**	**–**	**1.0**	**1.0**	**–**	**1.0**
Foreign exchange differences on retranslation of foreign operations	**–**	**4.0**	**–**	**4.0**	**–**	**4.0**
Losses on settled foreign currency hedges recycled to profit or loss – net of tax	**–**	**(0.6)**	**–**	**(0.6)**	**–**	**(0.6)**
Losses on open foreign currency hedges – net of tax	**–**	**(1.4)**	**–**	**(1.4)**	**–**	**(1.4)**
Total comprehensive income for the year	**–**	**2.0**	**30.8**	**32.8**	**2.9**	**35.7**
Transactions with owners:						
Share issues	**–**	**1.6**	**–**	**1.6**	**–**	**1.6**
Employee share schemes	**–**	**(1.2)**	**0.9**	**(0.3)**	**–**	**(0.3)**
Tax on other employee benefits	**–**	**–**	**(0.6)**	**(0.6)**	**–**	**(0.6)**
Tax on other items in equity	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Dividend paid	**–**	**–**	**(22.5)**	**(22.5)**	**(2.9)**	**(25.4)**
Contributions from non-controlling interests	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Total transactions with owners	**–**	**0.4**	**(22.3)**	**(21.9)**	**(2.6)**	**(24.5)**
Balance at 31 December 2018	**7.6**	**237.1**	**185.9**	**430.6**	**4.0**	**434.6**

	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 2017	7.6	240.1	155.8	403.5	3.2	406.7
Profit for the year	–	–	31.4	31.4	3.0	34.4
Other comprehensive (loss)/income:						
Actuarial gain on employee benefit schemes – net of tax	–	–	7.6	7.6	–	7.6
Foreign exchange differences on retranslation of foreign operations	–	(13.9)	–	(13.9)	(0.1)	(14.0)
Gains on settled foreign currency hedges recycled to profit or loss – net of tax	–	2.8	–	2.8	–	2.8
Gains on open foreign currency hedges – net of tax	–	3.2	–	3.2	–	3.2
Total comprehensive (loss)/income for the year	–	(7.9)	39.0	31.1	2.9	34.0
Transactions with owners:						
Employee share schemes	–	2.5	1.4	3.9	–	3.9
Tax on other employee benefits	–	–	1.0	1.0	–	1.0
Tax on other items in equity	–	–	0.3	0.3	–	0.3
Dividend paid	–	–	(20.1)	(20.1)	(2.4)	(22.5)
Total transactions with owners	–	2.5	(17.4)	(14.9)	(2.4)	(17.3)
Balance at 31 December 2017	7.6	234.7	177.4	419.7	3.7	423.4

Consolidated cash flow statement
for the year ended 31 December

	2018 £m	2017 £m
Cash flows from operating activities		
Profit before taxation	42.9	45.4
Adjustments for:		
Foreign exchange differences	(1.9)	7.3
Depreciation of property, plant and equipment and investment property	5.2	5.0
Share-based payment expense	1.4	1.4
Gain on sale of property, plant and equipment	–	(0.1)
Amortisation of intangibles	1.7	3.6
Difference between pension contributions paid and amount recognised in the income statement	(0.2)	(0.9)
Finance revenue	(1.3)	(1.0)
Finance costs	1.3	0.6
Other finance revenue – pensions	(0.3)	–
Increase in inventories	(0.1)	–
Increase in trade and other receivables	(16.5)	(7.2)
(Decrease)/increase in bonus accrual	(3.4)	4.6
Increase/(decrease) in trade and other payables	2.0	(3.9)
Increase in provisions	0.2	0.1
Cash generated from operations	31.0	54.9
Income tax paid	(8.3)	(6.9)
Net cash flow from operating activities	22.7	48.0
Cash flows from investing activities		
Interest received	0.9	0.6
Purchase of property, plant and equipment	(2.2)	(5.3)
Purchase of intangible assets	(3.9)	(1.5)
Proceeds from sale of investments	1.7	0.1
Proceeds from sale of property, plant and equipment	0.1	0.2
Purchase of investments	(8.0)	(0.9)
Transfer from current investments (funds on deposit)	3.8	24.1
Acquisition of subsidiaries, including settlement of deferred consideration	–	(24.7)
Dividends received from investments	0.2	0.3
Net cash flow from investing activities	(7.4)	(7.1)
Cash flows from financing activities		
Interest paid and other charges	(0.8)	(0.3)
Dividend paid	(22.5)	(20.1)
Dividend paid to non-controlling interests	(2.9)	(2.4)
Proceeds from shares issued	1.6	–
Contributions from non-controlling interests	0.3	–
ESOP shares acquired	–	(0.5)
Net cash flow from financing activities	(24.3)	(23.3)
Net (decrease)/increase in cash and cash equivalents	(9.0)	17.6
Cash and cash equivalents at 1 January	161.7	154.0
Net foreign exchange differences	3.8	(9.9)
Cash and cash equivalents at 31 December	156.5	161.7

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 2017 and 2018, but is derived from those financial statements. Statutory financial statements for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting. External Auditors have reported on the financial statements for 2017 and 2018; 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 2018 financial statements and have been prepared on a going concern basis.

