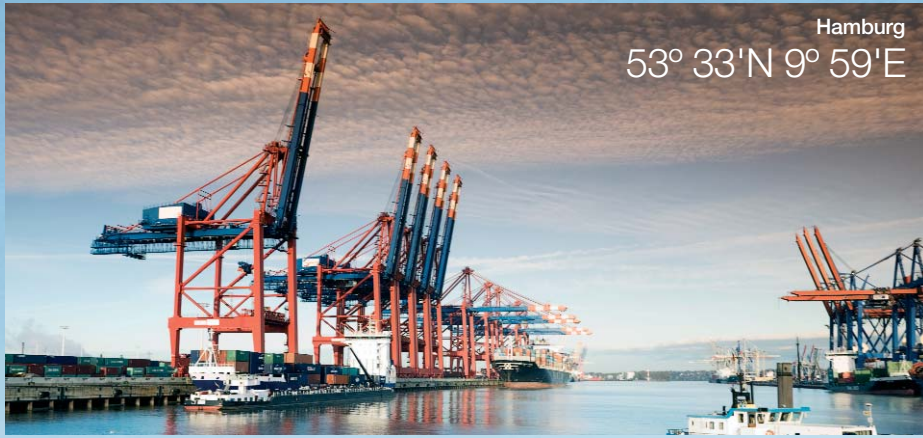




Clarkson PLC

Annual Report
and Accounts 2008





Hamburg
 $53^{\circ} 33'N$ $9^{\circ} 59'E$



Sydney
 $33^{\circ} 52'S$ $151^{\circ} 13'E$



Dubai
 $25^{\circ} 18'N$ $55^{\circ} 18'E$



Hong Kong
 $22^{\circ} 17'N$ $114^{\circ} 09'E$

Clarkson PLC

Is the world's leading integrated shipping services group. Through our 20 offices on five continents, we play a vital intermediary role between shipowners and cargo interests across every sector of maritime trade. Our services and expertise help ensure the smooth and efficient functioning of global seaborne trade.

Performance

REVENUE

US\$460.5m up 32%

2007: US\$347.9m

REVENUE – REPORTED STERLING EQUIVALENT

£250.3m up 44%

2007: £173.4m

PROFIT BEFORE TAXATION *

£39.2m up 24%

2007: £31.6m

EARNINGS PER SHARE **

41.9p down 59%

2007: 101.9p

DIVIDEND PER SHARE

42.0p up 5%

2007: 40.0p

PROFIT BEFORE TAXATION **

£18.2m down 29%

2007: £25.6m

*Before exceptional item

**After exceptional item

CLARKSONS

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INFORMATION

You will be advised throughout this report of options for further information on a topic, either in this report or online.
[Find out more online www.clarksons.com](http://www.clarksons.com)



156

For 156 years, the group's headquarters have been in London.

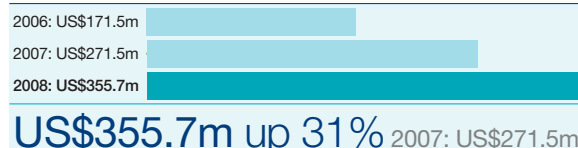
An overview

Our business

BROKING

Clarksons' shipbroking services are unrivalled – for the number and calibre of brokers, breadth of market coverage, geographical spread and depth of intelligence resources.

Revenue



INFORMATION

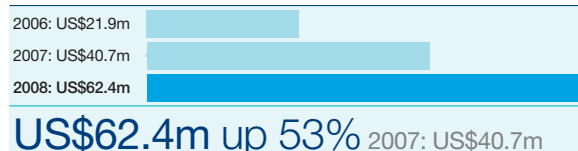
Business review
starting on page 10

Find out more online
clarksons.com/services

FINANCIAL

Clarksons caters for financial investors and those with a particular interest in futures, fund management and investment services.

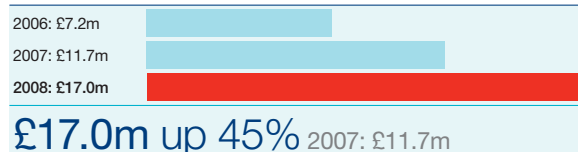
Revenue



SUPPORT

Clarksons is engaged in port & agency services, logistics, shiprepairing and associated services worldwide.

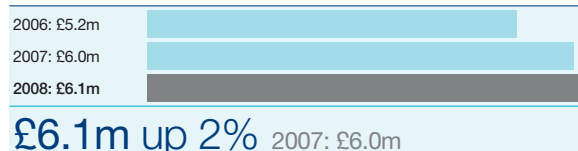
Revenue



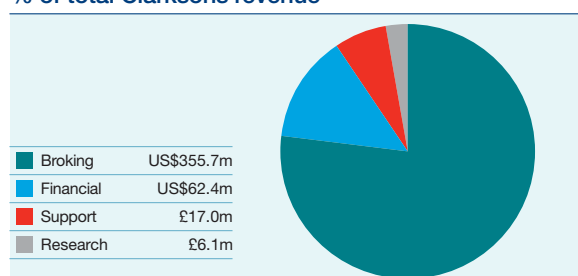
RESEARCH

Up-to-the-minute intelligence is the cornerstone of any shipping organisation and Clarkson Research is recognised throughout the maritime world as the most comprehensive and reliable information provider.

Revenue



% of total Clarkson revenue

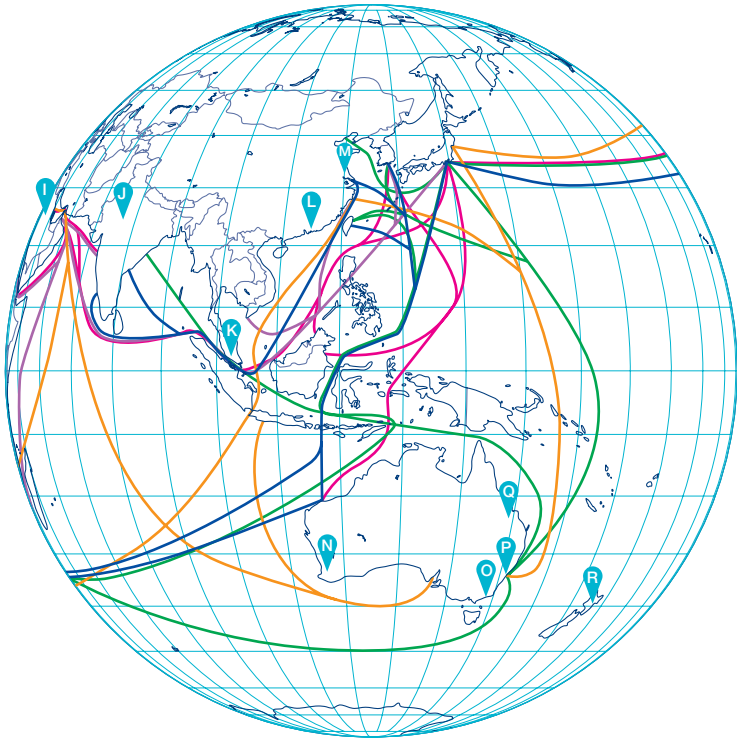
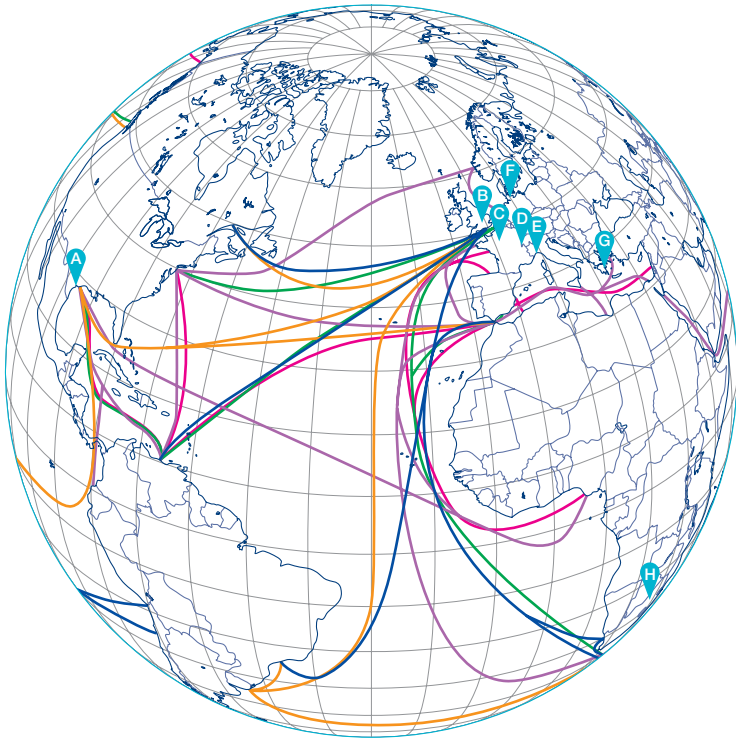


736

There are 736 people throughout
our global network.



