Clarkson PLC

8 March 2021

***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 2020.

## Summary

- Robust underlying financial performance, ahead of market expectations
- Strong performance in Broking more than offset weakness in Financial services
- Continued strong free cash flow generation
- 18th consecutive year of dividend growth
- One-off, non-cash impairment charge of £60.6m in relation to securities and offshore
- Forward order book going into 2021 is larger than at the same time last year
- Robust balance sheet with free cash resources[1] of £81.1m (31 December 2019: £68.7m)
- Rapid transition to remote working expedited rollout of our **Sea/** products to clients
- Medium-term macro environment for shipping favourable as demand / supply dynamics set to improve post pandemic
- Well positioned to support the green transition in shipping and benefit from the expected economic and global trade recovery

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

| | **Year ended 31 December 2020** | Year ended 31 December 2019 |
|---|---|---|
| Revenue | **£358.2m** | £363.0m |
| Underlying profit before taxation* | **£44.7m** | £49.3m |
| Reported (loss)/profit before taxation | **(£16.4m)** | £0.2m |
| Underlying earnings per share* | **106.0p** | 118.8p |
| Reported loss per share | **(95.2p)** | (42.4p) |
| Dividend per share | **79p** | 78p** |

* Before exceptional item of £60.6m and acquisition related costs of £0.5m (2019: exceptional item of £47.5m and acquisition related costs of £1.6m).
** Includes the equivalent of the 2019 final dividend of 53p which was paid as an interim dividend in 2020, the timing of which was delayed to allow the Board to assess the impact of COVID-19.

## Andi Case, Chief Executive Officer, commented:

"2020 could never be described as business as usual, with disruption in demand and global trade, significant volatility in commodity prices and a massive shift in the working environment. So Clarksons are proud to announce a very robust set of full year results for 2020 which are ahead of market expectations and demonstrate the resilience of our business and the important role we play in the global shipping industry. Given the strong cash generation, I am pleased to announce that the Board is recommending its 18th consecutive year of increased dividends.

"As a market leader, Clarksons continues to benefit from its robust business model and from the investment of recent years in tools for trade. Our key areas of focus are not only on growth in all core segments, but also importantly on growth in new segments including renewables, the green transition of the maritime world where we are helping our clients to achieve their ambitious carbon and GHG reduction targets and continuing the rollout of our technology solution, the **Sea/** platform, to clients.

"I would like to thank the entire Clarksons team for their hard work and dedication. As a result of the efforts of the Clarksons team, we are well positioned to benefit from the expected economic and global trade recovery in the years ahead."

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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 and reconciliation 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 Group's unrivalled expertise and knowledge with leading technology.

The Group employs over 1,600 people in 53 different offices across its four divisions and is number one or two in all its market segments.

The Company has delivered 18 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

In what has been, without doubt, the most globally disruptive and challenging time in living memory, I have been deeply impressed with the exceptional response of the entire Clarksons team. Colleagues have risen to the challenge of providing each other and their clients with excellent support and service throughout the COVID-19 pandemic. Clarksons works hard to remain the market leader, with the best teams, technology, research, insights and information flows. However, in the face of the huge challenges we have faced in 2020, our major focus has been on keeping our people safe and the global delivery of a first-class service across all our offices by every member of the Clarksons team.

Given the circumstances, to have delivered a strong set of underlying results that were both cash-generative and exceeded market consensus, is a testament to our robust business model and the quality of our team.

Whilst the most pressing issue for the business has been the impact of COVID-19, the accelerating importance of sustainability and the green transition has also been a major area of focus. Clarksons continues to play a key role as an agent of change in the environmental agenda. This year we have again expanded our capabilities in execution, financing, data and support of the renewables industry. Within shipping we are working with charterers and owners, service providers and industry bodies to drive change through lower emissions of greenhouse gases powered by cleaner energy.

The rapid transition to remote working has expedited the rollout of our **Sea/** products to clients as it became apparent that the pandemic was going to impact working practices globally. **Sea/** provides a highly efficient and compliant platform to enable our clients to manage their risk, monitor their fleet performance and transact globally, regardless of their location.

## Results

Underlying profit before taxation was £44.7m (2019: £49.3m).

Maritime capital markets and energy demand have been severely affected by events during this challenging time and consequently, in keeping with many businesses, the Board determined that it would be appropriate to take a goodwill impairment charge relating to securities and offshore of £60.6m (2019: £47.5m). I should however stress that this is a consequence of exceptional market change, is a non-cash item, and will have no impact on distributable reserves or the Company's capacity to pay dividends.

Consequently, reported loss before taxation was £16.4m (2019: £0.2m profit before taxation). Underlying basic earnings per share was 106.0p (2019: 118.8p). The reported basic loss per share was 95.2p (2019: 42.4p).

Free cash resources as at 31 December 2020 were £81.1m (2019: £68.7m).

## Dividend

In March 2020, the Board announced that it had deferred its decision on the amount and timing of the 2019 final dividend to give the business the time it needed to assess the financial impact of COVID-19. The Company has clearly risen to the challenges presented and its robust cash position gave the Board confidence to announce in August that the Company would pay the equivalent of the 2019 final dividend of 53p per share as an interim dividend on 21 September 2020 and a further interim dividend for 2020 of 25p per share (2019: 25p per share) on 11 December 2020.

In recognition of the importance of Clarksons' progressive dividend policy, the Company is increasing its dividend for the 18th consecutive year. The Board is recommending a final dividend of 54p (2019: 53p). Combined with the interim dividend in respect of 2020 results of 25p (2019: 25p), the resulting full year dividend in respect of 2020 results is 79p (2019: 78p). The dividend will be payable on 28 May 2021 to shareholders on the register on 14 May 2021, subject to shareholder approval.

## People

It has become even clearer over the past year that a business like Clarksons relies wholly on the quality of its people, and how they come together as a team. In 2020 the Clarksons team performed at the highest level and found new strengths by working even closer together across the Group. At a time when we have all had our own personal challenges, our global offices have continued to provide remote support at the very highest levels to our clients when they have needed us the most. Not only have we supported our clients, but the team has ensured that we supported each other, the shipping community and the local communities that are home to Clarksons offices around the world. Our CSR Committee has organised a wide range of fundraising and community-focused activities helping those in need and has established a registered charity, The Clarkson Foundation.

I thank all our colleagues in the Clarksons team for their exceptional efforts through this challenging period.

## Board

We were delighted to welcome Laurence Hollingworth as an independent Non-Executive Director during this period. Laurence joined the Board in July as a member of the Remuneration Committee and Audit and Risk Committee, and brings extensive experience in the capital markets and a strong understanding of the broking environment following a 37-year career in stockbroking. The Board and management of Clarksons have already benefited from the strategic perspectives and insights that he has brought to the business. In October we welcomed Sue Harris to the Board as an independent Non-Executive Director. Sue serves as a member of the Remuneration Committee and is Chair of the Audit and Risk Committee, succeeding Marie-Louise Clayton, who retired from the Board on 31 January 2021. Sue has held a number of senior executive positions at FTSE 100 businesses and non-executive roles across a broad range of sectors, and brings significant financial, risk management and listed company experience to the Board.

On behalf of the Clarksons team, I would like to thank Marie-Louise for her valuable contribution during her four years on the Board and wish her continued success in the future.

## Outlook

Until the worst of the COVID-19 pandemic has passed, its longer-term impact on the global economy remains uncertain. However, we are confident that government stimulus, the energy transition, the widespread desire for the world to return to normality, and the pent-up demand for travel will ensure that when a sustained recovery begins, the effects will be positively felt in the world of shipping.

We start 2021 with a stronger forward order book and firmer freight rates in a number of verticals, but sterling has strengthened against the US Dollar creating an additional headwind, particularly within Broking, and the global COVID-19 pandemic, whilst improving, remains unresolved. The expected recovery in demand is now unlikely to gather momentum until later in the year and thus in 2021 we believe our results will revert to being second half weighted.

As such, the Board remains confident in both the outlook for the shipping, offshore and renewables markets and, indeed, in the Group itself.

**Sir Bill Thomas**
Chair
5 March 2021

## Chief Executive Officer's review

This year has presented very challenging circumstances for everyone at Clarksons, with volatile markets and the COVID-19 pandemic causing severe disruption to both the way business is done and everyday lives. Despite this disruption, I am pleased to report that the business has continued to perform well, characterised by the delivery of a strong underlying performance for the full year and a forward order book going into 2021 which is larger than at the same time last year.

### A review of 2020

During 2020, our teams have had to adapt to unfamiliar working practices, but our investment in tools for trade has helped us deliver a market-leading service and diverse offering, demonstrating how robust the Clarksons business model is, even against the harshest of market backdrops.

