Annual Report 2016 | Clarksons Platou Securities Group

This Annual Report 2016 for the Clarksons Platou Securities Group is a translation of the Norwegian Annual Report for 2016. In case of discrepancy between the Norwegian language original text and this English language translation, the Norwegian text shall prevail.

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Directors' Report

General information about the company's business

Clarksons Platou Securities AS (the "Company") offers services within investment banking, brokerage of equities and fixed income and research within the Clarkson's group's core segments shipping, offshore and oil & gas, in addition to metals & mining. The Company's head office is in Oslo and it has a wholly owned subsidiary in New York; Clarksons Platou Securities, Inc. (The Company and Clarksons Platou Securities, Inc. are jointly referred to as the "Group".)

The Company is licensed by the Financial Supervisory Authority of Norway (Finanstilsynet). Clarksons Platou Securities, Inc. is licensed by the Financial Industry Regulatory Authority (FINRA) in the United States.

The year 2016

2016 started as 2015 left off, with a continuing downward spiral in the stock markets fueled by concerns of China's slowing economy and the falling oil prices. The surprising result of the UK vote to leave the EU and the presidential election in USA were initially deemed negative for the stock markets, but during the year the optimism and risk appetite increased within the Group's core segments. In 2016, the Company also focused on establishing the Group's activities within metals & mining, which gave several engagements within both equities and debt.

The Group completed a number of M&A and capital market transactions in 2016. The activity increased during the fourth quarter when the risk appetite returned. The Group advised in 14 equity transactions with an aggregate value of USD 1.5 billion for inter alia Scorpio Bulkers, Golar LNG, Maritime & Merchant Bank, Songa Bulk and Standard Drilling. In addition, the Group acted as manager in three debt transactions with a total of USD 900 million for Ship Finance, Rowan and Aegean Marine Petroleum. The Group completed in addition 14 M&A assignments and restructuring engagements. The high activity from the fourth quarter has continued into the first quarter of 2017.

The activities within secondary trading has also been satisfactory with increased activity in USA and continued high activity in the bond market.

The research department focuses on the Group's core segments within shipping, offshore, oil and gas and metals & mining and covers a total of 115 Norwegian and international companies. The Group has a total of 12 research products within equities and three within credit research.

The Group has during 2016 closed down its Houston office and moved to new and bigger offices in New York.

Result for 2016

The profit and loss account

Consolidated revenues for 2016 were NOK 290.9 million, an increase of 36% from NOK 214.3 million in 2015. Consolidated operating expenses were NOK 285.3 million, compared to NOK 231.8 million in 2015. Operating result for the income year 2016 was NOK 5.6 million, compared to NOK – 17.4 million in 2015.

The Company's revenues were NOK 228.3 million, an increase of 31% from NOK 174.7 million in 2015. Operating expenses were NOK 196.8 million, compared to NOK 179.5 million in 2015. The operating result was NOK 31.5 million, compared to NOK – 4.8 million in 2015.

The balance sheet

The Group's equity was NOK 155.5 million as of 31 December 2016, compared to NOK 140.3 million by the end of 2015. The Company's equity was NOK 173.4 million as of 31 December 2016, compared to

NOK 130.8 million by the end of 2015. The Company has during the year completed a capital increase of NOK 20 million. The Company has not allocated dividends for 2016.

Cash flow

The Group's net cash flow from operations was in 2016 NOK -11.0 million compared to NOK 102.9 million for 2015. The Company's net cash flow from operations was NOK 9.9 million for 2016, compared to NOK -102.1 million for 2015. The difference is mainly due to change in result and short term debt.

The Group's net cash flow from investing activities was in 2016 NOK 16.8 million, compared to NOK 77.2 million for 2015. The Company's net cash flow from investing activities was in 2016 NOK -61.6 million, compared to NOK 62.0 million for 2015. The change is mainly related to maturity of Norwegian government bonds bought in 2015, capital increase in Clarksons Platou Securities, Inc and repayment of loan from the parent company Clarksons Platou AS.

The Group's net cash flow from financing activities was in 2016 NOK 60.4 million compared to NOK 70.2 million in 2015. The Company's net cash flow from financing activities was NOK 19.6 million, compared to NOK -70.1 million for 2015. Clarksons Platou Securities, Inc received a subordinated loan from Clarkson PLC of USD 5.0 million for strengthening of its capital base to be able to act as manager in larger transactions.

The Group's net cash flow for 2016 was NOK 66.2 million, compared to NOK -95.9 million for 2015. The Group had cash and cash equivalents of NOK 274.2 million as of 31 December 2016, compared to NOK 208.0 million as of 1 January 2016. The Company's net cash flow for the year was NOK -32.1 million, compared to NOK -110.2 million for 2015. The Company had cash and cash equivalents of NOK 120.4 million as of 31 December 2016 compared to NOK 152.5 million as of 1 January 2016.

In addition, the Company has a credit facility with DNB Bank ASA of a total of NOK 100 million.

The Company considers the liquidity as good.

Risks

The Company is exposed to settlement risk, liquidity risk, operational risk and market risk in its ordinary business.