We have a local presence and global reach



CLARKSONS GLOBAL LOCATIONS

A Houston	29° 46'N 95° 22'W
B England	
Bristol	51° 27'N 2° 35'W
Great Yarmouth	52° 37'N 1° 44'E
Hull	53° 45'N 0° 20'W
Ipswich	52° 04'N 1° 10'E
Ledbury	52° 02'N 2° 25'W
Liverpool	53° 25'N 2° 55'W
London	51° 30'N 0° 10'W
Southampton	50° 55'N 1° 25'W
Tilbury	51° 28'N 0° 23'E

C Paris	48° 52'N 2° 20'E
D Geneva	46° 12'N 6° 09'E
E Genoa	44° 25'N 8° 57'E
F Hamburg	53° 33'N 9° 59'E
G Piraeus	37° 57'N 23° 38'E
H Johannesburg	26° 15'S 28° 0'E
I Dubai	25° 18'N 55° 18'E
J New Delhi	28° 35'N 77° 12'E
K Singapore	1° 16'N 103° 51'E
L Hong Kong	22° 17'N 114° 09'E
M Shanghai	31° 13'N 121° 27'E

N Perth	31° 57'S 115° 51'E
O Melbourne	37° 49'S 144° 58'E
P Sydney	33° 52'S 151° 13'E
Q Brisbane	27° 28'S 153° 02'E
R Auckland	36° 52'S 174° 46'E

GLOBAL TRADE ROUTES

Coal	Iron ore
Crude oil	LNG
Grain	

Chairman's review

by Bob Benton



Another year of record results

OVERVIEW

I am delighted to report the group delivered another record year of results. This was achieved notwithstanding the deteriorating trading conditions in the second half resulting from the global economic slowdown and financial crisis.

Importantly, during 2008, we settled the claims brought against H Clarkson & Company Limited by the two Russian shipping companies, Sovcomflot and Novoship. As a result, we were very pleased to have drawn a line under the dispute with these companies so that the executive management and reconfigured board were able to fully dedicate themselves to developing the group's prospects.

The group's global ability to service its client base is now well established and we continue to build on our unrivalled market knowledge and expertise to provide the top quality services for which we are known. The diversification of Clarkson's business across shipping markets and the strength of our specialist teams have supported the group's achievement of 2008's very strong performance. These key elements of our business model position Clarkson well as we look ahead to a more challenging trading and economic environment in 2009.

RESULTS

Revenue increased by 44% to £250.3m (2007: £173.4m). Our physical broking and financial divisions both delivered strong uplifts in revenue as a result, respectively of record highs in freight rates and volatility in the derivatives market.

Underlying operating profit on continuing operations increased by 44% to £38.0m (2007: £26.4m). This was achieved after providing £13.9m for impairment of goodwill and intangibles, relating to acquisitions over the past four years.

Profit before tax was £18.2m (2007: £25.6m) due to the £21.0m provision made as a result of the settlement with Sovcomflot and Novoship, two Russian shipping companies.

DIVIDEND

The board is recommending a final dividend of 26p (2007: 26p). The interim dividend was 16p (2007: 14p) giving a total dividend of 42p, an increase of 5%. In taking its decision, the board took into consideration the record year and strength of the balance sheet notwithstanding current market conditions. The dividend is covered by basic EPS and 2.9 times by EPS before the exceptional item.

The dividend, if approved, will be payable on 12 June 2009 to shareholders on the register as at 29 May 2009.

BOARD

There have been a significant number of changes to the board during the year.

On 28 August 2008 Tim Harris retired as chairman of the group, having served on the board since 2002. Following Tim's retirement, I was immediately appointed chairman of the group. On 30 September 2008 Martin Clark, senior independent director, resigned. On behalf of the board, I would like to thank both Tim and Martin for their long and dedicated service to Clarkson's.

Andi Case, formerly managing director of Global Broking, became interim chief executive at the end of April, after Richard Fulford-Smith stepped down. Andi was confirmed as new chief executive in mid-June. At the end of June, we announced the appointment of two new non-executive directors: Paul Wogan and Ed Warner. Paul has 22 years of experience in the shipping industry within global organisations. Ed has spent his career in financial services. Ed became chairman of the remuneration committee and Paul became senior independent director in November.

Bob Benton
Chairman

INFORMATION

Read Bob Benton's biography on page 18

[Find out more online clarksons.com/about_us/directors](http://clarksons.com/about_us/directors)

“The breadth of our services and our global footprint position Clarkson well as we look ahead to a more challenging trading and economic environment in 2009.”

Also in November, James Morley joined the board as a non-executive director becoming chairman of the audit committee. James is a chartered accountant with some 25 years of experience as an executive board member at both listed and private companies, primarily in the insurance sector.

The strength and breadth of the new board's expertise across shipping and financial services, the two major areas of our business, will be invaluable as we continue to implement our strategy of building on Clarkson's unique competitive advantages to further develop and grow the group.

COLLEAGUES

The record performance achieved by Clarkson in 2008 would not have been possible without its dedicated and talented teams. The board of directors understand and appreciate just how much effort, enterprise and initiative the employees put into making last year such a successful one for the group. I would like to take this opportunity on behalf of the directors to thank all our colleagues across our global group for their hard work and commitment during the year.

THE FUTURE

Trading conditions, brought about by the credit crisis and global economic slowdown, are extremely challenging. However, I firmly believe that Clarkson's unique competitive advantages position the group to benefit from the flight to quality advice and services that inevitably occurs during these periods. We will continue to develop our core business areas of research, broking, financial services and support.

DIVIDEND PER SHARE

42p up 5%

2006: 36p

2007: 40p

2008: 42p

2007: 40p

INFORMATION

2008 financial results on page 34

Financial statements start on page 31

[Find out more online](http://clarksons.com/investors/financial_highlights)

clarksons.com/investors/financial_highlights



Clarkson's Houston office provides broking services in crude oil, petroleum products, specialised products, offshore projects and LPG markets.

[Find out more online](http://clarksons.com/services)

clarksons.com/services

Chief Executive's review

by Andi Case



Our people are key to our success and Team Clarksons is second to none

We are proud that Clarksons has delivered another record year of underlying profits, despite the numerous challenges the group faced during 2008. The extremely volatile markets resulting from the financial crisis and economic downturn in the second half of the year led to much more difficult trading environments for some sectors. However, the settlement of major litigation now allows us to move forward and maximise the opportunities that will no doubt arise.

156 years since its foundation, Clarksons has firmly reinforced its position as the market leading services business dedicated to the maritime industry with a focus on delivering top quality services and advice globally to our clients.

In addition to the growth in its core broking businesses, Clarksons has always been an innovator and has leveraged its sector expertise to broaden and grow its mix of services into new areas, such as financial services. By doing this, Clarksons has brought additional added value to its heritage clients within the maritime sector and widened its client base.

As a result, Clarksons has a strong and diverse client base of both traditional and non-traditional shipping players. Our relationships with non-traditional shipping clients have developed, primarily, through the growth of our regulated financial services businesses. During 2008, we established Clarkson Investment Services, our third regulated business, which offers sector specialist investment banking services to a broad range of clients.