Undoubtedly, one of the key reasons for this strong financial and operational performance has been the outstanding response to the COVID-19 pandemic from all our employees, who have continued to deliver a first-class service to our clients during these troubling times. I would like to thank everyone at Clarksons, across every facet of the business, for their contribution during this difficult period and for stepping up to meet the challenge. Our people are our core asset, and this year above all has demonstrated the importance to our clients of their unique market insight, advice and execution in the most critical of times.

2020 has been a truly unprecedented year full of new challenges and, whilst in many ways productive for the Company, it has been extremely hard on colleagues and their families, especially those who have suffered from illness and from the premature loss of our colleagues and friends Peter Richards, Patrick Curry, Rob Byrne, John Milner, Hossam El Sayed Abdo Ibrahim and Essam Bella. We once again send our condolences to their families. I am also sad to report that we lost an ex-Chairman, Tony Klima, who passed away in January and is fondly remembered by many at Clarksons and the shipping industry at large.

It is against this backdrop, that we are particularly proud of the outstanding advance in sustainable community engagement led by our CSR Committee. During 2020, the Group was involved in a range of initiatives which gave rise to donations being made to charity from staff, their families and the Company. Overall, these initiatives raised more than £350,000. Our catering team, whilst providing meals for the few staff that have used the London office, have also produced 19,000 meals for the homeless in London, and we have established The Clarkson Foundation, a charitable foundation which will be the fulcrum for future giving.

Throughout 2020, we supported our staff and their families through the challenges of the pandemic, ensured that all our offices were COVID-19 safe, and facilitated staff working from home for a significant proportion of the year, ensuring that all had the requisite technology to be able to continue with as little disruption as possible. The Company took no government loans, no staff were furloughed, all suppliers were paid in good time and the 2019 final dividend, while initially deferred, was paid as an interim dividend in September 2020, maintaining our 18-year progressive dividend policy.

Once again, thank you to all our colleagues.

The performance of the Broking division during 2020 has been excellent, despite the backdrop of a global pandemic and severe disruption to energy demand throughout the year. The teams adapted very quickly to the new working conditions, reporting profits before taxation of £55.4m (2019: £55.5m), driven by excellent performances across most market segments but stand-out performances from the tanker, gas, sale and purchase and futures divisions.

Elsewhere, the Financial division had a mixed year. Our project finance teams, principally transacting within Norwegian real estate, had another successful year increasing profits compared to 2019. Clarksons Platou Securities, however, had a very challenging year, due to the pandemic and negative investor sentiment towards global trade and the impact on the shipping and oil services capital markets. As announced at the interim results, we undertook a strategic review at the end of 2019 to identify areas within the division where we could improve efficiencies and reduce costs, which we implemented during the first half of the year.

Our Research capabilities have been in high demand this year, positively impacted by the pandemic as clients sought out Clarksons' unparalleled insights to help guide them in their decision-making, albeit this was in part offset by a reduction in income from valuations due to a fall in asset and capital market transactions by our clients. With an expanding portfolio of products, and a significant broadening into data around the green transition, we are confident that 2021 should see resurgent growth in this business.

Our innovative **Sea/** suite of technology modules has seen heightened interest from clients throughout the year, with disrupted working practices providing many opportunities for new business. The offering of enhanced analytics combined with an increased level of execution, risk control, audit, compliance, efficiency, communication and data integrity has led to the Maritech team winning several new large corporate clients during the year. The rollout to these clients gained significant pace in the final quarter of 2020 and early 2021, and the value proposition in pre-trade and at-trade decisions, execution and communication is now becoming evident to the industry.

The performance of the Support division was impacted heavily by the wider macro environment and the negative impact on oil price and energy demand from the pandemic in the first half. However, I am pleased to report a significant recovery across all areas of this business in the second half, led by our increasingly strong position servicing the offshore renewables industry.

### 2021 and beyond

We have for some time talked about the multi-cyclical nature of the maritime markets. Whilst overall, these markets have been oversupplied, there has more recently been an increased shortening of the supply of ships. The shock to demand from the pandemic has meant the impact of this shortening has not yet been properly reflected in the markets. In 2021, we have already seen stronger rates in a number of sectors, and even if not sustained in the short term, we are clearly no longer in markets saturated by excess tonnage.

This change in the underlying economics comes at a time when both increased regulation and corporate desire is very focused on reducing carbon and other greenhouse gases (GHG). There are no immediate solutions to the eradication of GHGs but clear targets have been set by the IMO and the industry itself, some by 2030 and more still by 2050, and there are very significant steps that will be made towards this green transition.

The green transition is now one of the Group's key areas of strategic focus and Clarksons has made sure to invest into its market-leading teams to support this growing area of the business. As clients target a reduced carbon footprint, Clarksons has established a carbon emissions broking desk; strengthened our position in gas markets; expanded our renewables broking teams around the world; continued to lead in consultancy and execution of alternate fuelled newbuilding of vessels; arranged finance across many exciting renewables projects; initiated a research database of analytics covering the green transition; extended our already strong support teams to service offshore wind projects; and developed **Sea/** solutions for the capture and analysis of emissions data. As the industry takes material steps to reduce GHGs, our growing involvement in this space at all levels of the business, shows that Clarksons seeks to play its part at the forefront of shipping's green transition.

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

We remain confident that with the strength of our revenue generation, the depth of our balance sheet, our first-rate employees and our best-in-class client service, Clarksons is well positioned to benefit from the expected economic and global trade recovery post COVID-19.

**Andi Case**
Chief Executive Officer
5 March 2021

## Financial review

Revenue: £358.2m (2019: £363.0m)
Underlying profit before taxation*: £44.7m (2019: £49.3m)
Reported loss before taxation: £16.4m (2019: £0.2m profit)
Dividend per share: 79p (2019: 78p)

* Before exceptional items and acquisition related costs

### Results

The Group generated revenue of £358.2m (2019: £363.0m) and incurred underlying administrative expenses of £298.5m (2019: £298.2m). The majority of revenue and a significant proportion of expenses are denominated in currencies other than sterling.

Underlying profit before taxation was £44.7m (2019: £49.3m). The term 'underlying' excludes the impact of exceptional items and acquisition related costs, which are shown separately on the face of the income statement. Management separates these items due to their nature and size and believe this provides further useful information, in addition to statutory measures, to assist readers of the annual report to understand the results for the year.

| | **2020 £m** | 2019 £m |
|---|---|---|
| Underlying profit before taxation | **44.7** | 49.3 |
| Exceptional items | **(60.6)** | (47.5) |
| Acquisition related costs | **(0.5)** | (1.6) |
| Reported (loss)/profit before taxation | **(16.4)** | 0.2 |

### Exceptional items

The Board reviewed the need for a non-cash impairment relating to the acquisition of RS Platou ASA. The Board determined that an impairment charge, relating to goodwill attributable to securities and offshore broking following continued challenging trading conditions in these markets, amounting to £60.6m (2019: £47.5m) was required.

### Acquisition related costs

Acquisition related costs include £0.3m of amortisation of intangibles and £0.2m of cash and share-based payments spread over employee service periods. We estimate acquisition related costs for 2021 to be £0.5m, assuming no further acquisitions are made.

### Taxation

The Group's underlying effective tax rate was 21.3% (2019: 23.1%), reflecting the broad international operations of the Group and lower disallowable costs in 2020 due to the pandemic.

### Earnings per share

Underlying basic earnings per share was 106.0p (2019: 118.8p), calculated as underlying profit after taxation divided by the weighted average number of ordinary shares in issue during the year. The reported basic loss per share was 95.2p (2019: 42.4p).

### 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 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 2020, this estimate was 3% higher than the prior year at US$116m (31 December 2019: US$113m).

### Dividend

As announced on 27 March 2020, the Board deferred the decision on the amount and timing of the 2019 final dividend to protect the Company until the impact of COVID-19 on the business became clearer. The robust performance and cash position of the Company meant that the Board decided to pay the equivalent of the 2019 final dividend of 53p per share as an interim dividend on 21 September 2020 to shareholders on the register on 4 September 2020.

The Board is recommending a final dividend in respect of 2020 of 54p (2019: 53p) which, subject to shareholder approval, will be paid on 28 May 2021 to shareholders on the register at the close of business on 14 May 2021.

Together with the interim dividend in respect of 2020 of 25p (2019: 25p), this would give a total dividend of 79p for 2020, an increase of 1% on 2019 (2019: 78p). In taking its decision, the Board took into consideration the Group's 2020 performance, balance sheet strength, ability to generate cash and FOB.

This increased dividend represents the 18th consecutive year that the Board has raised the dividend.

### Foreign exchange

The average sterling exchange rate during 2020 was US$1.29 (2019: US$1.28). At 31 December 2020, the spot rate was US$1.37 (2019: US$1.32).