3 Segmental information

Business segments		Revenue		Results
	2018 £m	2017 £m	**2018 £m**	2017 £m
Broking	**251.7**	238.9	**44.0**	43.9
Financial	**46.1**	52.0	**8.0**	10.1
Support	**23.9**	18.5	**2.3**	2.1
Research	**15.9**	14.6	**5.0**	4.8
Segment revenue / underlying profit	**337.6**	324.0	**59.3**	60.9
Head office costs			**(14.3)**	(11.4)
Operating profit before acquisition related costs			**45.0**	49.5
Acquisition related costs			**(2.4)**	(4.5)
Operating profit after acquisition related costs			**42.6**	45.0
Finance revenue			**1.3**	1.0
Finance costs			**(1.3)**	(0.6)
Other finance revenue – pensions			**0.3**	–
Profit before taxation			**42.9**	45.4
Taxation			**(10.2)**	(11.0)
Profit for the year			**32.7**	34.4

4 Acquisition related costs

Included in acquisition related costs are cash and share-based payment charges of £0.2m (2017: £0.3m) relating to previous acquisitions. These are contingent on employees remaining in service and are therefore spread over the service period. Also included is £0.5m (2017: £0.6m) relating to the acquisition of the remaining non-controlling interest in Clarksons Platou Tankers AS. The charge consists of cash and share-based payment charges which are linked to future service of the employees and are therefore spread over a four year period.

Also included is £1.7m (2017: £3.6m) relating to amortisation of intangibles acquired as part of the Platou and other prior acquisitions. In 2017, interest on the loan notes issued as part of the Platou acquisition totalled £0.3m.

5 Taxation

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

	2018 £m	2017 £m
Profit at UK average standard rate of corporation tax of 19.00% (2017: 19.25%)	**8.2**	8.7
Expenses not deductible for tax purposes	**1.6**	1.5
Tax losses not recognised	**0.7**	0.7
Other	**(0.3)**	0.1
Total tax charge in the income statement	**10.2**	11.0

6 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:

	2018 £m	2017 £m
Underlying profit for the year attributable to ordinary equity holders of the Parent Company	31.7	35.2
Reported profit for the year attributable to ordinary equity holders of the Parent Company	29.8	31.4

	2018 Millions	2017 Millions
Weighted average number of ordinary shares - basic	30.1	30.1
Weighted average number of ordinary shares - diluted	30.2	30.2

7 Dividends

The Board is recommending a final dividend of 51p (2017: 50p), giving a total dividend of 75p (2017: 73p). This final dividend will be payable on 31 May 2019 to shareholders on the register at the close of business on 17 May 2019, subject to shareholder approval.

8 Intangible assets

Additions of £3.9m in the year relate to development costs. 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, amounting to an increase of £1.5m in the carrying value of goodwill and £0.1m in the carrying value of other intangible assets in the year.

9 Cash and cash equivalents

	2018 £m	2017 £m
Cash at bank and in hand	154.0	159.6
Short-term deposits	2.5	2.1
	156.5	161.7

10 Employee benefits

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

As at 31 December 2018, the combined schemes had a surplus of £14.0m (2017: £12.3m). This was after an asset ceiling adjustment of £6.8m (2017: £5.3m) in relation to the Plowrights scheme. As there is no right of set-off between the schemes, the benefit asset of £18.2m (2017: £16.7m) is disclosed separately on the balance sheet from the benefit liability of £4.2m (2017: £4.4m). The Group has recognised a deferred tax asset on the benefit liability amounting to £0.7m (2017: £0.8m) and a deferred tax liability on the benefit asset of £3.1m (2017: £2.8m). The market value of the assets was £188.8m (2017: £202.7m) and independent actuaries have assessed the present value of funded obligations at £168.0m (2017: £185.1m).

11 Share capital

	2018		2017	
	Million	£m	Million	£m
Ordinary shares of 25p each, issued and fully paid	30.3	7.6	30.2	7.6

12 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.