Settlement risk

The Company is not licensed to provide credit to clients and does not offer forwards or other products with credit element. Settlement risk is limited to payment for ordinary trading in financial instruments and payment for investment banking assignments. The Company has reduced this risk as much as possible by establishing policies and procedures for debt collection and forced sale through daily reporting of clients in default. In addition, the Company's client base mainly consists of institutional clients trading DVP through banks where the settlement risk is very low. No material events related to the Group's settlement risk has occurred during 2016.

Currency risk

The Company is exposed to currency risk when revenues and costs are denominated in other currencies than NOK. In 2016 a substantial part the Company's revenues were in USD, mainly related to larger investment banking assignments. The Company assesses hedging of the currency risk on a case by case basis.

Liquidity risk

Liquidity risk may arise where the Company is not able to pay its obligations on the respective due dates. This risk may arise since fees and payments from investment banking assignments fluctuate from month to month. The Company's liquidity is reported to the Company's management on a daily basis. The Group has during 2016 has good liquidity.

Operational risk

The Company seeks to limit its operational risk through clearly defined responsibilities and tasks between its employees and management. The Company's largest operational risk is potential breach of relevant laws and regulations which may jeopardize its licenses and risk of claims for damages from clients. In addition, operational risk also relates to human error and the Company seeks to establish automated systems and controls and monitoring from another person than the one executing the transaction, to reduce the risk of human error. Compliance monitors and tests employees to ensure compliance with relevant laws, regulations and policies. It is during 2016 not revealed any material breach of relevant laws and regulations for the Company's business.

The Company received in March 2016 final report from the inspection by the Norwegian FSA completed in November 2015. The FSA has in its report comments to certain issues which have been corrected asccordingly during 2016. The Company's internal auditor EY reviewed during 2016 the Company's internal control, investment banking activities and settlement function and had only minor comments which will be corrected.

No material disruptions related to the Group's IT-systems has occurred during 2016.

Market risk

In addition to the Company's own effort, revenues depend to a large extent on the activities in the financial markets. The Group focuses to maintain a low cost base in order to avoid losses during downturns in the market. Market conditions are monitored on a continuous basis.

The Company is licensed to perform proprietary trading, but this activity has been closed down. The Company is exposed to market risk in relation to own financial instruments. Excess liquidity is deposited with large Norwegian banks and in Norwegian government bonds. The direct market risk is therefore limited.

Organization and Human Resources

As of 31 December 2016, the Group had 79 full time employees, of which 61 are based in Oslo and 18 in New York, compared to 80 employees per 31 December 2015 of which 59 were based in Oslo and 21 in New York and Houston.

Of the 79 employees, 8 are women, representing approximately 10%. Women and men are compensated equally for the same position. The Company has one woman in the executive management. There are no women in Clarksons Platou Securities Inc's management, but there is one woman on its Board of Directors. The Company focuses on gender equality and works towards improving the balance between the genders.

The object of the Discrimination Act is to promote gender equality, secure equal opportunities and prevent discrimination based on ethnicity, national origin, descent, skin color, language, religion and spirituality. The Company is actively working to achieve the objectives of the regulations within the organization and has a goal to be a workplace with no discrimination on the basis of disability. The Group is working to facilitate the physical conditions so that its different functions may be used by as many persons as possible.

Health, environment and safety (HES)

The working environment in the Group is considered to be good and the Board has not deemed it necessary to implement any special measures. It is established a joint Working Environment Committee for the Company and the other Norwegian companies within the Clarksons Platou group with representatives from the executive management and employees from the different departments. The

Committee handles matters relating to the employee's safety, health and welfare in addition to participating in the planning of the Company's health and safety procedures.

Absence due to illness for the Company's employees was 1.7 % in 2016 compared to 2.0 % in 2015.

During 2016, there were no reports of personal injuries or damages to the Group's assets. The Group's operations have no direct effect on the external environment.

Shareholder matters

As of 31 December 2016, the Company had a total of 7 700 000 shares outstanding each with a nominal value of NOK 7.50. The Company is a wholly owned subsidiary of Clarksons Platou AS, which is wholly owned by Clarkson PLC.

Outlook for 2017

The Group has completed several high profile equity and debt transactions so far during 2017, including the Group's first IPO within metals & mining. If the market conditions remain stable, the Group's portfolio of assignments looks promising.

Going concern

The Board of Directors is of the opinion that the annual accounts give adequate description of the Company's and Group's financial position. No circumstances or situations have incurred after the balance date that may materially influence the annual accounts. The Board of Directors has therefore based the annual accounts on the assumption of going concern.

The Board of Directors is proposing the following allocation of the annual result:

	2016	**2016**
Allocated to dividends	-	-
Transferred to/from other equity	22 523	-5 554
Total allocations	22 523	-5 554

Oslo, 15 March 2017

Jørgen Lund
Chairman

Birger Nergaard

Erlend Bondø

Ragnar Horn

Erik Helberg
Chief Executive Officer

Financial Statements for 2016

All figures are in NOK 1,000.