In addition to having a team of well known and experienced operators, this new business benefits from the depth and breadth of Clarksons' maritime expertise and industry relationships. Its development and growth will also be supported by Clarksons' reputation as leading industry validator for both market data and asset valuations. Following the recent turmoil in financial markets, we believe more than ever that the time is right for Clarksons, a sector specialist, to take advantage of its very strong platform and the changed competitive landscape in investment banking services to grow this new area of the group.

Over the last six years, Clarksons has been through a period of sustained growth and expansion. Our resources will now, therefore, be focused on our core broking heritage, our research products and the further development of our financial services businesses. It is now time to consolidate our position further, by developing these areas, in which we have both scale and expertise.

Central to our plans in these areas are the group's research and analyst teams. These teams provide in-depth and timely market intelligence to colleagues and clients alike and are a key source of competitive advantage. This long standing expertise in shipping markets, the extent of which is unrivalled amongst brokers or other financial intermediaries, is at the core of our ability to innovate.

Andi Case
Chief Executive Officer

INFORMATION

Read Andi Case's biography on page 18

[Find out more online clarksons.com/about_us/directors](http://clarksons.com/about_us/directors)

“Clarksons has an unrivalled international presence and we are focused on leveraging our market-leading research and investments in IT to ensure we offer fully integrated global services.”

OUR STRATEGIC PRIORITIES

1. CLIENTS

Clarksons aims to build and retain close long-term relationships with all our clients. Our service should be extensive in meeting their needs within the shipping and financial markets, and should be provided with the highest levels of corporate governance.

2. TEAM CLARKSONS

Our staff set a standard for excellence, and are dedicated and skilled to meet the most exacting needs of our clients. We aim to develop the skills and expertise of our staff, and be the employer of choice attracting and retaining the best in the market.

3. RESEARCH AND MARKET INFORMATION

The speed with which markets react to ever changing global and local factors, demands that clients are afforded the best market information upon which they can base their decisions. Clarkson aims to be the most comprehensive and reliable information provider within the shipping and related market.

4. TECHNOLOGY

Clarksons aims to provide our global offices the tools with which to ensure our clients get up-to-the-minute information, consistent with the leading global network in the shipping arena.

5. FOCUS

Optimising the returns from our resources – people, skills, time or financial – demands rigorous attention to our strengths and limitations. Project evaluation, and a concentration on core and directly related areas, should be the basis of every future business decision.

6. BEST IN CLASS

Clarksons aims to be “Best in Class” in every area in which we trade.

REVENUE

US\$460.5m up 32%

2006: US\$216.4m

2007: US\$347.9m

2008: US\$460.5m

2007: US\$347.9m

INFORMATION

2008 financial results on page 34

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[Find out more online clarksons.com/investors/financial_highlights](http://clarksons.com/investors/financial_highlights)

Chief Executive's review

24/7

Access to all the world tanker markets.

Another key competitive advantage is Clarkson's international footprint and the group has yet to fully realise the potential of its global scale. In order to do so, we have changed our focus from being a London-based broking business with overseas offices to being an integrated global provider of shipping services. A number of initiatives have already been put in place to facilitate this change, including a review of our global office locations and services and ongoing investments in IT that ensure greater cross fertilisation of ideas across the group.

During the year, we opened an office in Geneva offering a full range of services, which has had a very strong start. We closed our operations in San Francisco, focusing all our US operations via our Houston office. In September, we sold our 25% stake in Panasia, a specialised product brokerage based in Singapore, for US\$2.4m in cash to existing Panasia shareholders. We will continue to develop our global footprint by ensuring our international offices are part of an integrated global group, as we believe this is the best way to deliver both our best in class local knowledge and global expertise to our clients.

Our people are the key to our success. Team Clarkson is second to none and we are very focused on ensuring that we hire and retain the best teams in the market. Nurturing talent and ensuring an open environment for exchange of ideas are extremely important in a people business, such as ours.

CURRENT TRADING

Since the beginning of 2009, revenues in dry cargo and sale and purchase broking have declined significantly as a result of the global economic downturn and exceptional conditions in the financial and credit markets. Tanker broking, whilst affected by this difficult trading environment, has not experienced the same degree of reduction in business. In our financial division, increased volatility created by the current trading environment has been driving high volumes, albeit at lower rates.

OUTLOOK

As anticipated at the time of our interim management statement in November 2008, we expect market conditions throughout 2009 to remain challenging. The existence of global recession is now clear with only its severity and length still the subject of debate. In addition, the lack of financing available to the shipping market continues to be problematic.

Although it is still early in the year to predict how the many markets in which we are active will develop, revenues in 2009 will continue to be supported by our forward order book and the US\$ exchange rate, should they remain at the current level. The breadth of Clarkson's market and global coverage are of particular benefit during these times, and will enable Clarkson to take maximum advantage of the opportunities wherever they arise.

The Shanghai and Hong Kong offices together constitute one of the largest shipbroking operations in China.



Shanghai

31° 13'N 121° 27'E

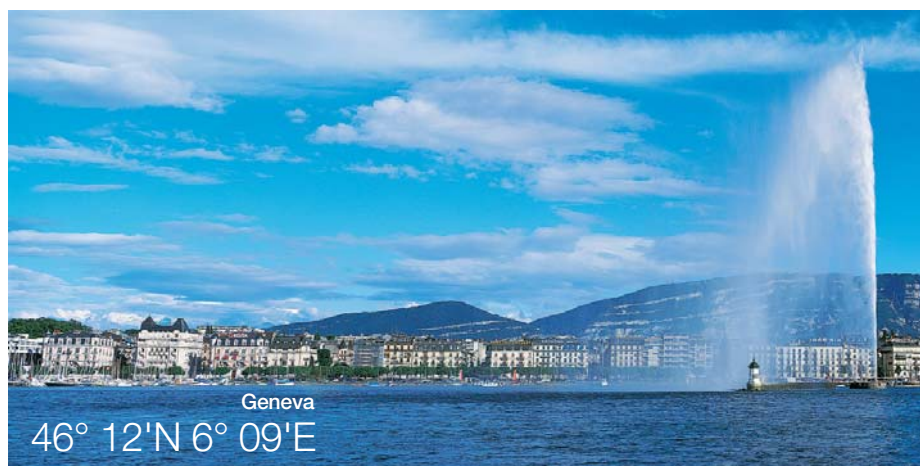
Business review

During 2008, the global economy swung from growth to recession and the world's financial system moved into crisis. For shipping markets, it was equally a year of opposites, with unprecedented extremes experienced in some markets, such as dry bulk. Freight rates for large dry bulk vessels reached an all-time high of US\$233,000 per day in June in sharp contrast to the low of US\$2,316 per day in December. In the period since the year-end, these rates have continued to be volatile and we have seen highs of US\$39,538 per day.

Access to funding and credit for shipping markets was severely curtailed by the global financial crisis and contributed to large swings in asset valuations. These dynamics fuelled a rapid change in outlook for the global supply and demand for ships, which has led to the potential for cancellation of newbuild contracts, and created some uncertainty as to how far the supply of new tonnage will contract. Events of 2008 were further complicated by a 41% move in the US\$ to Sterling exchange rate from a high of 2.03 to a year-end low of 1.44.

Clarksons' strategy over the last five years to broaden its services across shipping markets has, without doubt, been of benefit in this year of opposites. The strategic importance of this diversity became all the more apparent as we moved into a far more difficult trading and economic environment in the fourth quarter.

Against this very challenging market background, we are pleased to report that Clarkson achieved another year of record underlying profit before tax. For 2008, underlying profit before tax increased by 24% to £39.2m (2007: £31.6m). This result was achieved after providing £13.9m (2007: nil) for impairment of acquired goodwill and intangibles. As a result of the settlement provision of £21.0m, profit before taxation was £18.2m (2007: £25.6m).



REVENUE

Revenue from continuing operations increased 44% to £250.3m (2007: £173.4m). Indeed, 2008 revenues were more than double the £116.6m achieved in 2006. This impressive increase was delivered through revenue growth across the majority of business segments, both in sterling and dollar terms.