### Cash and borrowings

The Group ended the year with cash balances of £173.4m (2019: £175.7m) and a further £22.8m (2019: £2.5m) 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 2020 were £95.4m (2019: £84.7m). The Board uses this figure as a better representation of the net cash available to the business, since bonuses are typically paid after the year-end, hence an element of the year-end cash balance is earmarked for this purpose. It should be noted that accrued bonuses include amounts relating to the current year and amounts held back from previous years which will be payable in the future.

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 2020 were £81.1m (2019: £68.7m).

In addition to the free cash resources above, the Group has a strong balance sheet and has consistently generated an underlying operating profit and good cash inflow. Management has stress tested a range of scenarios, modelling different assumptions with respect to the Group's cash resources, and as a result continues to adopt the going concern basis in preparing the financial statements.

### Balance sheet

Net assets at 31 December 2020 were £328.4m (2019: £380.6m). The reduction in net assets arises principally as a consequence of the non-cash impairment identified above; this impairment has had no effect on distributable reserves as it is offset against the merger reserve which arose on the initial acquisition. The balance sheet remains strong, with net current assets and investments exceeding non-current liabilities (excluding pension provisions and lease liabilities as accounted for under IFRS 16) by £95.0m (2019: £93.7m).

The overall loss allowance for trade receivables was £12.3m (2019: £14.2m).

The Group's pension schemes have a combined surplus before deferred tax of £12.0m (2019: £11.0m).

**Jeff Woyda**
Chief Financial Officer & Chief Operating Officer
5 March 2021

## Business review

### Broking

Revenue: £282.6m (2019: £283.0m)
Segment underlying profit: £55.4m (2019: £55.5m)
Forward order book for 2020: US$116m* (At 31 December 2019 for 2020: US$113m*)
* Directors' best estimate of deliverable forward order book (FOB)

*The performance of the Broking segment during 2020 has been excellent.*

#### Dry cargo

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

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

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

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

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

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

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

#### Containers

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

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

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

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

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

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

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

### Tankers

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

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

#### *Crude tankers*

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

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

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

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

#### *Products*

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

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

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

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

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

### Specialised products

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

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

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

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

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

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

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

### Gas

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

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

increased seasonal domestic demand, rising prices started to place margins into the East under pressure and by the end of January 2021, time charter equivalent earnings had fallen to just below US$1.4m per month.

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

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

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

### LNG

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

The spot headline rates for conventional 160km$^3$ Tri-Fuel Diesel Electric tonnage fell 12.1% year-on-year averaging US$60,900 per day in 2020. However, the trading environment was particularly volatile through 2020, with spot rates bottoming in July at US$27,000 per day, before rebounding in the second half of 2020 to US$145,500 per day, on the back of wide open Atlantic-Pacific arbitrage.

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

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

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

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

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

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

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

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

### Sale and purchase

*Secondhand*

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

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

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

*Newbuilding*

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

Overall, output fell to 29.0m CGT, according to Clarksons Research, down 15% year-on-year to its lowest level since 2005 and to 50% of the 2010 production peak. New orders fell by a third to 20.2m CGT, representing the second lowest level since 2009, despite increased activity in the final quarter.

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

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

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

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

## Offshore

### *General*

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

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

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

This contrasting backdrop has also affected Clarksons Platou Offshore and Renewables, with a significant drop in sale and purchase and newbuilding activity in the traditional offshore business, while the renewables team has continued to see strong growth both in chartering, newbuilding and sale and purchase activities.

### *Drilling rig market*

Whilst total offshore rig demand saw some improvement in the first quarter of 2020, overall rig demand saw a significant drop following the oil price crash in March/April. Total rig demand at the year-end was down 10% year-on-year with significant differences between the jackup (shallow water) and floater (mid-/deep-/ultradeep-water) segments. The demand for jackups declined by about 5% through 2020, whereas floater demand came down as much as 22%. The global offshore rig demand was at 462 units at the end of 2020, down from 506 units in December 2019, based on data from Clarksons Research. The demand for floaters was at 110 units in December 2020, down from 135 in December 2019. The current contracted level for floaters is the lowest we have observed for more than a decade. In line with the significant decline in demand, utilisation and day rate levels also came under pressure. At the year-end, global jackup utilisation was at around 74%, down from 76% a year earlier, whereas floater utilisation was as low as 61%, down from 68% at the end of 2019. While drillers have been faced with declining utilisation and day rate levels, they have at the same time faced significantly increasing operating expenses due to COVID-19. Crew change costs and other logistical costs associated with keeping contracted rigs active have generally escalated and operators have only to a highly limited extent been inclined to compensate for this. Consequently, most of the world's large drillers have been, or are, in some form of financial restructuring. Several of these processes are approaching a conclusion and we expect to see numerous companies emerge from restructuring during the first half of 2021. Further consolidation in the drilling market is a likely consequence once the companies have completed these processes, and we expect to see this materialise throughout 2021 and 2022.

### *Subsea and field development market*

Sanctioning of new offshore field developments largely came to a halt following the oil price decline in early 2020. However, despite this, the major subsea contractors continued to see a decent order intake through the year with combined book-to-bill level around 100% through the third quarter. This was driven by a combination of awards related to already sanctioned projects, the sum of smaller contracts and, importantly, some major contracts for renewable projects (offshore wind). Despite sustained backlogs, major contractors continued to face declining fleet utilisation, revenues and earnings. Consequently, most of the contractors have released chartered vessels back to the market and announced significant cost reduction efforts. This had an adverse impact on subsea vessel owners who have continued to struggle to secure employment for their vessels. There has been no meaningful improvement in the market for subsea inspections, maintenance and repairs (IMR), which has further contributed to depressed fleet utilisation. Continued strong activity in the offshore wind segment compensated somewhat, but this was not enough to cover the shortfall in subsea EPC/project work and IMR.

### *Offshore Support Vessels (OSVs), Platform Supply Vessels (PSVs) and Anchor Handling Tug and Supply Vessels (AHTSs)*

The market for OSVs also generally remains challenging and was characterised by significant vessel overcapacity. Current day rates were generally in line with or barely above vessel operating expenditure levels. All regions saw rock-bottom rates and low utilisation, which led to significant financial stress for owners. Many owners have been or are still going through financial restructuring and the sale and purchase market was particularly challenging with exceptionally few industrial owners left with capacity to transact. Chartering volumes are currently indicating a marginal pick up in some selected markets at the beginning of 2021, but higher activity levels, particularly in the drilling market, are needed to see a more meaningful recovery for the OSV segment.

### Renewables (wind)

The offshore renewables market continued its strong growth throughout 2020 and was, to a great deal, shielded from the global shocks witnessed in the traditional oil service industry and other commodity markets following the outbreak of COVID-19. 2020 was a year of record investments into the sector, seeing a total of 7.0 GW of new field developments being sanctioned for Europe, around 9.0 GW in China and another 1.3 GW in the rest of the world, according to Clarksons Research. This level of investment eclipsed all earlier years. There is a continued upward trajectory when it comes to planning for, sanctioning and construction of offshore wind farms, but 2020 also marked the year in which many deep water shipping and oil service companies initiated their 'pivot' strategy, shifting resources and funding away from hydrocarbon and natural resources and allocating it towards offshore wind. More than US$2bn of investments in key offshore wind vessel segments were made in 2020 (firm orders); including letters of intent and options, that number could be more than twice as high.

We are witnessing the beginning of an infrastructure supercycle, driven by three key parameters. Firstly, an unprecedented acceleration in national climate pledges, with the EU, China and Japan, among others, setting very ambitious targets. With a new US President, the renewables industry is eagerly awaiting the implications on US climate strategy as well, including ambitions in offshore wind. Secondly, a supply and demand squeeze; with the upsizing trend of key equipment needed to build and operate a wind farm, such as the wind turbine, the current vessel fleet is not capable of building and supporting the planned industry growth in the years after 2024. More vessels are required, which, if not met by increased supply, could drive up day rates. Finally, the financial ESG factor, where investor sentiment has led to increased demand for securities that meet those requirements, which in turn has led to strong share price performance for the listed companies and record IPO activity. More capital has entered the space - inflows into ESG funds in 2020 were 118% higher than in 2019.

### Futures

*Dry FFAs*

COVID-19 proved to have a mixed impact on the freight market in 2020. Trader appetite increased and volumes year-on-year were up by nearly 15%. However, rates dropped significantly.

Total dry FFA volumes in 2020 were up 14% to 1,562,653 lots. The panamax market was again the largest sector by volume with 744,237 lots, up 11% year-on-year. Capesizes saw a similar 11% rise (592,519 lots), whilst supramaxes had a more significant 32% jump (225,897 lots).

The underlying rates however were not so encouraging. Capesizes averaged US$12,855 per day for 2020 after a dismal first and second quarter, down from US$18,025 per day in 2019. Panamaxes averaged US$8,563 per day, down from US$11,112 per day. Supramaxes averaged US$8,173 per day, down from US$9,948 per day in 2019.