Profit and loss account

		Company		Group	
	Note	**2016**	**2015**	**2016**	**2015**
Operating income and operating expenses					
Operating income	**2**	**228 318**	**174 688**	**290 882**	**214 341**
Personnel expenses	3	126 927	110 361	177 256	133 880
Other operating expenses	4	69 234	66 609	106 731	94 853
Bad debt provision	6	-654	101	-654	180
Depreciation	5	1 262	2 441	1 979	2 848
Total operating expenses		**196 770**	**179 513**	**285 313**	**231 760**
Operating result		**31 549**	**-4 825**	**5 569**	**-17 419**
Financial income and financial expenses					
Financial income		7 099	13 769	7 175	13 838
Financial expenses		7 455	13 831	8 325	14 008
Total financial items		**-356**	**-62**	**-1 151**	**-171**
Result before tax		**31 193**	**-4 887**	**4 418**	**-17 590**
Tax expense	7	8 669	666	8 588	-82
Annual result		**22 523**	**-5 554**	**-4 169**	**-17 508**
Allocation of annual profit:					
Allocated to dividends		-	-		
Transferred to/from other equity	8	22 523	-5 554		
Total allocations		**22 523**	**-5 554**		

Balance sheet

Assets

		Company		Group	
	Note	31.12.16	31.12.15	31.12.16	31.12.15
Non-current assets					
Intangible assets					
Deferred tax asset	7	781	7 080	781	7 080
Total intangible assets		**781**	**7 080**	**781**	**7 080**
Tangible fixed assets					
Operating equipment, fixtures and fittings etc.	5	3 900	3 010	10 798	3 807
Total tangible fixed assets		**3 900**	**3 010**	**10 798**	**3 807**
Investments and long term receivables					
Investments in subsidiaries	17	122 605	37 111	-	-
Total investments		**122 605**	**37 111**	**-**	**-**
Total fixed assets		**127 286**	**47 202**	**11 578**	**10 888**
Current assets					
Receivables					
Receivables from customers	6	58 867	69 191	58 867	69 191
Receivables from securities firms		31 824	69 298	31 824	69 298
Receivables from group companies	9	8 031	26 662	555	32 425
Other receivables		18 306	11 056	33 162	15 259
Total receivables		**117 028**	**176 206**	**124 408**	**186 173**
Investments					
Market based financial instruments	10	652	845	652	845
Total investments		**652**	**845**	**652**	**845**
Cash and cash equivalents					
Bank deposits	11, 12	120 424	152 523	274 192	207 969
Total cash and cash equivalents		**120 424**	**152 523**	**274 192**	**207 969**
Total current assets		**238 104**	**329 575**	**399 252**	**394 987**
Total assets		**365 390**	**376 777**	**410 830**	**405 875**

Equity and liabilities

	Note	Company 31.12.16	Company 31.12.15	Group 31.12.16	Group 31.12.15
Equity					
Paid in capital					
Share capital		57 750	57 000	57 750	57 000
Share premium		70 598	51 348	70 598	51 348
Other paid-in capital		18 783	18 783	18 783	18 783
Total paid-in capital		**147 130**	**127 130**	**147 130**	**127 130**
Retained earnings					
Other equity		26 235	3 712	8 382	12 899
Total retained earnings		**26 235**	**3 712**	**8 382**	**12 899**
Total equity	8	**173 365**	**130 842**	**155 512**	**140 030**
Liabilities					
Short term liabilities					
Debt to securities firms		25 935	60 483	25 935	60 483
Debt to customers		82 185	101 196	82 280	101 176
Debt to group companies	9	12 347	3 698	55 479	3 009
Dividends		-	-	-	-
Accounts payable		8 059	3 510	9 016	6 225
Tax payable	7	2 369	4 069	2 369	4 069
Unpaid public duties		10 666	7 347	10 666	7 347
Other short term debt		50 463	65 631	69 573	83 537
Total liabilities		**192 025**	**245 934**	**255 318**	**265 845**
Total equity and liabilities		**365 390**	**376 777**	**410 830**	**405 875**

Oslo, 15 March 2017

Jørgen Lund
Chairman

Birger Nergaard

Erlend Bondø

Ragnar Horn

Erik Helberg
Chief Executive Officer

Cash flow statement

	Note	Company 2016	Company 2015	Group 2016	Group 2015
Cash flow from operational activities					
Profit before tax		31 193	-4 887	4 418	-17 590
Tax paid		-4 069	-50 450	-4 069	-50 450
Depreciation and amortization	5	1 262	2 441	1 979	2 848
Changes in accounts receivables and payables		68	32 057	13 945	26 763
Net financial items		356	62	1 151	171
Other changes		-18 906	-81 301	-28 397	-64 680
Net cash flow from operational activities		**9 903**	**-102 078**	**-10 974**	**-102 939**
Cash flow from investing activities					
Purchase of fixed assets	5	-2 152	-1 536	-9 192	-1 699
Dividends received		-	-	-	-
Investments	17,18	-85 494	-29 480	-	-14 138
Repayment of loan to parent	18	26 000	-	26 000	-
Proceeds from sale of investments		-	93 002	-	93 002
Net cash flow from investing activities		**-61 646**	**61 986**	**16 808**	**77 165**
Cash flow from financing activities					
Dividends paid		-	-70 000	-	-70 000
Issuance of share capital	8	20 000	-	20 000	-
Issuance of subordinated loan	18	-	-	41 540	-
Net financial items		-356	-62	-1 151	-171
Net cash flow from financing activities		**19 644**	**-70 062**	**60 389**	**-70 171**
Net cash flow for the year		**-32 099**	**-110 156**	**66 223**	**-95 944**
Cash and cash equivalents 01.01.		152 523	262 676	207 969	303 913
Cash and cash equivalents at 31.12.	11, 12	**120 424**	**152 523**	**274 192**	**207 969**