GEOGRAPHIC PERFORMANCE

	Revenue	Segment Results	Growth in Revenue	Growth in Segmental Results
	£m	£m	%	%
Europe, Middle East and Africa (EMEA)	193.8	39.0	41%	39%
Asia Pacific	46.2	5.5	62%	-41%
Americas	10.3	1.6	40%	261%
	250.3	46.1		

Clarkson is a global group providing services to its clients from its 20 offices located in most of the major maritime centres of the world. In 2008, 85% of segment results were derived from EMEA, 12% from Asia Pacific and 3% from the Americas. To ensure the continued growth and development of best in class services that meet the changing needs of our clients, we continued to invest in new offices during the year.

DIVISIONAL PERFORMANCE

	Revenue	Segment Results	Growth in Revenue	Growth in Segmental Results
	£m	£m	%	%
Broking	193.3	44.9	43%	42%
Financial	33.9	4.2	67%	-28%
Support	17.0	(3.8)	45%	n/a
Research	6.1	0.8	2%	-33%
	250.3	46.1		

New offices were established in Geneva, New Delhi, Hamburg, Perth and Brisbane, all of which are offering Clarkson's full range of services to clients. Our ability to leverage the group's expertise across shipping services is unique and of significant advantage. It has enabled the group to rapidly develop geographic market share, with, for example, our Geneva office already firmly established as one of the largest and most active brokers in Switzerland during its first year of operation. A review during the year also led to the decision to close our dry bulk broking operation in San Francisco, as it no longer matched our clients' requirements.

Broking



Revenue

US\$355.7m up 31%
(2007:US\$271.5m)

Segment result

£44.9m up 42%
(2007:£31.6m)

Forward order book for 2009

US\$106m*
(At 31 December 2007 for 2008:
US\$131m)

* Directors' best estimates of deliverable FOB.

DRY BULK

2008 was truly a year of two halves for the dry bulk market. In the first six months of the year freight rates in all dry bulk ship sizes reached their highest level for more than 20 years. This was driven by strong demand for dry bulk commodities and as a result many charterers entered into longer term contracts in order to lessen the impact of significant increases in spot market rates. This market dynamic enabled the team to conclude record breaking amounts of new business. During the second half of the year, the banking crisis coincided with a slowdown in Chinese steel production which resulted in a dramatic downturn in rates. In this very challenging trading environment it is a credit to the skill and hard work of the team that the majority of long-term contracts in which we were involved were successfully renegotiated.

The significant reduction in rates, especially during the last quarter, across all dry bulk ship sizes had a huge negative effect on shipowners' average earnings. This resulted in a large number of postponements and cancellations for newbuilds, a situation that is expected to impact the 2009 global order book. Although we had initially anticipated the 2008 dry bulk order book might beat 2007's record of 161m dead weight tons, we are confident that the team's global capability and expertise will ensure that we continue to lead the market in this business segment.

CONTAINERS

2008 was a difficult year for the container market due to reduced global demand for finished goods. By the third quarter both trans-Pacific and Asia-Europe volumes fell below minimum forecasts. This development contributed to a collapse in rates as the market prepared to take delivery of the largest ever number of new ships between 2008 and 2010, in the absence of any effective freight market support. Despite challenging trading conditions, the team continued to grow Clarksons' market share and concluded an increased number of deals, both for immediate billing and for the forward order book.

DEEP SEA

In contrast to the container market, the deep sea tanker market, which covers the shipping of both crude and refined products, had an extremely positive year. This was driven by the demand for and price volatility of oil with Very Large Crude Carrier (VLCC) average earnings 66% higher than in 2007 and the Suezmax and Aframax markets also performed well. Although the products market did not experience the same level of increase in freight rates, the team increased Clarksons' market share and profitability.

Our crude and products teams delivered a record result, achieving good growth in market share. Switzerland (Geneva) and India (New Delhi), countries in which we believe there are significant opportunities to grow our tanker business, have already started delivering in their first year of operation.

The curtailment in demand for oil and subsequent collapse in the oil price combined with an expected increase in oil supply during 2009, create an uncertain backdrop for next year. However, we believe these conditions may also create a need for consolidation amongst tanker owners and potentially in tanker broking. Given the global nature of our team, we are confident that Clarksons' tanker business is well positioned to take advantage of any opportunities that may arise.

15

Clarksons has the largest global presence
with offices in 15 countries.

SPECIALISED PRODUCTS

The specialised products market is more contract-based and therefore less susceptible to fluctuations in freight rates. Following significant investment, integration and development over the past three years, Clarksons now operates a truly global specialised products broking team with regional presence in Singapore, Dubai, Geneva, Hamburg, London and Houston. Our investment is now paying off, with good organic growth leading to increases in both revenue and profitability through a broadening of the client base and an increase in market share.

Like most other shipping markets, the petrochemical gas shipping market had a buoyant first half, but suffered from a dramatic downward shift in the fourth quarter. Falling demand for gases resulted in lower product prices and a drop in freight rates. Our team, however, grew market share by concluding a number of new contracts and attracting new clients, substantially improving its contribution during the year.

Business review

Broking continued



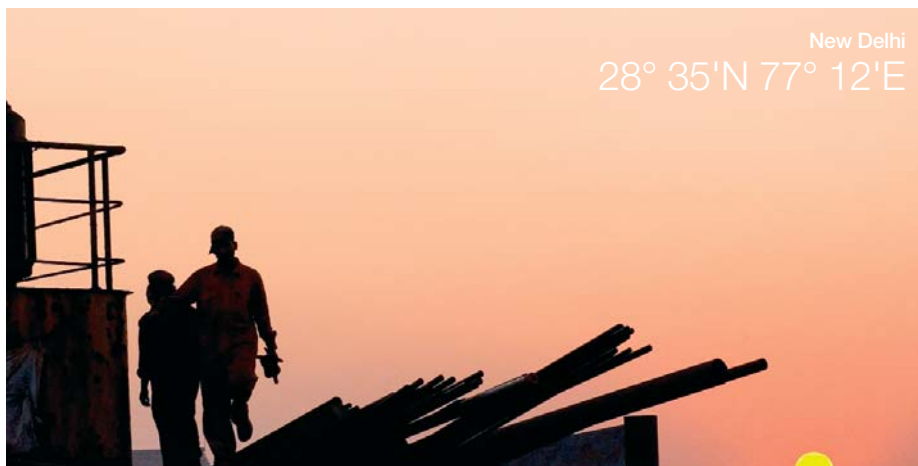
GAS

Against the background of a volatile and challenging product market and also impacted by rapidly increasing numbers of vessel deliveries, the gas shipping market was broadly weaker than in 2007. Our team, however, delivered another impressive performance. Market share was grown in all areas of gas chartering activities and, despite generally weaker freight rates, overall profitability improved.

A significant number of new vessels were delivered in the key Very Large Gas Carrier (VLGC) ship market with only minimal scrapping and removal of older tonnage. Furthermore, as a result of delays in important LPG production expansions, charterers showed a preference for spot cover with only limited period fixing. The combination of these factors drove considerable volatility in the spot market with the benchmark AG/Japan peaking at US\$81 per tonne though later falling to a low of US\$17.50 per tonne.

Notwithstanding the weaker market, our VLGC specialists performed particularly well, increasing market share for the third year running and concluding a significant share of what period business was done. Our market share in the smaller Large Gas Carrier (LGC) sector also increased. In the mid-sizes, much of the business globally was negotiated by Clarkson, notwithstanding the fact that the number of opportunities for spot business was limited due to the very high levels of period cover.

Our New Delhi office remains busy thanks to India's growing need for crude oil.



SALE AND PURCHASE

Both revenue and profitability increased in 2008 leading to another record year in sale and purchase. This very strong performance, however, masks the significant change in the market that occurred during the year. During the first half, the team delivered significant growth both in terms of volume and transaction value. By the fourth quarter, however, the banking crisis led to an almost complete halt in sale and purchase activity. In this latter part of the year, the team successfully ensured that completed transactions, put at risk due to the dramatic reduction in values and a severe lack of financing, were finalised. Adding to these issues, with the onset of the economic downturn, the continuing growth in the size of the newbuilding order book also became of concern. Currently, the bid offer spread is quite wide and in some markets vastly different, in part due to the cost of finance and lack of available finance. As values have settled down since the initial falls, volumes are starting to return, but 2009 is expected to prove challenging, especially whilst the main ship finance banks remain closed.