The introduction of the panamax 5TC index has still not gained traction despite attempts by clients to push the market that way. Others followed the open interest. When there is a substantial move to 5TC, the critical mass will follow and the 4TC index will die out.

FFA options, similar to swaps, saw a good a volume push to 327,183 lots in 2020 from 244,866 lots in 2019. Capesizes remained dominant with 54% share but the panamax market saw growth with 44% of the market.

2021 will inevitably be dominated by the direction the dry product consumer countries take to stabilise and restore their economies.

*Wet FFAs*

It was another strong year for the tanker-focused wet FFA team with a very busy first half of the year. Volumes increased again on both clean and dirty from 2019. In 2020, clean volumes were up 39% to a total of 225,929 lots and dirty volumes up 52% to a total of 375,067 lots which is a record high. This was mainly due to oil storage plays in the first half of the year and new market participants.

*LNG and LPG FFAs*

Having arranged the first LNG FFA trade in December 2019, we maintained our market-leading position in this market for 2020. Volumes remain low but we hope to see them improve in 2021, especially if the product is listed on ICE.

LPG FFA volumes increased to over 13,000 lots in 2020 from 7,114 lots in 2019. We increased our market share in 2020 and aim to do the same in 2021.

## Financial

Revenue: £33.9m (2019: £35.5m)
Segment underlying profit: £2.5m (2019: £3.3m)

*The Financial segment had a mixed year.*

### Securities

2020 was an extremely challenging year due to COVID-19. To an extent unseen in most of our lifetimes and unexpected 12 months ago, it has caused one of the largest and sharpest economic contractions in recent history. Not only has the year been challenging due to the volatile oil price and collapse in freight markets, but also due to fears of global recession. Despite periods of optimism during the summer when it appeared that the virus was under control, and the end of the year with the arrival of vaccines, the year has been very volatile with new highs and new lows in all markets. 2020 can be summed up as a Bull-Bear-Bull market, as the majority of indices have gained between 5% and 15% from the start of the year to the end.

As news unfolded of the spread of the virus, global financial markets responded with sell-offs, volatility and a sharp increase in borrowing costs, which rivalled, and at times exceeded, those seen during the 2008 global financial crisis. March 2020 will surely go down as one of the most turbulent months as COVID-19 spread worldwide.

April saw global equities rebound as investors began to focus on expectations that economic lockdowns could soon ease and economies start to recover. The S&P 500 Index saw its strongest monthly rally in 30 years, shrugging off negative data which indicated sharply rising unemployment. Eurozone equities advanced as some countries began to allow some parts of their economies to reopen. The healthcare and information technology sectors were among the top gainers. UK and Norwegian equities recovered over the period as the governments declared they had passed the peak of COVID-19 and began preparations to ease lockdown measures.

The price of Brent crude oil plummeted in March due to various lockdowns in countries and travel bans. Coming from an average price at US$64 per bbl in January and US$56 per bbl in February, by the end of April the Brent crude price had plummeted to below US$20 per bbl. Optimism over tighter supply also pushed oil prices up in May and June. Iraq and Kazakhstan pledged to comply better with oil cuts and data showed the number of oil and gas rigs in the US and Canada fell to a record low in June. In the second half of the year, the Brent crude oil price remained volatile and ended at US$52, down 15% from the start of the year.

The offshore oil and gas industry began 2020 on a cautiously optimistic note. That optimism was quickly shattered with the onset of COVID-19 and the equally rapid collapse in crude oil prices. Having initially projected offshore Final Investment Decisions (FID) would total over US$100bn in 2020, Clarksons Research reported only US$41bn across the year.

In shipping, regulatory uncertainty is holding back newbuilding investments. The IMO has established long-term decarbonisation targets but has yet to decide on how to regulate emissions from vessels. Many shipowners and investors alike have refrained from building new vessels due to uncertain regulatory requirements, so the order books in most shipping sectors currently are at decades-low levels. With the lack of active shipbuilding activity, there is also less need for financing and consequently less ECM activity in the shipping capital market segment. The current low vessel ordering environment will, however, lead to reduced vessel supply and less competition in the coming years, boosting existing players' profitability so they can better prepare for low-emission shipping in the future.

The escalated focus on climate change has during 2020, and 2019, contributed to the energy sector being less favourable and investors have a focus on going green, boosted by the new US President's announcement of a US$2tn investment plan focused on developing clean energy, lowering emissions and rebuilding infrastructure. Our new investment banking renewables team has, despite the challenging year, arranged a total of four transactions with a total value of NOK 900m within solar, cleantech and wind, with more mandates secured to be performed in 2021.

In the fourth quarter, stock prices powered higher and emboldened investors thanks to a series of positive news events, including the announcement of three COVID-19 vaccines which drove a risk-on mood in the financial markets with the added fuel of the post-US elections. The stock market rebounded so quickly because investors were encouraged that COVID-19 would not trigger a more severe financial crisis.

During 2020, the S&P 500 Index increased 14%, the Dow Jones Industrial Average, which lagged throughout much of the year, jumped 10%, while the Nasdaq Composite rose a staggering 30%. In Norway, the Oslo Stock Exchange Benchmark Index increased by more than 5%.

Despite the volatile year, we completed 20 transactions with a total value of US$1.1bn. The majority of completed transactions were within the shipping (seven transactions) and metals and minerals (four transactions) sectors with a total value of NOK 8bn. There were a further five within the offshore/oil services sector and four within the renewables sector. Over 70% of all transactions were equity capital market transactions.

## Project finance

*Shipping*

Given the overall conditions of the shipping markets in 2020, most shipowners shifted their focus and resources from growth opportunities and refinancing to operational issues and crew changes. This also had an effect on the project finance market, with lower activity in the first three quarters of the year. We started to see a gradual recovery in shipping market activity during the second and third quarters. The year ended on a positive note with most segments at profitable levels and with transaction activity returning.

Overall, the first part of the year became a real-life stress-test of the project portfolio we have arranged, and we were happy to see that all projects have sailed through the crisis relatively well due to good charter coverage and low loan to values.

The team arranged three sale and leaseback deals, sold three vessels from existing projects and arranged a strategic share deal in an existing project.

*Real estate*

Clarksons Platou Project Sales (CPPS), which now incorporates Clarksons Platou Real Estate (CPRE), started 2020 with a fundamental optimism for the year and strong investor demand for new investment opportunities. When COVID-19 hit in March all transaction activity was frozen immediately. The period from March to June was primarily focused on securing cash flow from existing projects and reassuring banks and bond-lenders that the assets they financed remained 'in the money'. However, activity significantly improved towards the summer. Total transaction volume for 2020 is estimated to have exceeded NOK 100bn and might even surpass 2019's all-time high of NOK 105bn. The market activity ended strongly, fuelled by appealing yield spreads due to reduced financing costs, as Norway was one of the few countries in Europe that had room for further interest rate reductions. 2020 was characterised by large deals: at least 24 deals above NOK 1bn were observed compared with 19 in 2019; five deals were above NOK 2.5bn.

CPPS also had an all-time-high year, passing more than NOK 100m in new business transaction fees and together with Property Management, Sales and Investment Management we passed NOK 160m. CPRE concluded 24 projects, eight of which were sales of existing projects delivering solid return to our investors. We have now sold 34 projects since 2011, paid out more than NOK 3.5bn in equity to our investors and delivered an annual return (IRR) of almost 40% based on the sold projects.

Clarksons Platou Real Estate Investment Management (CPREIM) was focused on maintaining, securing and executing on the business plans of the existing portfolio of its main fund (Oslo Opportunity), but also on new investments. In the spring we focused on finding potential assets for acquisition (as Oslo Opportunity had available investment capacity), but most sellers sat firmly 'on the fence' awaiting visibility. Despite limited transaction activity in the second quarter, CPREIM secured three new acquisitions for Oslo Opportunity from June to November. Oslo Opportunity's investment period ended in December 2020 and CPREIM is already planning the successor fund (Oslo Opportunity II) which has received significant interest from both new and existing investors. CPREIM plans to place the new fund during first quarter of 2021 with potential investments for the new fund already identified.

The real estate sector has, in recent years, made a significant leap towards the technological and environmental trends driven by authorities, entities, tenants and ultimately investors. The demands for technologically advanced, energy efficient and sustainable buildings are ever increasing, along with the ability to create engaging buildings and neighbourhood environments in which to live, work and socialise. Clarksons Platou Project Development (CPPD) was established in 2020 to bring the professional expertise and capacity of this ever-increasing complex development environment in-house. During the first six months of business, CPPD has secured development projects with building costs totalling NOK 370m in the first phases and with the potential of further fees in the following phases. Several major development projects are in the pipeline, with the expectation of growing the project portfolio to NOK 635m during 2021. CPPD's development fees are expected to grow significantly towards the completion of ongoing projects, which are expected to be during 2021 and 2022, as the development fee structure is skewed towards projects' completions.