Notes to the accounts

Note 1 – Accounting principles

The accounts are prepared in accordance with the Norwegian Accounting Act with corresponding regulations relating to annual reports etc. for investment firms and generally accepted accounting principles.

Foreign currency

Transactions in foreign currencies are converted into Norwegian kroner at the time of the transaction. Monetary assets and liabilities in foreign currencies are converted into Norwegian kroner at the exchange rate on 31 December. Non-monetary items that are measured at historic currency rates are converted to Norwegian kroner by using the exchange rate at the time of the transaction. Non-monetary items that are measured at fair values in foreign currencies are converted into Norwegian kroner the exchange rate at the date of the valuation. Changes in foreign currencies are recorded in the profit and loss account throughout the accounting period under "Financial income and expenses".

Consolidated accounts

Shares in subsidiaries are valued in accordance with the cost method in the Company's accounts. Transactions and inter-company balances between companies in the Group are eliminated. The consolidated accounts are prepared in accordance with uniform principles and the subsidiaries follow the same accounting policies as the parent company. Assets and liabilities are converted at the exchange rate prevailing on the balance sheet date. Revenues and costs are converted based on monthly average exchange rates for the relevant months. Translation differences are included in equity. Companies are fully consolidated from the date of acquisition, being the date on which the Group obtains control until the date when such control ceases.

Subsidiaries

Shares in subsidiaries are valued in accordance with the cost method in the Company's accounts. The investment is valued at cost unless there is a requirement for a write down. A write down to market value will be done when the value depreciation is not deemed to be temporary and is required in accordance with general accepted accounting principles (GAAP). The write down will be reversed when the basis for the write down no longer exists.

Classification and assessment of balance sheet items

Current assets and current liabilities include balance sheet items which are due within one year after the acquisition. Other items are classified as fixed assets or long term liabilities. Current assets are recorded in the accounts at the lowest of cost and market value. Current and long term liabilities are recorded at nominal value at the date of booking.

Use of estimates

Management has used estimates, judgment and assumptions that impact the reported value of assets, liabilities, revenues, costs and information regarding potential obligations in accordance with generally accepted accounting principles (GAAP).

Fixed assets

Fixed assets are recorded in the balance sheet at purchase price less accumulated depreciation. Ordinary depreciation is calculated evenly over the assets' expected useful economic lives based upon the assets' historical cost price.

Recording of income and cost – comparison

Revenue is recognized when services are performed. Costs are matched against income and recorded in the accounts at the time the income is recognized. Income from corporate transactions is recorded on completion of the work as specified in the mandate agreement. Brokerage commissions are recorded on the day of trading. Expenses that cannot be directly attributed to income are recorded when they are incurred.

Deferred tax and tax expense

Deferred tax is calculated on the basis of temporary differences between accounting values and tax values at the end of the financial year. A nominal tax rate is used. Positive and negative differences are offset within the corresponding time period. Certain items are treated separately. Deferred tax assets occur when temporary differences are likely give rise to future tax deductions. The annual tax cost comprises changes in deferred tax and deferred tax assets, together with tax payable for the year adjusted for differences arising from previous years' accounts. Deferred tax is recognized on the balance sheet to the extent it is probable it can be utilized.

Current assets

Accounts receivable and other current assets are recorded in the balance sheet at nominal value less provisions for expected losses. Provisions for expected losses are based on an individual assessment of the receivables. In addition an unspecified general provision for expected losses are recorded to cover remaining receivables.

Financial instruments

Market-based financial instruments are valued in the balance sheet at observed market value as of 31 December. Other financial assets are recorded at historical cost written down for any decrease in value if such decrease is expected to be permanent.

Bank deposits

The Company manages its bank accounts, with the exception of restricted deposits according to note 12 below. Client deposits are not included in the balance sheet (see note 13).

Pension obligations and costs

The Company has a defined contribution pension plan whereby the Company pays a fixed contribution with no obligation to pay more than the stipulated annual amount. The stipulated amount is a fixed percentage of monthly salaries, and the contributions are expensed as they are incurred. The contributions are recognized as an employee benefit expense at the time of payment. Any prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Cash flow

The cash flow statement is prepared using the indirect method. Cash and cash equivalents include cash and cash deposits.