2008 was a much more difficult year for newbuilding volumes than 2007, which was a truly exceptional year. The year started well with strong, mainly dry bulk demand, limited supply and rising contract prices. However, by the end of the second quarter, volumes had started to decline as buyers were put off by peak prices being demanded by the yards. Since August there have been very few conventional vessels ordered in any yard and the forward order book has consequently reduced. Despite these extremely challenging conditions from the second quarter onward, our team concluded a significant number of new deals in the year. With many unbuilt ships currently worth far less than their contracted price and buyers finding it increasingly hard to perform due to reduced cash flows and lack of debt finance, existing deals are under threat. Notwithstanding these unprecedented market conditions, we are satisfied with our current position. Clarkson's focus on doing business with established, financially viable yards and owners is underpinning the relative security of our forward order book. Nonetheless, given the very serious problems in this market, we are not assuming that Clarkson will remain immune from the cancellations and renegotiations which are likely to characterise the market in 2009.

Research



Revenue

£6.1m up 2%
(2007: £6.0m)

Segment result

£0.8m down 33%
(2007: £1.2m)

In 2008 Clarkson Research Services maintained its steady growth. Shipping research performed strongly, following the same pattern as earlier years, with hard copy products holding steady whilst digital products grew strongly. The slowdown in shipping financial market activity meant that consultancy had a quieter year, but customer services performed well and so did valuations. On the offshore side the pattern of product sales was similar, though less buoyant, with steady hard copy sales and growth of digital products. Advertising had a difficult year and sales were lower than in 2007.

Whilst building on the partnership of hard copy products, digital and services, the company continues to develop its product range, with a focus on digital products. The Shanghai office has expanded, covering the shipbuilding, container and dry bulk markets, and the Research sales office network has been broadened to include Shanghai as the hub for covering the Asian market.

200

Clarkson Research has a team of experienced researchers and analysts who maintain a comprehensive range of shipping and offshore databases and produce no fewer than 200 products.



Revenue

US\$62.4m up 53%
(2007: US\$40.7m)

Segment result

£4.2m down 28%
(2007: £5.8m)

Forward order book for 2009

US\$12m*
(At 31 December 2007 for 2008: US\$26m)

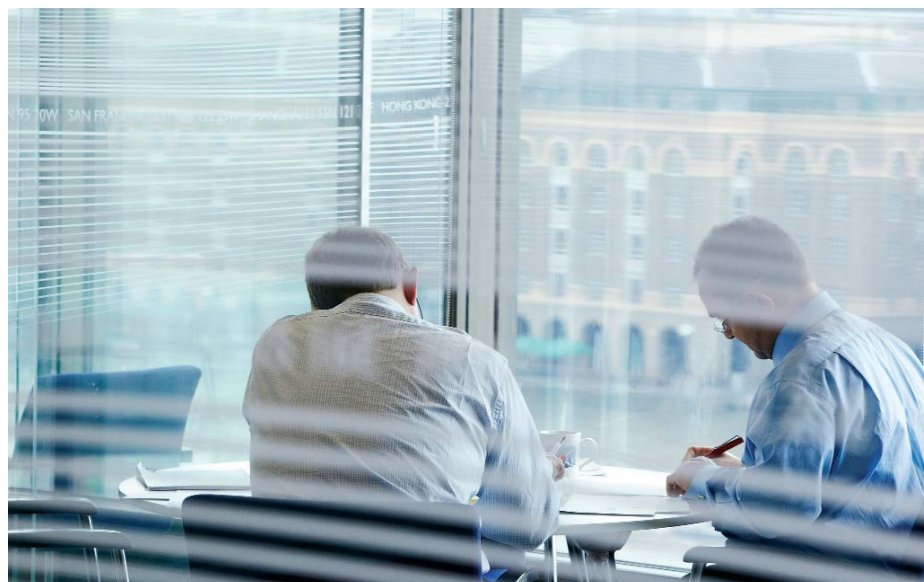
* Directors' best estimates of deliverable FOB.

FUTURES BROKING

Benefiting from the uplift in the dry bulk market in the first half of 2008, the futures broking operation was able to capitalise on its strong market position to generate record revenues and operating profit during the year. Whilst global financial and economic developments in the second half resulted in some counterparty defaults, we were largely unaffected as most of our clients' business is in cleared markets. The new team in Hong Kong and selective team development in London enabled us to increase market share.

FUND MANAGEMENT

In a year of unprecedented financial turmoil, many hedge funds experienced large losses and redemptions that radically reduced the value of, and in some cases eliminated, assets. The Clarkson hedge fund delivered a creditable performance in comparison, limiting losses net of fees to 4.4% for the year. We attribute this performance to strong risk management focused on capital preservation, diligent research and maintaining a liquid and dynamic portfolio. Assets under management as at 31 December 2008 were US\$161m (31 December 2007: US\$168m). Since the year-end, performance has improved with 2009 year to date returns to 28 February of 0.1%. However, in line with the general market, redemptions have decreased assets under management to US\$54m as at 1 March 2009.



Business review

Financial continued



FINANCIAL SERVICES

The financial services team supports the sale of ships into the German KG market. This is a highly specialised area of shipping and asset prices during the early part of 2008 reached levels considered too high for acceptable investment risk. This limited the ability of our team to generate revenues. A project initiated in 2007 and due for placement in 2008 was affected by the slow down in KG equity sales during the second half. This delayed vessel delivery and completion into early 2009.

INVESTMENT SERVICES

During the year, we received regulatory consent in the UK for this newly established business. Application for registration in Dubai was also made and we concluded a joint venture with Johnson Rice, based in Houston, to service the US market.

The team is currently involved in a number of mandates for M&A, debt restructuring and advisory work which, as anticipated, generated limited revenue in 2008.

Investment services is a key strategic area of development for Clarksons and we are confident that current market conditions provide us with a number of opportunities to leverage our specialist knowledge and client base to develop this business further in 2009.

As an intermediary broker our futures business thrives on volatility.



Support



Revenue

£17.0m up 45%
(2007: £11.7m)

Segment result

£3.8m loss
(2007: £0.9m loss)

Our port and agency services business delivered record revenue and operating profit in 2008. These services are reliant on the agricultural and offshore industries and as such, rising commodity prices have encouraged investment, which in turn has led to an increase in shipping activity. Through an investment in Tilbury we now offer agency services in all of the main UK ports between the Wash and the Mersey, including the Thames. Our stevedoring and warehousing operations, based in Ipswich and Great Yarmouth, benefited from a large increase in grain exports and noticeable growth in offshore activities. The result of this business was much improved on 2007.

Clarkson PLC holds the head lease of St. Magnus House in Lower Thames Street, London EC3 with an unexpired term of six years. Clarksons occupies 30% of the 136,000 square feet of available space. The remainder of the space is let on full commercial rents. Clarkson PLC also owns the freehold of Hamilton Barr House in Godalming which is let on a full commercial rent. This business generated increased revenues and profits during the year.

The technical services segment grew rapidly during 2008. We now operate out of London, Fujairah and Singapore providing skilled riding squads ex-shipyard and project management services to blue chip vessel owners and managers. Revenues more than doubled during the year and the business is now profitable.

Logistics is not one of the group's core activities and, as previously announced, we are in the process of exiting from this business. The Jet Express was sold in October 2008 after the termination of a jet fuel transport contract, to Prompt Fortune Group Limited for US\$1.0m in cash. The Pacific Dhow, a modern and versatile chemical and oil tanker, is currently employed in European waters. Unprofitable trading and write-downs in the logistics business resulted in an operating loss for the support division.

Our purpose-built stevedoring facility at Ipswich has now handled more than 3 million tonnes of export cargo.

[Find out more online clarksons.com/services](http://www.clarksons.com/services)



Ipswich
52° 04'N 1° 10'E

Business review

Financial
review**EXCEPTIONAL ITEM**

During the year, the group settled litigation with Sovcomflot and Novoship, two Russian shipping companies for US\$55m (£27m). This settlement gave rise to an exceptional charge in 2008 of £21m (2007: £6m) reflected within administration expenses. A tax credit has been recognised in respect of this item amounting to £6.0m (2007: £1.8m).