## Structured asset finance

2020 began on a positive note with a few significant and innovative transactions closed by the team. By March 2020 however, sentiment had changed completely with the onset of COVID-19. Margin spreads widened significantly for all deals as the immediate fight to preserve liquidity commenced in earnest, albeit the effect of this margin increase was somewhat mitigated by the general reduction in the overall cost of LIBOR. Thankfully, towards the end of 2020, these were signs that margin spreads had returned to pre-COVID-19 levels for most deals.

Likewise, the onset of COVID-19 saw credit committees seek detailed 'deep dive' reviews of existing lending portfolios and tightened credit criteria for new deals as the primary measures to identify and avoid future losses. Over the course of 2020, whilst initial pessimism did not materialise into significant loan defaults and shipping lending performed relatively well, we still have not, even in early 2021, seen any significant relaxation in the credit requirements and do not expect to see much during the next 12 months.

Generally, the biggest drivers for many credit approvals now are debt service visibility and the 'green credentials' of the borrower, the project and the asset. Where once lenders could look to the vessels for ultimate recourse and security (and to help reduce capital allocation costs), now with ESG firmly on the forefront and with Basel IV getting ever closer, one could argue that taking security over the current vessel fleet is becoming more and more of a hindrance, certainly for traditional shipping banks.

Overall, 2020 was a continuance of prior years' trends, albeit at reduced overall transaction levels compared to 2019. For the most part, transactions remain private and confidential with few confirmed details being made public, but early indicators are that we move ever closer to a balanced funding market, split evenly between traditional shipping banks and ECAs, alternative direct lenders and leasing companies.

2021 has started on a positive note with a lot of asset financing activity. We see plenty of availability of senior debt facilities from the traditional shipping banks and export credit agencies for the right ‘green’ transactions sponsored by blue chip names, as long as debt service is clear. We are also seeing increased enthusiasm from pension funds and insurance companies for these same types of deals, so expect margin spreads here to remain under pressure. Outside these deals, the clear two-tier market in terms of pricing continues and this in itself is seeing increased interest from private equity and private wealth investors who are attracted by the higher yields on offer for vanilla senior debt refinancing opportunities for slightly older vessels. Structures and platforms are also being developed to allow for increased ‘tokenisation’ and ‘trading’ of loan participations which itself will open up more liquidity from this type of capital.

From our perspective, interest from our target clients, typically those in control of the cargo continues to grow for arranging and execution of bespoke structured facilities and for financial advice and validation services. The major corporates of the world seem to have largely digested the balance sheet impacts of IFRS16 and now seem more willing to consider how to put their balance sheets to work efficiently.

## Support

Revenue: £24.9m (2019: £27.7m)
Segment underlying profit: £1.7m (2019: £3.1m)

*There was a significant recovery across all areas in the second half, led by our increasingly strong position servicing the offshore renewables industry.*

### Agency

The year began very strongly with good demand for agency and shipbroking services across our grain, animal feedstuff, offshore energy and wider product customer base. However, the arrival of COVID-19 and the governmental restrictions saw certain sectors of our business go into either a short decline whilst customers adjusted to the new business environment or, as with offshore oil and gas, a much more prolonged reduction in activity levels.

The UK recorded one of its weakest wheat harvests for many years. Whilst grain exports in the first half were good, the lack of UK wheat for export in the second half meant reduced agency income. This fall in income was offset through strong barley export volumes and imported wheat volumes which grew markedly. Other bulk product volumes held up reasonably well despite some COVID-19-induced volume losses where activity levels fell for a period, particularly in the first half of the year when the UK was in a strict lockdown.

Our offshore energy business enjoyed a very strong second half of the year, representing a range of installation and cabling clients for offshore wind projects off the English and Scottish coasts. These projects continue with different phases into 2021 and our agency business is extremely well placed to meet the needs of this expanding sector with the planned wind farm developments off both the Scottish and English coasts for many years to come. Income from offshore oil and gas was much reduced with customer activity levels dropping to a minimum because of the fall in the price in oil and gas.

As we neared the end of the year, we invested heavily in our Customs Clearance capabilities to meet our customers' needs to clear all products in and out of the UK following the end of the transition period as the UK finally left the EU. 2021 onwards will see a marked increase in activity levels in this area both for all bulks leaving and arriving in the UK as well as the offshore energy sector requirements to meet the new regulations now the UK is not part of the EU.

For all vessels under our agency, from the very beginning of the COVID-19 restrictions we implemented protocols to ensure vessels and their crew members could continue to pass through ports safely and without interruption.

In Egypt, we arranged 103 vessel port calls in 2020 compared with 138 vessels in 2019. The reduced numbers were due to COVID-19 and local market conditions. By the end of 2020 we had started to provide more services to our customers. We arranged the transit of 582 vessels in 2020 compared with 589 vessels in 2019. Our liner division has achieved a 15% increase in revenues in 2020 compared with 2019. In 2021 we expect a rebound in port calls and are targeting new clients to diversify our portfolio of vessel types.

### Gibb Group

2020 has been one of the most exciting, yet challenging, years for Gibb despite having to navigate a path through continual change and new ways of working.

It was a year of transition: in March 2020 we relocated the Great Yarmouth business to a new purpose-built facility where we managed to get the move completed just ahead of lockdown.

We have gone from being Gibb Tools for more than 70 years – predominantly a tool and associated equipment supplier – to Gibb Group Ltd, a new name to coincide with the launch of Gibb Safety and Survival. The new division is true to our roots of servicing the marine and energy sector with all things safety and survival.

2021 will see more changes with the rollout of our fully digitised business operationally and a full e-commerce client experience website from the second quarter of 2021, which will offer no less than 20,000 different stock items to our clients, enabling Gibb to offer a true global reach.

In the space of two years, our business has successfully transitioned from a business which relied on oil and gas for 90% of its revenues, to one which is now 50% renewable activities and 50% oil and gas. We continue to make great progress as we actively pursue work in the renewable sector and gain the trust and custom of many tier 1 wind farm operators.

With the new Safety and Survival division, we have welcomed some of the industry's best individuals into the business to assist our plans to grow the brand. We have committed to a new recruitment process to bring apprenticeships into the business and use this model as the pathway to our future talent in the business.

The new name of Gibb Group Ltd will better reflect the business offering with both the tools and safety division placed under the Gibb Group brand. We already have plans which could lead to more divisions on our journey.

### Stevedoring

Our Ipswich-based business had a strong year investing in additional space to meet customer demand, particularly in the second half. Export volumes held up very well despite the poor UK wheat harvest and import volumes exceeded our expectations. We began a new venture in Portsmouth to meet client demand and we hope that this grows in future periods.

# Research

Revenue: £16.8m (2019: £16.8m)
Segment underlying profit: £5.6m (2019: £5.4m)

*Our Research capabilities have been in high demand this year.*

Despite the difficult trading conditions, Research revenues remained steady at £16.8m (2019: £16.8m), with profits increasing to £5.6m (2019: £5.4m). Across the challenges of 2020, Research has maintained full research output while continuing to invest in its offering, including new initiatives to profile the complex impact of COVID-19 on the shipping markets and to track trends across the accelerating green transition. Our trusted intelligence and well received new coverage strengthened, in a period of uncertainty and change, our position as global market leaders in the provision of data and intelligence around shipping, trade, offshore and energy. Research significantly expanded its support of the **Sea/** suite technology platform during 2020 while continuing its role as a core data provider to the Broking, Financial and Support teams of Clarksons. Research has also helped maintain and enhance the profile for the Clarksons Group through our provision of highly respected research to a wide client base.

Our long-term strategy to focus on data, intelligence and insights around the green transition continued across 2020. This is a hugely important area for the shipping industry and one that has, along with technology, arguably been 'amplified' as stakeholders across maritime look to embed 'green' and 'tech' initiatives into their post COVID-19 planning. The shipping industry produces 810mt of $CO_2$ each year, which represents 2.4% of global $CO_2$ emissions. There are ambitious reduction targets set by governmental bodies, such as the IMO and EU, and key industry stakeholders including financiers and cargo. Our initiatives to explain emissions regulation and policies to commercial decision makers, track technology uptake including alternative fuels, analyse the economic impact on markets, earnings and asset value and project scenarios for fleet renewal investment have been integrated into our research offering as part of our fuelling transition series and are receiving excellent client feedback. This data and intelligence is being utilised across the shipping industry, including by governments and policy makers. During 2020, we also launched an energy transition model, providing integrated long-term scenarios for the energy mix specific to the maritime 'universe' including seaborne energy trade trends and the split of energy production by onshore and offshore locations. These scenarios show exciting long-term prospects for the offshore renewables industry and we have significantly expanded our data coverage around projects, farms, turbines and the wind fleet to support our clients and the Clarksons Platou Renewables broking team.