Comparable figures

The financial statements include comparable figures for the previous year. Comparable figures for 2015 are corrected for mistake related to tax for 2015, compared with financial statements for 2015. The corrections impact tax expense and annual result in the profit and loss account, and deferred tax, equity and tax payable in the balance sheet. The corrections consists of the following:

	Company		Group	
	In accounts for 2015	Corrected in accounts for 2016	In accounts for 2015	Corrected in accounts for 2016
Tax expense	2 114	666	1 365	-82
Annual result	-7 001	-5 554	-18 955	-17 508
Deferred tax	1 564	7 080	1 564	7 080
Equity	129 395	130 842	138 582	140 030
Tax payable	-	4 069	-	4 069

Note 2 – Operating income per segment

	Company		Group	
	2016	**2015**	**2016**	**2015**
Brokerage commission	65 812	67 609	118 760	103 756
Corporate finance revenues	155 886	100 678	171 036	110 219
Other operating income	6 620	6 401	1 086	367
Total operating income	**228 318**	**174 688**	**290 882**	**214 341**

Note 3 – Salary costs, employees, pension, remuneration etc.

Personnel expenses consist of the following items:

	Company		Group	
	2016	**2015**	**2016**	**2015**
Salaries, including bonuses	104 103	91 385	151 655	112 885
Payroll tax	15 277	13 237	16 504	13 852
Pension costs	2 629	2 649	3 744	3 183
Other benefits	4 918	3 091	5 353	3 960
Total salary cost	**126 927**	**110 361**	**177 256**	**133 880**
Number of employees at year-end	**61**	**59**	**79**	**80**

Defined contribution plan

The Company has a defined contribution plan whereby the Company is committed to pay a 5% contribution of each employee's salary between 1 to 6G and 8% contribution of each employee's salary between 6 and 12G. Payments by disability are 70 % of the salary limited up to 12G. The pension plan fulfills the conditions set out in the Pensions Act. The Company has no contractual pension scheme ("AFP-scheme").

Clarksons Platou Securities, Inc. has its own 401K pension scheme in accordance with local regulation.

Reconciliation of pension cost

	2016	**2015**
Defined contribution plan	2 629	2 649
Total booked pension cost	**2 629**	**2 649**

Remuneration to the Chief Executive Officer

The Chief Executive Officer received the following remuneration for 2016:

Fixed salary	5 058
Variable pay	-
Pension cost	74
Other remuneration	133
Total	**5 265**

A portion of variable pay is restricted as described below under “Remuneration scheme”.

In the event of termination of employment, the Chief Executive Officer is entitled to 6 months’ severance pay. The Chief Executive Officer does not have outstanding options to acquire shares in the Company, Clarksons Platou AS or Clarksons.

Remuneration to the Board of Directors

The following remuneration to the Board of Directors in the Company has been paid out during the year:

	Directors fee	Other remuneration	Shares owned in the Company
Jørgen Lund, Chairman	200	-	-
Erlend Bondø, board member	-	-	-
Birger Nergaard, board member	150	-	-
Ragnar Horn, board member	-	-	-
Total remuneration to the Board of Directors	**350**	**-**	

No loans or guarantees have been granted to the members of the Board of Directors.

Members of the Board of Directors of Clarksons Platou Securities, Inc. have not received any remuneration for 2016.

Remuneration scheme

In accordance with the Norwegian regulation regarding finance firms and groups (the “Finance Firm Regulation”) (FOR 2016 number 1502) Chapter 15, the Company has adopted a separate remuneration policy (the “Remuneration Policy”) approved by the Company’s Board of Directors.

The composition of fixed and variable remuneration payable to the executive management and risk takers in the Company follows the Finance Firm Regulation. Remuneration to employees in control and surveillance functions has specific remuneration schemes that do not compromise their independence.

The Company’s main principle for the fixed remuneration should match the general wage level for the respective categories of employees, taking into consideration the employee’s individual qualifications and experience. The variable remuneration is performance related and based on a combination of the individual employee’s performance, the performance of the department in which the employee works and the overall result of the Company.

Variable remuneration to the executive management and employees in control and surveillance functions is limited to two times the fixed remuneration as approved by the General Meeting. 50% of the variable remuneration is deferred, and is subject to risk adjustment taking into account the Company’s financial situation and any material and significant errors made by the individual employee and the employee’s department.

The Remuneration Committee has identified eight persons comprising executive management (including the Chief Executive Officer) and one person with control and surveillance functions.

For 2016, the Company awarded a total of NOK 1.2 million in variable remuneration to the executive management and employees with control or surveillance functions, of which 50% will be paid out during 2017 and the remaining will be deferred.

The Remuneration Committee believes the remuneration scheme in the Company during 2016 is in accordance with the Remuneration Policy and meets the requirements under the Finance Firm Regulation.

Note 4 – Other operating expenses

Auditor's fees

Below is an overview of the fees and remunerations to the auditor (all amounts include expensed VAT):

	Company		Group	
	2016	**2015**	**2016**	**2015**
Fee statutory audit	300	812	909	1 570
Fee other assurance services	67	121	67	121
Fee tax advisory	17	64	17	64
Fee other non-audit services	7	122	7	122
Total audit fees	**391**	**1 120**	**1 000**	**1 877**

Office rent

The Company rents office space in Munkedamsveien 62C, Oslo, Norway. The current tenancy agreement expires in March 2027. The remaining commitment (off balance sheet) related to the tenancy agreement is approximately NOK 63 million.