ADMINISTRATION EXPENSES

Staff costs are the major component of administrative expenses and have increased by £49.3m during the year. The group continues to keep fixed remuneration increases to a minimum. A key element of remuneration is performance related bonuses which continue to represent approximately 50% of relevant net profits. Also included within administrative expenses are £4.5m of legal costs incurred defending the litigation.

AMORTISATION AND IMPAIRMENT OF ASSETS

In light of extreme movements in freight rates, particularly in the dry cargo market, the group has assessed the value it holds in the balance sheet for acquired goodwill and intangibles. Whilst the prospects for medium to long-term profits in acquired activities remain good, forecasts for the next five years are, in some cases, lower than the value brought forward from 31 December 2007. In accordance with best accounting practice, the group has therefore made an impairment charge of £13.9m (2007: £nil).

TAXATION

The group's effective tax rate before amortisation, impairment of intangibles and exceptional item improved to 30.9% (2007: 32.3%). The overall effective tax rate of 57.1% (2007: 32.8%) is higher than the standard UK rate of tax, due to the impact of impairment adjustments which are not eligible for tax relief and disallowable trading expenses.

EARNINGS PER SHARE

Adjusted basic EPS increased 3% to 122.9p per share (2007: 119.9p per share). The board believes this is the most appropriate EPS measurement ratio for the group as it better reflects the business's underlying cash earnings. Adjusted basic EPS excludes the exceptional item and its calculation is set out in note 8 to the financial statements. The group's basic EPS was 41.9p (2007: 101.9p).

DIVIDENDS

The board is recommending a final dividend of 26p (2007: 26p). The interim dividend was 16p (2007: 14p) giving a total dividend of 42p, an increase of 5%. In taking its decision, the board took into consideration the record year and strength of the balance sheet notwithstanding current market conditions. The dividend is covered by basic EPS and 2.9 times by EPS before the exceptional item.

CASH

The group is strongly cash generative and ended the year with cash balances of £184.4m (2007: £115.3m), despite having paid £27.0m settling the litigation dispute. After the year-end, cash payments will be made including the final dividend, if approved, and performance-related bonuses. After deducting these items, net cash amounted to £87.5m (2007: £57.9m) which, after borrowings, left net available funds of £33.5m (2007: £6.1m).

BALANCE SHEET

Net assets increased by £18.4m during the year to £102.4m (2007: £84.0m).

Total non-current assets fell by £11.7m to £87.2m (2007: £98.9m), predominantly reflecting the impairment and amortisation of intangible assets. Net current assets increased to £80.6m (2007: £53.2m). As at 31 December 2007, non-current liabilities exceeded net current assets by £14.9m. During the year this position improved significantly so that net current assets at the year-end exceeded non-current liabilities by £15.2m.

During the year, the group renewed its £50m revolving credit facility for general business purposes with Barclays Bank PLC. The term of the facility is three years from November 2008. A further £3.3m was borrowed from DVB Bank in Singapore secured on the MV Pacific Dhow. This facility will be repaid during 2009.

Jeff Woyda
Finance Director

INFORMATION

Read Jeff Woyda's biography on page 18

[Find out more online clarksons.com/about_us/directors](http://clarksons.com/about_us/directors)

Risk management

The group continually reviews its procedures with regard to risk and has put in place a number of enhancements during 2008.

PROFIT BEFORE TAX (PRE EXCEPTIONAL ITEM)

£39.2m up 24%

2006: £22.1m

2007: £31.6m

2008: £39.2m

2007: £31.6m

ADJUSTED BASIC EPS

122.9p up 3%

2006: 87.2p

2007: 119.9p

2008: 122.9p

2007: 119.9p

BASIC EPS

41.9p down 59%

2006: 86.6p

2007: 101.9p

2008: 41.9p

2007: 101.9p

CREDIT RISK

The group has an extensive client base, across all regions of the world, and is exposed to credit related losses from the non-payment of invoices by these clients. The group mitigates this risk by closely monitoring outstanding amounts, both locally and globally, and by adopting a conservative approach to accounting for bad debt. The turmoil in the financial and freight markets has undoubtedly increased the amount of debt that may be irrecoverable, despite the 44% increase in revenue in 2008. However, stringent management action has ensured that the level of trade and other receivables has decreased by 12% in underlying currency and increased by only 21% year-on-year in sterling terms.

LIQUIDITY RISK

The group's policy is to maintain borrowings and facilities at such a level that they provide access to funds sufficient to meet all of its foreseeable requirements. In the final quarter of 2008, the group determined that in order to be able to seize opportunities that may present themselves, despite the potential for reduced credit facilities available generally in the market in the future, it would renew the revolving credit facility for a further three years. The strong generation of cash flow in the business, combined with the facilities drawn down and cash available in the balance sheet, means that the group is well placed to fund future developments of its global business.

FOREIGN EXCHANGE RISK

The major trading currency of the group is the US dollar. Movements in the US dollar relative to other currencies, particularly sterling, have the potential to impact the results of the group both in terms of operating results and the revaluation of the balance sheet. Where there are borrowings taken that specifically relate to assets held in foreign currencies, the borrowings are

taken in the same currency as the assets. The group assesses the rate of exchange and non-sterling balances held continually, and has predominantly sold in the spot market during 2008. The rates of exchange seen in the final quarter of 2008 and beginning of 2009 are, however, very attractive as they approach 10-year lows. The group has therefore taken some forward cover for 2009 and 2010.

INTEREST RATE RISK

The group's borrowings are at variable rates of interest, and currently there is no cover taken to mitigate the exposure to interest rate movements.

REPUTATIONAL RISK

The group has built an enviable reputation in the market over the past 156 years, and relies upon this to attract business from all major participants in its markets. Clarksons protects against reputational risks by promoting an ethical work environment and providing training programmes where appropriate. The investment in compliance, quality assurance and legal functions also act to ensure that best practices are put in place throughout the group.

OPERATIONAL RISK

Operational risks are where the group may suffer direct or indirect losses from people, systems, external influences or failed processes. The group continually reviews the systems in place to mitigate against operational risk, and puts in place plans to protect against such risks wherever they are significant and practicable. Examples include Business Continuity Plans, Staff Contracts and IT security arrangements. The group also keeps in place and under review appropriate levels of insurance cover.

Board of directors



1. BOB BENTON Chairman (Non-Executive)

Bob Benton, aged 51, was appointed a director of the company in May 2005 and was appointed chairman on 27 August 2008. He has spent his entire career in the City of London. He is currently managing director, head of media, at Canaccord Adams. He was previously chief executive of Ingenious Securities Ltd, prior to which he was chairman of Bridgwell Securities Ltd. He has also held the positions of chairman and chief executive of Charterhouse Securities Ltd, global head of sales at ABN AMRO, and managing director of HSBC James Capel Ltd.

2. ANDI CASE Chief Executive

Andi Case, 42, was appointed chief executive officer on 17 June 2008, having previously been chief operating officer of Clarksons. He joined Clarksons in 2006 as managing director of the group's shipbroking arm, H Clarkson & Company Limited. He began his shipbroking career with CWKellock and later Eggar Forrester. Prior to joining Clarksons he was with Braemar Seascope for 17 years, latterly as head of Sale & Purchase and Newbuildings.

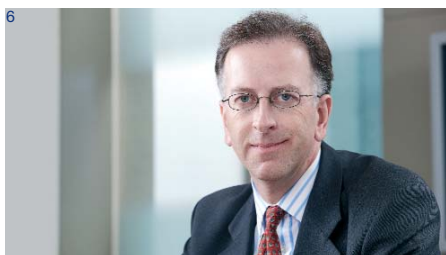
3. JEFF WOYDA Finance Director

Jeff Woyda, aged 47, was appointed a director of the company in November 2006. Having qualified with KPMG, Jeff spent 13 years at GNI where he was chief operating officer and a member of the Gerrard Group PLC executive committee.



4. MARTIN STOPFORD Director

Martin Stopford, 61, joined Clarksons in 1990 and was appointed to the board in September 2004. He was previously a Vice President at Chase Manhattan Bank and a director of British Shipbuilders. Martin is also head of Clarkson Research.