Research collects, validates, manages, processes and analyses data around the shipping and offshore markets, helping support our clients with their strategy and general decision-making processes. Our global Research team, with a headcount of over 120 and a strong Asia Pacific presence, showed excellent flexibility during the year. Expansions to our proprietary database are increasingly supported by our data analytics team, utilising innovative techniques to produce near-term and high frequency data series. Despite some subscription deferrals, our expanded sales operation has ensured good client renewal and a flow of new business, helping annuity revenue reach over 80% of overall sales.

## Digital

Sales across our digital platform grew by 5% in 2020. Specific development plans for each of our digital products continue to be executed, to ensure that all systems remain content relevant, capture the benefits of our expanded database and utilise the latest technology including new data visualisation and customisation tools. Our investment into underlying digital architecture, including Application Programming Interface (API), is providing wide-ranging benefits. Users of our single access integrated platform have reached over 8,000.

Major digital products include:

**Shipping Intelligence Network (SIN)**
SIN is the market-leading commercial shipping database, providing wide-ranging data and analysis tracking and projecting market supply/demand, vessel earnings, vessel values and macro-economic data around trade flows and global economic developments. Our early launch of a dedicated COVID-19 market impact intelligence series provided a framework around the huge uncertainties and complexities facing the shipping industry and was very well received by our clients. This profiled huge 'swings' in trade volumes, elements of 'disruption upside', stresses in markets such as cruise and ferry and the shortening order book to historic lows. Other new content included a port call activity tracker and a monthly trade index that helped monitor trends such as the early recovery in China and rebounding container volumes in the second half of 2020. We also launched a floating storage tracker (for example, 12% of tanker fleet was utilised as storage in the second quarter) and issued regular briefings on topical issues such as the impact of Brexit on seaborne trade.

**World Fleet Register (WFR)**
There was strong sales growth of the WFR, supported by client interest around the green transition. The WFR focuses on providing intelligence around the world shipping fleet and companies, environmental regulation and policy, the tracking of new technology on-board ships including scrubbers and alternative fuels and market trends in the shipbuilding market. New time series, 'eco' profiles, emissions tracking reports and dashboards monitoring 'green' technology were added in 2020; by the end of 2020, 29% of the newbuilding order book was alternative fuelled, up from 21% a year earlier.

**World Offshore Register (WOR)**
Our comprehensive offshore register provides detailed intelligence on offshore oil and gas fields, oil company investment projects, offshore rigs and support vessels. Offshore oil and gas represent 17% of global energy supply with offshore renewables at 0.2% of the energy mix, although this could rise to 7% by the middle of the century. We made significant investments into our renewables database during 2020 and a new module is planned for launch in 2021. Clarksons Research remained the market leader in data provision to the insurance market, where our data is used as the core reference in identifying rigs and platforms.

**Offshore Intelligence Network (OIN)**
Despite significant economic stress across the oil service sector, our digital offshore-related sales remained steady. Our COVID-19 Market Impact Assessment series for the offshore market, documenting the huge swings in oil market supply and demand and the associated impacts across the offshore supply chain, was well received by clients.

**Sea/net**
Developed in conjunction with Maritech (a wholly owned subsidiary of Clarksons), our vessel movement system **Sea/net** blends satellite and land-based AIS data with our proprietary database of vessels, ports and berths. Research continues to improve the depth of our underlying movement and deployment data.

## Services

Our specialist services team focuses on developing and managing retainers that provide bespoke data, consultancy and tailored intelligence to a range of corporate clients. Good progress was made in further expanding our client base during the year, with a number of successful contracts incorporating API delivery concluded. Our long-standing 'Shipping and Shipbuilding to 2030' forum, where analysis and modelling of the market outlook, earnings projections, long-term trade development, energy transition, technology scenarios to meet reduced emissions, ship finance requirements and newbuilding demand are presented to key retainer clients, was successfully hosted as a webinar, with record attendance and excellent feedback received. Our 'Offshore and Energy to 2030' forum was also held virtually and included the launch of a detailed report around the rapidly growing offshore renewables market. Our bespoke services typically become embedded within our clients' workflows, supporting good client retention. Important client groups include banks, leasing companies, shipyards, fabricators, engineering companies, insurers, governments, asset owners and other corporates.

Clarksons Valuations is the largest provider of valuation services to the shipowning and financial community and is recognised as the leading provider of authoritative valuations to the industry, combining leading broker expertise, research and technology. Reflecting the softer transactional environment of 2020, and long-term changing financial landscape, there was a small reduction in valuation volumes for the team. Clarksons Valuations maintained good relationships with all major ship finance banks, leasing companies and asset owners during 2020, providing regular updates on the impact of COVID-19 on asset values and transaction volumes. Previous investments into the team's operating platform, and in digitalising workflows, proved highly effective during periods of remote working.

## Reports

Benefiting from over 50 years of heritage, our comprehensive market intelligence report series, including flagships such as Shipping Intelligence Weekly, continues to generate important provenance and profile. Although some of these reports can be accessed individually in digital format, they are largely accessed via our web offerings and we plan to accelerate this consolidation in 2021.

## Risk management

Full details of our principal risks and how we manage them are included in the risk management section of the 2020 annual report, together with our viability and going concern statements.

Our principal risks are:

- Loss of key personnel – Board members
- Economic factors
- Cyber risk and data security
- Loss of key personnel – normal course of business
- Adverse movements in foreign exchange
- Financial loss arising from failure of a client to meet its obligations
- Breaches in rules and regulations
- Changes in the broking industry

## 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 2020. 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and loss 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 responsibilities statement was approved by the Board of Directors on 5 March 2021 and is signed on its behalf by:

**Sir Bill Thomas**
Chair
5 March 2021

## Consolidated income statement
for the year ended 31 December

| | 2020 | | | | 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Before exceptional items and acquisition related costs £m | Exceptional items £m | Acquisition related costs £m | After exceptional items and acquisition related costs £m | Before exceptional items and acquisition related costs £m | Exceptional items £m | Acquisition related costs £m | After exceptional items and acquisition related costs £m |
| **Revenue** | 358.2 | – | – | 358.2 | 363.0 | – | – | 363.0 |
| Cost of sales | (13.3) | – | – | (13.3) | (14.3) | – | – | (14.3) |
| **Trading profit** | 344.9 | – | – | 344.9 | 348.7 | – | – | 348.7 |
| Administrative expenses | (298.5) | (60.6) | (0.5) | (359.6) | (298.2) | (47.5) | (1.6) | (347.3) |
| **Operating profit/(loss)** | 46.4 | (60.6) | (0.5) | (14.7) | 50.5 | (47.5) | (1.6) | 1.4 |
| Finance revenue | 1.2 | – | – | 1.2 | 1.3 | – | – | 1.3 |
| Finance costs | (3.1) | – | – | (3.1) | (2.9) | – | – | (2.9) |
| Other finance revenue – pensions | 0.2 | – | – | 0.2 | 0.4 | – | – | 0.4 |
| **Profit/(loss) before taxation** | 44.7 | (60.6) | (0.5) | (16.4) | 49.3 | (47.5) | (1.6) | 0.2 |
| Taxation | (9.5) | – | 0.1 | (9.4) | (11.4) | – | 0.3 | (11.1) |
| **Profit/(loss) for the year** | 35.2 | (60.6) | (0.4) | (25.8) | 37.9 | (47.5) | (1.3) | (10.9) |
| | | | | | | | | |
| **Attributable to:** | | | | | | | | |
| Equity holders of the Parent Company | 32.1 | (60.6) | (0.4) | (28.9) | 36.0 | (47.5) | (1.3) | (12.8) |
| Non-controlling interests | 3.1 | – | – | 3.1 | 1.9 | – | – | 1.9 |
| **Profit/(loss) for the year** | 35.2 | (60.6) | (0.4) | (25.8) | 37.9 | (47.5) | (1.3) | (10.9) |
| | | | | | | | | |
| **Earnings/(loss) per share** | | | | | | | | |
| Basic | 106.0p | | | (95.2p) | 118.8p | | | (42.4p) |
| Diluted | 105.8p | | | (95.2p) | 118.6p | | | (42.4p) |