Clarksons Platou Securities, Inc. rents office space in 280 Park Avenue in New York. The tenancy agreement expires November 2026 and the remaining commitment (off balance sheet) related to the tenancy agreement is approximately USD 11 million.

Note 5 – Fixed Assets

Company

	Art	Software	Inventory/ building	Fixtures/ IT	Total 2016	2015
Cost price 01.01.	38	8 585	16 479	1 637	26 740	25 204
Additions	-	-125	2 042	235	2 152	1 536
Disposals	-	-	-	-	-	-
Cost price 31.12.	**38**	**8 460**	**18 521**	**1 872**	**28 892**	**26 740**
Acc. depreciation 01.01.	-	6 724	15 753	1 252	23 730	21 288
Ordinary depreciation	-	563	447	252	1 262	2 441
Acc. depreciation disposals	-	-	-	-	-	-
Acc. depreciation 31.12.	**-**	**7 287**	**16 201**	**1 504**	**24 993**	**23 730**
Net book value	**38**	**1 173**	**2 321**	**368**	**3 900**	**3 010**
Rate of depreciation	-	3 – 5 years	3 – 5 years	3 years		

Group

	Art	Software	Inventory/ building	Fixtures/ IT	Total 2016	2015
Cost price 01.01.	38	8 585	16 899	2 087	27 608	25 568
Additions	-	-125	5 720	3 597	9 192	1 699
Disposals	-	-	-	-	-	-
Translation differences	-	-	-105	-27	-132	341
Cost price 31.12.	**38**	**8 460**	**22 513**	**5 657**	**36 668**	**27 608**
Acc. depreciation 01.01.	-	6 724	15 805	1 398	23 928	20 880
Ordinary depreciation	-	563	792	625	1 979	2 848
Acc. depreciation disposals	-	-	-	-	-	-
Translation differences	-	-	-36	0	-36	200
Acc. depreciation 31.12.	**-**	**7 287**	**16 560**	**2 021**	**25 870**	**23 927**
Cost price 31.12.	**38**	**1 173**	**5 953**	**3 636**	**10 798**	**3 807**
Rate of depreciation	-	3 – 5 years	3 – 7 years	3 years		

Note 6 – Losses on receivables

Details of receivables considered doubtful and receivables more than 30 days overdue:

	2016	2015
Doubtful receivables and receivables more than 30 days overdue	205	2 435
The following provisions have been recorded against client receivables:		
Specific provision 1 January	1 289	1 188
- Realized losses for the period	-789	-962
+ New specific provisions	138	1 063
- Reversal of specific provisions	-	-
Specific provision 31 December	**638**	**1 289**
Losses on receivables		
Realized losses	138	1 063
Reversal of prior year losses	-791	-962
Losses on receivables	**-654**	**101**

Note 7 - Taxes

The composition of tax expense is as follows:

	Company		Group	
	2016	**2015**	**2014**	**2015**
Tax payable for the year	2 369	4 069	2 369	4 069
Change to deferred tax	6 300	-525	6 300	-525
Other changes	-	-2 877	-82	-3 625
Total tax expense	**8 669**	**667**	**8 588**	**-82**

Deferred tax/tax assets are calculated as follows:

	Company		Group	
	2016	**2015**	**2016**	**2015**
Fixed assets	-2 511	-3 558	-3 424	-4 291
Receivables	1 493	1 024	1 493	1 024
Other temporary differences	-2 104	-25 788	-18 159	-25 788
Net operating losses	-	-	-31 204	-6 781
Total temporary differences	**-3 122**	**-28 322**	**-51 293**	**-35 836**
Deferred tax/(tax benefit)	-781	-7 080	-21 549	-14 739
Not recognized deferred tax asset	-	-	20 768	7 659
Booked deferred tax/(tax benefit)	**-781**	**-7 080**	**-781**	**-7 080**

The reconciliation between the accounting result and tax result is as follows:

	Company		Group	
	2016	**2015**	**2016**	**2015**
Accounting result before tax	31 193	-4 887	4 418	-17 590
Non-tax deductible representation costs	4 092	2 826	4 899	3 487
Non-tax deductible professional fees/gifts	11	14	11	14
Other non-deductible expenses/taxable income	-619	888	-619	3 108
Changes in temporary differences	-25 199	16 230	-15 083	16 724
Taxable result	**9 478**	**15 071**	**-6 373**	**5 743**
Use of losses carried forward	-	-	-	-
Taxable result	**9 478**	**15 071**	**-6 373**	**5 743**
Tax payable reflected in the balance sheet				
Tax rate	25%	27 %		
Tax payable	2 369	4 069	2 369	4 069

Reconciliation of theoretical to actual tax rate:

	Company		Group	
	2016	**2015**	**2016**	**2015**
27% of result before tax	7 798	-1 319	620	-4 749
Foreign subsidiary with effective tax rate other than 27 %	-	-	-5 691	-6 604
Permanent differences	871	1986	1 143	3 612
Calculated tax expense	**8 669**	**666**	**-3 927**	**-7 741**
Changes not accounted for	-	-	12 515	7 659
Tax expense	**8 669**	**666**	**8 588**	**-82**
Effective tax rate	28 %	-14 %	194 %	1 %

Note 8 - Equity

The development of the Company's and the Group's equity is as follows:

Company

	Share capital	Share premium reserve	Other paid in equity	Other equity	Total equity
Equity as of. 01.01.	57 000	51 348	18 783	3 711	**130 842**
Annual result	-	-	-	22 523	**22 523**
Equity issued	750	19 250	-	-	**20 000**
Dividend	-	-	-	-	**-**
Equity as of 31.12.	**57 750**	**70 598**	**18 783**	**26 635**	**173 365**

Group

	Share capital	Share premium reserve	Other paid in equity	Other equity	Total equity
Equity as of. 01.01.	57 000	51 348	18 783	12 898	**140 030**
Annual result	-	-	-	-4 169	**-4 169**
Equity issued	750	19 250	-	-	**20 000**
Dividend	-	-	-	-	**-**
Translation differences	-	-	-	-46	**-46**
Equity as of 31.12.	**57 750**	**70 598**	**18 783**	**8 382**	**155 512**

As of 1 January 2016, the Company had 7 600 000 shares outstanding. Through the year the Company issued 100 000 new shares and as of 31 December 2016 had a total of 7 700 000 shares outstanding, each with a nominal value of NOK 7.50. The Company was a wholly owned subsidiary of Clarksons Platou AS.

Clarksons Platou AS was acquired by Clarkson PLC in February 2015 and Clarkson PLC is the Company's ultimate parent company. The Company and its subsidiaries are consolidated in the Clarksons Platou Group.

	Company		**Group**	
	2016	**2015**	**2016**	**2015**
Result after tax as % of total assets	6%	-1 %	-1%	-4 %

Note 9 – Balances with group companies

	Company		Group	
	2016	**2015**	**2016**	**2015**
Receivable				
Clarksons Platou Securities, Inc.	8 031	278	-	-
Clarksons Platou AS	-	26 208	-	26 208
H. Clarksons & Co Ltd	-	175	-	175
Clarksons Platou Shipping Services, LLC	-	-	555	-
Clarksons Capital Markets, LLC	-	-	-	6 041
Total receivable	**8 031**	**26 662**	**555**	**32 425**
Debt				
Clarksons Platou Securities, Inc.	649	692	-	-
Clarksons Platou AS	3 698	3 006	3 698	3 009
H. Clarksons & Co Ltd	8 000	-	8 000	
Clarkson PLC	-	-	43 391	-
Clarksons Platou Shipping Services, LLC	-	-	390	-
Total receivable	**12 347**	**3 698**	**55 479**	**3 009**

Note 10 – Financial instruments

The Company's holding of financial instruments as at 31 December is as follows:

	Book value		Original cost	
	2016	**2015**	**2016**	**2015**
Other market based financial instruments	652	845	4 176	3 542
Total market based financial instruments	**652**	**845**	**4 176**	**3 542**

Clarksons Platou Securities, Inc. held no financial instruments at 31 December 2016.

Note 11 – Bank deposits

The Company has the following restricted bank deposits at 31 December:

	Company	
	2016	**2015**
Employee tax withholding account	6 029	4 009
Margin account	35 601	31 282
Total restricted bank deposits of the Company	**41 630**	**35 291**
Restricted bank deposits subsidiaries	868	877
Total restricted bank deposits Group	**42 497**	**36 168**

The Company has an overdraft facility of NOK 100 million with by DNB ASA which was unused as of 31 December 2015 (see also note 15 below). The total of equity and subordinated loan of the Company shall exceed NOK 90 million.

Note 12 – Client funds

	2016	2015
Deposits held in client accounts	5 019	13 498
Client liability	-4 578	-13 200
Surplus	441	298

The client funds are not recorded in the Company's balance sheet. Surplus of the client account is shown in the accounts as bank deposits. The subsidiary held no client funds per 31 December.

Note 13 – Capital Adequacy

The capital adequacy as of 31 December was as follows:

	Company		Group	
Total capital	**2016**	**2015**	**2016**	**2015**
Equity	173 365	130 842	155 512	140 030
Deductions to core capital	-4	-	-4	-
Core capital	173 361	130 842	155 508	140 030
Supplementary capital	-	-	-	-
Total capital	**173 361**	**130 842**	**155 508**	**140 030**

	Company		Group	
Capital requirements	**2016**	**2015**	**2016**	**2015**
Credit-, counterparty- and general risk using standard methods – other engagements	209 029	127 514	117 659	93 030
Settlement risk using market value method	29	135	29	135
Position risk using standard method	7	42	7	42
Currency risk using standard method	198 112	74 791	234 965	84 760
Operational risk using basis method	535 349	704 321	623 667	794 561
CVA risk	807	-	807	-
Total capital requirements	**943 333**	**906 803**	**977 134**	**972 528**
Capital Adequacy Ratio	18,4%	14,3 %	15.9%	14,3 %