5. PAUL WOGAN Non-Executive Director

Paul Wogan, 46, has spent more than 20 years in the shipping industry. Initially, he worked as an owner's broker with the GP Livanos Group in London but most recently was president of Teekay Tanker Services, part of one of the world's largest shipping companies with a fleet of nearly 180 vessels. Prior to that, he was chief executive of Seachem Tankers, the chemical tanker company. He left Teekay in March 2008 and was appointed to the Clarksons board three months later. He also serves on the Advisory Board of Grand Union, the Greek shipping company.

6. ED WARNER Non-Executive Director

Ed Warner, 45, is chairman of Cantos, the online financial broadcaster. In 2006 he successfully sold IFX Group PLC, the financial trading and spread betting company, having been its chief executive for three years. Previously he was chief executive officer of Old Mutual Financial Services UK, Head of Pan European Equities at BT Alex Brown, and Head of Global Research at Dresdner Kleinwort Benson. Ed was a top ranked investment strategist



in the leading surveys of institutional investors. He is also a non-executive director of The Eastern European Trust, the Standard Life European Private Equity Trust and Moneycorp Markets. He lectures on the investment banking industry at Cranfield School of Management. In January 2007 he was appointed chairman of UK Athletics, the sport's national governing body, with a mandate to lead it through to London 2012 and beyond.

7. JAMES MORLEY Non-Executive Director

James Morley, 60, is a chartered accountant with some 25 years of experience as an executive board member at both listed and private companies, primarily in the insurance sector. Most recently, he was chief operating officer of Primary Insurance Group and prior to this was group finance director at Cox Insurance Holdings, group finance director at ArjoWiggins Appleton PLC and group executive director (Finance) at Guardian Royal Exchange. James started his career at Arthur Andersen & Co and was both deputy chief executive and group finance director at AVIS Europe PLC. He is currently a non-executive director of Costain Group PLC, The Innovation Group PLC and WS Atkins PLC and was previously a non-executive director of The Bankers Investment Trust PLC. James joined the Clarksons board on 6 November 2008.



Report of the directors

The directors present their report and the group and company financial statements for the year ended 31 December 2008, which were approved by them on 27 March 2009.

Principal activities and business review

The principal activity of the company during the year was that of an investment holding company, whose subsidiaries were primarily involved in the provision of shipping related services. A review of the group's performance and likely future developments is contained in the chairman's review, the chief executive's review and the business review on pages 4 to 17.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are credit risk, liquidity risk, foreign exchange risk, interest rate risk, reputational risk and operational risk. Narrative on these risks is included in the risk management section of the business review.

Group results and dividends

The results of the group, giving details of the profit, dividends and retained earnings are shown on pages 34 and 76. An interim dividend of 16p (2007: 14p) was paid in October 2008. The directors are recommending a final dividend, if approved, of 26p (2007: 26p), payable on 12 June 2009 to shareholders registered at the close of business on 29 May 2009, making a total dividend for the year of 42p (2007: 40p) per share.

Share price

The closing market price of the shares at 31 December 2008 was £3.45 (31 December 2007: £10.20) and the range during 2008 was £3.20 to £10.30 (2007 range: £7.96 to £11.12).

Directors

The directors of the company as at the date of this report are shown on page 18.

The following have been directors during the year ended 31 December 2008: Bob Benton, Andi Case, Martin Clark, Richard Fulford-Smith, Tim Harris, James Morley, Martin Stopford, Jeff Woyda, Ed Warner and Paul Wogan.

Richard Fulford-Smith resigned from the board on 30 April 2008, Tim Harris on 28 August 2008 and Martin Clark on 30 September 2008.

Andi Case was appointed on 17 June 2008, Ed Warner and Paul Wogan on 27 June 2008 and James Morley on 6 November 2008.

No director had a material interest in any contract of significance to the group's business during the year.

At the date of this report, each director has confirmed that they are not aware of any relevant audit information of which the auditors were unaware, and that they have taken steps that ought to have been taken in their duty as directors to ascertain relevant audit information and establish whether the auditors are aware of it.

Re-election of directors

The company's Articles of Association require one-third of the directors who are subject to retirement by rotation to retire and submit themselves for re-election at the AGM each year. Martin Stopford will retire by rotation, and being eligible, offers himself for re-election in 2009. Andi Case, James Morley, Ed Warner and Paul Wogan having been appointed by the directors during the year will stand for election at the annual general meeting.

Substantial interests

The company has been notified of the following substantial interests in its issued share capital as at 13 March 2009 (being the latest practicable date prior to the approval of these accounts):

Employees and employee share trusts	27.0%
CMB Group	17.0%
Lloyds Banking Group	6.9%

Save for the above, the company is unaware of any substantial interests, other than those of the directors whose interests are shown on page 29, in its issued share capital.

As at 13 March 2009, employees directly held 13.8% of the company's share capital and 13.2% was held by employee share trusts for use under the company's various incentive schemes.

Share capital and control

Details of the company's share capital and any movements during the year are shown in note 24 to the accounts.

The holders of ordinary shares are entitled to receive dividends when declared, the company's report and accounts, to attend and speak at general meetings of the company, to appoint proxies and exercise voting rights.

There are no restrictions on transfer, or limitations on the holding of ordinary shares and no requirements to obtain prior approval to any transfers. No ordinary shares carry any special voting rights with regard to control of the company and there are no restrictions on voting rights. Major shareholders have the same voting rights per share as all other shareholders. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Shares acquired through Clarkson's share schemes and plans rank equally with the other shares in issue and have no special rights.

Change of control

The company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.

The service contracts for executive directors contain a provision whereby within 12 months of a change of control, if notice is given by the company or executive director (of not less than four weeks in the case of the latter), the executive will receive immediately an amount equivalent to 12 months salary, benefits and bonus.

Report of the directors continued

Interests in voting rights

Other than as stated on page 19, as far as the company is aware, there are no persons with significant direct or indirect holdings in the company. Information provided to the company pursuant to the Financial Services Authority's (FSA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the company's website.

The company has not acquired or disposed of any interests in its own shares.

Employment policies

The group operates worldwide and its employment policies vary to meet local conditions and legal requirements.

It is committed to equal opportunities for all employees. The policy of staff communication, consultation and participation continues. Where such policies do not exist in acquired companies, steps are taken to introduce them. Clarkson News, the group's in-house magazine, provides employees and former employees who are now pensioners with information about the group and staff issues. The Clarksons intranet is also accessible by all employees and contains current news, policies and other employee information. Information is also readily available on the group's corporate website: www.clarksons.com.

Employees are encouraged to become involved in the financial performance of the group through the operation of share option and restricted share plan schemes. At 13 March 2009, employee share trusts held 2,496,964 shares (2007: 2,517,603 shares) of which 1,912,683 had been allocated to employees under the Restricted Share section of the Long Term Incentive Plan 2004 and 584,281 for allocation to employees at a future date under share incentive schemes. Employees holding Restricted Shares are entitled to dividends and voting rights.

Full and fair consideration is given to applications for employment by those with a disability. Where an employee becomes disabled whilst in the employment of a group company, every effort is made to find continuing employment where possible.

Charitable and political donations

During the year, the group made various charitable donations amounting in aggregate to £131,000 (2007: £139,000).

No political contributions were made.

Pension schemes

The assets of the company's pension schemes are held totally separate from the assets of the group and are invested with independent fund managers. The pension schemes are controlled by trustees who include both company and employee nominees. The trustees are responsible for looking after the assets of the pension schemes and for ensuring that their funds are only used to provide retirement benefits in accordance with their trust deed and rules. The pension schemes' auditors and actuaries are all independent of the company.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on pages 10 to 17. The financial position of the group, its cash flows, liquidity position and borrowing facilities are also described in the business review. The business review and note 27 to the financial statements include a description of the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The group has considerable financial resources available and a strong balance sheet, as explained in the business review on page 16. As a result, the directors believe that the group is well placed to manage its business risks successfully despite the challenging market conditions.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Payment of liabilities

The group pays its trade payables in accordance with the terms negotiated for them. Trade payables principally represent client balances and are settled as requested. The company has no trade payables.