## Consolidated statement of comprehensive income
for the year ended 31 December

| | 2020 £m | 2019 £m |
|---|---|---|
| Loss for the year | (25.8) | (10.9) |
| Other comprehensive loss: | | |
| *Items that will not be reclassified to profit or loss:* | | |
| Actuarial gain/(loss) on employee benefit schemes – net of tax | 1.0 | (3.1) |
| Changes in the fair value of equity instruments at fair value through other comprehensive income – net of tax | (2.1) | – |
| *Items that may be reclassified subsequently to profit or loss:* | | |
| Foreign exchange differences on retranslation of foreign operations | (2.9) | (16.4) |
| Foreign currency hedges recycled to profit or loss – net of tax | 1.5 | 0.7 |
| Foreign currency hedge revaluations – net of tax | 1.6 | 0.9 |
| Other comprehensive loss | (0.9) | (17.9) |
| **Total comprehensive loss for the year** | (26.7) | (28.8) |
| | | |
| **Attributable to:** | | |
| Equity holders of the Parent Company | (29.8) | (30.5) |
| Non-controlling interests | 3.1 | 1.7 |
| **Total comprehensive loss for the year** | (26.7) | (28.8) |

## Consolidated balance sheet
as at 31 December

| | 2020<br>£m | 2019<br>£m |
|---|---|---|
| **Non-current assets** | | |
| Property, plant and equipment | **24.3** | 25.6 |
| Investment properties | **1.2** | 1.2 |
| Right-of-use assets | **47.0** | 53.4 |
| Intangible assets | **182.9** | 238.2 |
| Trade and other receivables | **3.1** | 2.1 |
| Investments | **2.9** | 4.8 |
| Employee benefits | **18.1** | 15.5 |
| Deferred tax assets | **10.6** | 9.1 |
| | **290.1** | 349.9 |
| **Current assets** | | |
| Inventories | **1.3** | 1.1 |
| Trade and other receivables | **76.6** | 77.0 |
| Income tax receivable | **0.2** | 0.1 |
| Investments | **31.1** | 15.6 |
| Cash and cash equivalents | **173.4** | 175.7 |
| | **282.6** | 269.5 |
| **Current liabilities** | | |
| Interest-bearing loans and borrowings | **–** | (1.2) |
| Trade and other payables | **(160.6)** | (151.3) |
| Lease liabilities | **(8.4)** | (8.7) |
| Income tax payable | **(7.9)** | (9.1) |
| Provisions | **(0.5)** | (0.3) |
| | **(177.4)** | (170.6) |
| **Net current assets** | **105.2** | 98.9 |
| **Non-current liabilities** | | |
| Interest-bearing loans and borrowings | **(0.1)** | (0.1) |
| Trade and other payables | **(2.7)** | (2.4) |
| Lease liabilities | **(47.7)** | (53.7) |
| Provisions | **(1.5)** | (1.5) |
| Employee benefits | **(6.1)** | (4.5) |
| Deferred tax liabilities | **(8.8)** | (6.0) |
| | **(66.9)** | (68.2) |
| **Net assets** | **328.4** | 380.6 |
| **Capital and reserves** | | |
| Share capital | **7.6** | 7.6 |
| Other reserves | **104.6** | 158.4 |
| Retained earnings | **211.9** | 211.5 |
| **Equity attributable to shareholders of the Parent Company** | **324.1** | 377.5 |
| Non-controlling interests | **4.3** | 3.1 |
| **Total equity** | **328.4** | 380.6 |

## 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 2020** | **7.6** | **158.4** | **211.5** | **377.5** | **3.1** | **380.6** |
| (Loss)/profit for the year | **–** | **–** | **(28.9)** | **(28.9)** | **3.1** | **(25.8)** |
| Other comprehensive income/(loss) | **–** | **0.2** | **(1.1)** | **(0.9)** | **–** | **(0.9)** |
| **Total comprehensive income/(loss) for the year** | **–** | **0.2** | **(30.0)** | **(29.8)** | **3.1** | **(26.7)** |
| Transfer from merger reserve | **–** | **(54.7)** | **54.7** | **–** | **–** | **–** |
| Transactions with owners: | | | | | | |
| Share issues | **–** | **0.6** | **–** | **0.6** | **–** | **0.6** |
| Employee share schemes | **–** | **0.1** | **(0.5)** | **(0.4)** | **–** | **(0.4)** |
| Tax on other employee benefits | **–** | **–** | **(0.2)** | **(0.2)** | **–** | **(0.2)** |
| Tax on other items in equity | **–** | **–** | **0.1** | **0.1** | **–** | **0.1** |
| Dividend paid | **–** | **–** | **(23.7)** | **(23.7)** | **(1.8)** | **(25.5)** |
| Contributions to non-controlling interests | **–** | **–** | **–** | **–** | **(0.1)** | **(0.1)** |
| **Total transactions with owners** | **–** | **0.7** | **(24.3)** | **(23.6)** | **(1.9)** | **(25.5)** |
| **Balance at 31 December 2020** | **7.6** | **104.6** | **211.9** | **324.1** | **4.3** | **328.4** |

| | 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 2019 | 7.6 | 237.1 | 185.9 | 430.6 | 4.0 | 434.6 |
| Impact of change in accounting policies | – | – | (3.9) | (3.9) | – | (3.9) |
| Adjusted balance at 1 January 2019 | 7.6 | 273.1 | 182.0 | 426.7 | 4.0 | 430.7 |
| (Loss)/profit for the year | – | – | (12.8) | (12.8) | 1.9 | (10.9) |
| Other comprehensive loss | – | (14.6) | (3.1) | (17.7) | (0.2) | (17.9) |
| Total comprehensive (loss)/income for the year | – | (14.6) | (15.9) | (30.5) | 1.7 | (28.8) |
| Transfer from merger reserve | – | (67.1) | 67.1 | – | – | – |
| Transactions with owners: | | | | | | |
| Share issues | – | 0.8 | – | 0.8 | – | 0.8 |
| Employee share schemes | – | 2.2 | 0.3 | 2.5 | – | 2.5 |
| Tax on other employee benefits | – | – | 0.8 | 0.8 | – | 0.8 |
| Tax on other items in equity | – | – | 0.2 | 0.2 | – | 0.2 |
| Dividend paid | – | – | (23.0) | (23.0) | (2.7) | (25.7) |
| Contributions from non-controlling interests | – | – | – | – | 0.1 | 0.1 |
| Total transactions with owners | – | 3.0 | (21.7) | (18.7) | (2.6) | (21.3) |
| Balance at 31 December 2019 | 7.6 | 158.4 | 211.5 | 377.5 | 3.1 | 380.6 |

## Consolidated cash flow statement

for the year ended 31 December

| | 2020 £m | 2019 £m |
|---|---|---|
| **Cash flows from operating activities** | | |
| (Loss)/profit before taxation | (16.4) | 0.2 |
| Adjustments for: | | |
| Foreign exchange differences | 2.8 | 0.4 |
| Depreciation | 13.7 | 13.3 |
| Share-based payment expense | 1.4 | 1.1 |
| Loss on sale of investments | 0.1 | – |
| Amortisation of intangibles | 0.8 | 1.4 |
| Impairment of intangibles | 60.6 | 47.5 |
| Difference between pension contributions paid and amount recognised in the income statement | 0.3 | (0.2) |
| Finance revenue | (1.2) | (1.3) |
| Finance costs | 3.1 | 2.9 |
| Other finance revenue – pensions | (0.2) | (0.4) |
| Increase in inventories | (0.2) | (0.3) |
| Decrease/(increase) in trade and other receivables | 0.3 | (2.9) |
| Increase in bonus accrual | 7.9 | 7.1 |
| Increase in trade and other payables | 3.4 | 8.0 |
| Increase in provisions | 0.2 | 0.2 |
| **Cash generated from operations** | 76.6 | 77.0 |
| Income tax paid | (10.7) | (9.2) |
| **Net cash flow from operating activities** | 65.9 | 67.8 |
| | | |
| **Cash flows from investing activities** | | |
| Interest received | 0.5 | 1.2 |
| Purchase of property, plant and equipment | (3.5) | (3.9) |
| Purchase of intangible assets | (6.3) | (5.0) |
| Proceeds from sale of investments | 8.7 | 10.9 |
| Proceeds from sale of property, plant and equipment | 0.4 | 0.1 |
| Purchase of investments | (7.9) | (11.8) |
| Transfer to current investments (cash on deposit) | (20.3) | – |
| Proceeds from sale of investments in associates | 0.5 | – |
| Acquisition of subsidiaries, including deferred consideration | (1.1) | – |
| Cash acquired on acquisitions | 0.7 | – |
| Dividends received from investments | 0.2 | 0.1 |
| **Net cash flow from investing activities** | (28.1) | (8.4) |
| | | |
| **Cash flows from financing activities** | | |
| Interest paid and other charges | (2.7) | (2.8) |
| Dividend paid | (23.7) | (23.0) |
| Dividend paid to non-controlling interests | (1.8) | (2.7) |
| Proceeds from borrowings | – | 1.2 |
| Repayments of borrowings | (1.2) | – |
| Payments of lease liabilities | (8.9) | (8.6) |
| Proceeds from shares issued | 0.6 | 0.8 |
| Contributions (to)/from non-controlling interests | (0.1) | 0.1 |
| ESOP shares acquired | (0.1) | – |
| **Net cash flow from financing activities** | (37.9) | (35.0) |
| | | |
| **Net (decrease)/increase in cash and cash equivalents** | (0.1) | 24.4 |
| Cash and cash equivalents at 1 January | 175.7 | 156.5 |
| Net foreign exchange differences | (2.2) | (5.2) |
| **Cash and cash equivalents at 31 December** | 173.4 | 175.7 |

# Notes to the preliminary financial statements

## 1 Corporate information

The preliminary financial statements of Clarkson PLC for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Directors on 5 March 2021. Clarkson PLC is a public limited company, listed on the London Stock Exchange, incorporated and registered in England and Wales and domiciled in the UK.