	Company		Group	
Basis for operation risk using basis method	**2016**	**2015**	**2016**	**2015**
Turnover 2016	228 318		290 882	
Turnover 2015	174 688	174 688	214 341	214 341
Turnover 2014	453 553	453 553	492 644	492 644
Turnover 2013		498 672		564 313
Average last 3 years	**285 520**	**375 638**	**332 622**	**423 766**
Operational risk using basis method	535 349	704 321	623 667	794 561

Minimum capital adequacy ratio is 8%. Operational risk is calculated using the basis method. The capital requirements have been evaluated according to Pilar II in relation to different risk factors. The Company has completed an evaluation of the operational risk in the Company which concluded that the provisions for operational risk using the basis method give a satisfactory capital requirement for the Company's operational risks.

Note 14 – Pledged assets and guarantees

DNB provides the following guarantees/facilities:

	Currency	Total
Operational overdraft facility	TNOK	100 000
Liquidity guarantee – daily share settlement	TNOK	40 000
Guarantee VPS Clearing	TNOK	6 000
Tenancy guarantee	TUSD	139

Client receivables, bank deposits, VPS accounts and fixed assets are pledges as security for the above guarantees. The liquidity guarantee and settlement guarantees are revocable with 4 days prior notice. The liquidity guarantee may be changed with 0 days prior notice. The Company is a member of the Norwegian Investor Compensation Scheme.

Note 15 – Financial market risk

The Company holds a license to perform own account trading, but the license is not actively used. Through its brokerage operations, the Company may temporarily be exposed to erroneous trades which may lead to losses for the Company. The Company does not hold any financial derivatives.

Note 16 – Liquidity risk

Remaining term of the Company's financial assets and liabilities:

	Receivables		Payables	
	2016	**2015**	**2016**	**2015**
Up to 1 month	94 786	170 335	133 509	173 126
1 to 3 months	12 865	5 876	39 315	39 606
3 months to 1 year	4 534	841	12 019	9 316
1 to 5 years	5 495	-	7 181	19 817
Exceeding 5 years	-	-	-	-
Total	**117 680**	**177 052**	**192 025**	**241 866**

Remaining term of the Group's financial assets and liabilities:

	Receivables		Payables	
	2016	**2015**	**2016**	**2015**
Up to 1 month	97 000	172 328	141 644	180 622
1 to 3 months	15 816	10 859	51 974	50 248
3 months to 1 year	6 748	3 831	54 519	11 090
1 to 5 years	5 495	-	7 181	19 817
Exceeding 5 years	-	-	-	-
Total	**125 060**	**187 018**	**255 187**	**261 776**

Note 17 – Holdings in subsidiaries

The shares in subsidiaries are valued according to the cost method in the Company accounts.

Name of company	Paid in capital	Book value	Equity	Result 2016	Ownership
Clarksons Platou Securities, Inc.	136 826	122 605	104 752	-28 868	100 %

Clarksons Platou Securities, Inc.'s address is 280 Park Avenue, 21st Floor, New York, NY 10017.

Note 18 – Related party transactions

Revenues

The Company has during 2016 invoiced the wholly owned subsidiary Clarksons Platou Securities, Inc. for NOK 13 million related to its share of revenues. Clarksons Platou Securities, Inc. has invoiced the Company for NOK 1 million related to its share of revenues.

The Company has during the year invoiced H. Clarkson & Co Ltd. NOK 0,8 million related to its share of revenues.

Short term loan

The Company had during parts of the year outstanding a short term loan to Clarksons Platou AS of NOK 26 million. Interest income on the loan during 2016 was NOK 0.3 million. The loan was settled during the year.

Subordinated loan

Clarksons Platou Securities, Inc had per 31 December 2016 issued a subordinated loan to Clarkson PLC for USD 5.0 million. Clarksons Platou Securities AS paid USD 0.1 million in interest on the loan.

Shared services

The Company and its wholly owned subsidiary Clarksons Platou Securities, Inc. share certain services related to research, settlement, administration and insurances. The Company has recorded revenues of NOK 6.1 million for these services in 2016.

The Company shares certain services with Clarksons Platou AS and the rest of the Clarksons Platou Group. During 2016, the Company invoiced Clarksons Platou AS and Clarksons Platou AS invoiced the Company for these services.

Note 19 – Subsequent events

There are no material subsequent events.

Auditor's report for 2016

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To the General Meeting of Clarksons Platou Securities AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Clarksons Platou Securities AS showing a profit of NOK 22 523 thousand in the financial statements of the parent company and loss of NOK 4 169 thousand in the financial statements of the group. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and

- The financial statements of the group, which comprise the balance sheet as at 31 December 2016, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.

- The accompanying financial statements give a true and fair view of the financial position of the parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Auditor's Report - 15 March 2017 - Clarksons Platou Securities AS

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

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resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 15 March 2017
PricewaterhouseCoopers AS

Rita Granlund
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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