The preliminary financial information (financial information) set out in this announcement does not constitute the consolidated statutory financial statements for the years ended 31 December 2019 and 2020, but is derived from those financial statements. Statutory financial statements for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. External Auditors have reported on the financial statements for 2019 and 2020; 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 Statement of accounting policies

### 2.1 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 accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS') and the applicable legal requirements of the Companies Act 2006. The consolidated financial statements also comply with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Group has considerable financial resources available to it, a strong balance sheet and has consistently generated an underlying operating profit and good cash inflow. As a result of this, the Directors believe that the Group is well placed to manage its business risks successfully, despite the challenging market backdrop created by COVID-19. Management has stress tested a range of scenarios, modelling different assumptions with respect to the Group's cash resources. Areas considered include varying levels of profit and cash generation to reflect a significant impact on world seaborne trade similar to that experienced in the global financial crisis in 2008 and the period thereafter. Under all these scenarios, the Group is able to generate profits and cash, and has positive net funds available to it. Accordingly, the Directors have a reasonable expectation that the Group has sufficient resources to continue in operation for at least the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The consolidated income statement is shown in columnar format to assist with understanding the Group's results by presenting profit for the year before exceptional items and acquisition related costs; this is referred to as 'underlying profit'. When there are items which are non-recurring in nature and considered to be material in size, these are shown as 'exceptional items'. The column 'acquisition related costs' includes the amortisation of acquired intangible assets and the expensing of the cash and share-based elements of consideration linked to ongoing employment obligations on acquisitions.

### 2.2 Accounting policies

The financial information is in accordance with the accounting policies set out in the 2020 financial statements and have been prepared on a going concern basis.

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

As at the date of authorisation of these preliminary financial statements, a number of amendments to standards and interpretations were in issue but not yet effective. The Group has not applied these standards and interpretations in the preparation of these financial statements and does not expect these to have a material impact on the Group.

### 2.3 Accounting judgements and estimates

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

### 2.4 Forward-looking statements

Certain statements in this announcement are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

## 3 Segmental information

| Business segments | Revenue 2020 £m | Revenue 2019 £m | Results 2020 £m | Results 2019 £m |
|---|---|---|---|---|
| Broking | **282.6** | 283.0 | **55.4** | 55.5 |
| Financial | **33.9** | 35.5 | **2.5** | 3.3 |
| Support | **24.9** | 27.7 | **1.7** | 3.1 |
| Research | **16.8** | 16.8 | **5.6** | 5.4 |
| **Segment revenue / underlying profit** | **358.2** | 363.0 | **65.2** | 67.3 |
| Head office costs | | | **(18.8)** | (16.8) |
| Operating profit before exceptional items and acquisition related costs | | | **46.4** | 50.5 |
| Exceptional items | | | **(60.6)** | (47.5) |
| Acquisition related costs | | | **(0.5)** | (1.6) |
| Operating (loss)/profit after exceptional items and acquisition related costs | | | **(14.7)** | 1.4 |
| Finance revenue | | | **1.2** | 1.3 |
| Finance costs | | | **(3.1)** | (2.9) |
| Other finance revenue – pensions | | | **0.2** | 0.4 |
| (Loss)/profit before taxation | | | **(16.4)** | 0.2 |
| Taxation | | | **(9.4)** | (11.1) |
| **Loss for the year** | | | **(25.8)** | (10.9) |

## 4 Exceptional items

As a result of the impairment testing of goodwill, an impairment charge was recognised of £60.6m (2019: £47.5m).

## 5 Acquisition related costs

Included in acquisition related costs is £0.3m (2019: £nil) relating to amortisation of intangibles acquired as part of the Martankers acquisition and cash charges of £0.2m (2019: £nil) relating to that acquisition. The cash charges are contingent on employees remaining in service and are therefore spread over the service period.

Also included is £nil (2019: £1.0m) relating to amortisation of intangibles and £0.1m (2019: £0.6m) of cash and share-based payment charges in relation to previous acquisitions.

## 6 Taxation

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

| | 2020 £m | 2019 £m |
|---|---|---|
| (Loss)/profit at UK average standard rate of corporation tax of 19% (2019: 19%) | **(3.1)** | - |
| Impairment charge not deductible for tax purposes | **11.5** | 9.0 |
| Expenses not deductible for tax purposes | **1.7** | 1.8 |
| Tax losses not recognised | **0.9** | 0.8 |
| Other | **(1.6)** | (0.5) |
| Total tax charge in the income statement | **9.4** | 11.1 |

## 7 Earnings/(loss) per share

Basic earnings per share amounts are calculated by dividing profit/(loss) 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/(loss) 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/(loss) per share computations:

| | 2020 £m | 2019 £m |
|---|---|---|
| Underlying profit for the year attributable to ordinary equity holders of the Parent Company | 32.1 | 36.0 |
| Reported loss for the year attributable to ordinary equity holders of the Parent Company | (28.9) | (12.8) |

| | 2020 Million | 2019 Million |
|---|---|---|
| Weighted average number of ordinary shares - basic | 30.3 | 30.3 |
| Weighted average number of ordinary shares - diluted | 30.4 | 30.3 |

## 8 Dividends

The Board is recommending a final dividend of 54p (2019: 53p), giving a total dividend of 79p (2019: 78p). This final dividend will be payable on 28 May 2021 to shareholders on the register at the close of business on 14 May 2021, subject to shareholder approval.

## 9 Intangible assets

Additions of £7.5m in the year relate to £6.3m of development costs and £1.2m arising on acquisitions. 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 a decrease of £1.2m in the carrying value of goodwill and £0.2m in the carrying value of other intangible assets in the year.

Recognising the continued challenging trading conditions in the offshore broking and securities markets, the directors have revised the estimate of future cash flows expected from these cash-generating units. Following these revisions, an impairment loss of £60.6m (2019: £47.5m) has been recognised as an exceptional item.

## 10 Investments

Included within current investments are deposits totalling £22.8m (2019: £2.5m) with maturity periods greater than three months. Also included is £8.3m (2019: £13.1m) relating to the convertible bonds business within the Financial segment. In order to hedge against price movements of the equity portion of these investments, the Group has short-sold related equity securities. The £2.8m balance as at 31 December 2020 (31 December 2019: £6.5m) is shown under trade and other payables.

## 11 Cash and cash equivalents

| | 2020 £m | 2019 £m |
|---|---|---|
| Cash at bank and in hand | 172.4 | 173.4 |
| Short-term deposits | 1.0 | 2.3 |
| | 173.4 | 175.7 |

## 12 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 2020, the combined schemes had a surplus of £12.0m (2019: £11.0m). This was after an asset ceiling adjustment of £3.9m (2019: £3.8m) in relation to the Plowrights scheme. As there is no right of set-off between the schemes, the benefit asset of £18.1m (2019: £15.5m) is disclosed separately on the balance sheet from the benefit liability of £6.1m (2019: £4.5m). The Group has recognised a deferred tax asset on the benefit liability amounting to £1.2m (2019: £0.7m) and a deferred tax liability on the benefit asset of £3.4m (2019: £2.6m). The market value of the assets was £204.5m (2019: £194.7m) and independent actuaries have assessed the present value of funded obligations at £188.6m (2019: £179.9m).

### 13 Share capital

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **Million** | **£m** | Million | £m |
| Ordinary shares of 25p each, issued and fully paid | **30.4** | **7.6** | 30.4 | 7.6 |

### 14 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.

### 15 Related party disclosures

The Group's significant related parties are disclosed in the 2019 annual report. There were no material differences in related parties or related party transactions in the year ended 31 December 2020, except for Jeff Woyda's appointment to the Board of Trustees of The Clarkson Foundation and the appointment of Sue Harris as a Non-Executive Director of Schroder & Co. Limited and Chair of the Audit and Risk Committee of the Wealth and Management Division, who are investment managers of the defined benefit section of the Clarkson PLC pension scheme.