Financial instruments

The group's policies on financial instruments are set out in note 2 to the financial statements. The group's exposure to the risks arising from financial instruments is included in note 27 to the financial statements.

Annual general meeting

Resolutions will be proposed at the annual general meeting to renew the directors' authority to allot new shares, issue new shares other than pro rata, and purchase the company's own shares. There will also be a resolution to adopt new Memorandum and Articles of Association and a resolution to amend the rules of the 2004 Long Term Incentive Plan. Further details of these resolutions together with explanatory notes can be found in the enclosed notice of meeting.

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors of the company will be proposed at the annual general meeting.

By order of the board

Steve Deasey

Secretary

27 March 2009

Corporate governance statement

Clarkson PLC is committed to ensuring high standards of corporate governance. As required by the Listing Rules, this section on corporate governance, together with the directors' remuneration report, details how the company has applied the principles set out in the revised Combined Code during the year ended 31 December 2008. The directors consider that the company has complied with the Combined Code throughout the year.

The board of directors

The company is headed by an experienced board of directors, comprising a non-executive chairman, group chief executive, two further executive directors and three non-executive directors. The board meets at least four times a year and the directors' attendance at the meetings is shown in the following table. Biographical details are shown on page 18.

The directors are responsible for the proper conduct of the company's affairs. The directors' meetings include reviews of financial and business performance, opportunities and the monitoring of business risks. They have adopted a formal schedule of matters reserved for their decision. Certain matters, such as the annual review of the internal controls function, have been delegated to board committees, whose chairmen report back to the full PLC board.

The roles of the chairman and chief executive have been clearly established and agreed by the board.

The chairman is primarily responsible for the running of the board. The chief executive's primary role is the running of the company's business.

The senior independent director was Martin Clark until his resignation when he was replaced by Paul Wogan.

Board and committees

The members of the board and its committees during the year and their attendance at board and committee meetings during the year were as follows:

	Board	Strategy meeting	Audit committee	Remuneration committee	Nomination committee
Total number of meetings	7	1	2	5	3
Current directors					
Bob Benton	6/7	1/1	2/2	5/5	3/3
Andi Case (appointed 17 June 2008)	2/2	1/1			
James Morley (appointed 6 November 2008)	1/1				
Martin Stopford	7/7	1/1			
Ed Warner (appointed 27 June 2008)	2/2	1/1	1/1	1/1	1/1
Paul Wogan (appointed 27 June 2008)	2/2	1/1	1/1	1/1	1/1
Jeff Woyda	7/7	1/1			
Past directors					
Martin Clark	6/6	1/1	2/2	5/5	2/2
Richard Fulford-Smith	2/3				
Tim Harris	6/6	1/1			2/2

A copy of the committees' terms of reference is available on request from the company secretary.

Due to the timing of the appointments and resignations during the year it was not considered worthwhile for the chairman to meet with the non-executive directors during the year without the executive directors present, nor for a meeting of the non-executive directors to take place without the chairman in order to evaluate his performance.

All non-executive directors are appointed for a specific term.

The composition of the board as between executive and non-executive directors complies with the Code's requirements.

The terms of appointment of the non-executive directors are available for inspection at the company's registered office.

On appointment, all directors are provided with induction training relating to the company's business. In addition, individual directors may seek professional advice on any matter concerning them in the furtherance of their duties at the expense of the company. All directors have access to the advice and services of the company secretary.

Due to the timing of the appointments and resignations during the year there was no formal evaluation of the board and each of its members. The evaluation process will be reinstated in 2009.

In accordance with the company's Articles of Association, all directors are subject to election at the first AGM following appointment, and thereafter one-third of the directors retire annually by rotation, and where eligible, seek re-election.

Corporate governance statement continued

The remuneration committee advises on remuneration and incentive schemes for senior staff, and makes recommendations for the operation of the company's performance-related schemes. Further details of the work of this committee are contained within the directors' remuneration report on pages 24 to 30.

The nomination committee recommends to the board appointments for the role of chairman, chief executive, finance director, executive and non-executive directors. The committee comprises the chairman and the non-executive directors and was chaired by Martin Clark until his resignation and then by Bob Benton.

The audit committee comprises the independent non-executive directors, James Morley, Ed Warner and Paul Wogan. Martin Clark chaired the committee until his resignation. James Morley now chairs the committee. The main role and responsibilities of the audit committee are to consider the group's risk assessment, internal control procedures, and the use of external auditors and review of the half yearly and annual financial statements. The audit committee undertakes an annual review of the group's internal controls, including financial, operational, compliance and risk management and confirms that these controls remain effective. At the invitation of the committee the chairman of the board, the chief executive, the finance director and financial controller attended its meetings. The committee's terms of reference are reviewed on an ongoing basis to ensure compliance with the requirements of the Code.

The audit committee has established arrangements by which staff of the group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The group does not presently have an internal audit function but the need for such a function is regularly reviewed.

On occasions it may be necessary to employ the company's external auditors for certain non-audit work. During the year they also provided due diligence and taxation services. All non-audit services are reported to the audit committee which has satisfied itself that these services do not affect the auditors' objectivity and independence.

Shareholder relations

The importance of maintaining good relations with individual and institutional investors is recognised by the board. This includes meetings on a regular basis between the executive directors and institutional and private investors, following trading statements, results and other relevant announcements; the non-executive directors are fully briefed after such meetings.

The company encourages shareholder attendance at the annual general meeting, at which the chairman takes any questions on the previous year's results and gives an update on current year trading.

Internal control

The board is responsible for the establishment and ongoing implementation of the group's internal control mechanisms. By their very nature, these controls can provide reasonable but not absolute assurance against material misstatement or loss.

Day-to-day management of corporate responsibility is performed by our directors, managers and employees. All employees are expected to play a role in maintaining Clarkson's status as a responsible business. A number of key procedures have been established to provide effective internal controls. The Compliance Department ensure that particular areas of the business that require regulatory control are compliant with the appropriate legislation and regulations.

There is a comprehensive budgetary process in place with both annual and regular forecasts being considered and approved by the board and monthly monitoring of trading results taking place. Senior management within each office have responsibility for the establishment of appropriate control frameworks within their operations to ensure compliance with group policies, ensuring that risks within their businesses are identified, controlled and monitored. Regular meetings take place between the board and senior operational managers to discuss any issues affecting that particular part of the business including any major risks.

The board confirms that, through the audit committee, it has reviewed the effectiveness of the system of internal control covering all controls including financial, operational and compliance controls and risk management systems for the year and up to the date of the report. A formal review is undertaken annually.

Employment and human rights

Clarksons is an equal opportunities employer and applies employment policies which are fair and equitable. Appointments, training and career development are determined solely by application of job criteria, personal ability and competence regardless of gender, race, disability, age, sexual orientation or religious or political beliefs.

The Clarkson intranet site is available to all employees allowing easy access to group information and current developments.

Where suitable opportunities exist full and fair consideration is given to the possibility of employing a disabled person. Where an employee becomes disabled whilst in the employment of a group company, every effort is made to find continuing employment where possible. The policies in place within the group aim to deter acts of harassment and discrimination. The group maintains a zero tolerance policy concerning discrimination, sexual harassment and retaliation against individuals who report problems in the group's workplace.

Health and safety

It is group policy to protect the health and safety of its employees and any other parties involved in the conduct of its business operations. It aims to meet or exceed all legal and industry requirements and to have systems to define and eliminate health and safety risks.

Corporate social responsibility

Today businesses face many challenges, and Clarkson is committed to meeting these challenges without compromise. As an international business operating in 15 countries with 736 staff worldwide, Clarkson is committed to responsible business practices, communication with its stakeholders, good corporate governance, risk management and developing a workforce equipped for a globally integrated economy.

Clarkson recognises the need to develop a diverse workforce and provides a working environment in which everyone is treated fairly and with respect. The company aims to be a responsible employer and adopt standards and values designed to help guide its staff in their conduct and business relationships. The company acknowledges that in order to remain competitive it needs employees that unite in different cultures, languages and perspectives building a stronger global team that will adapt to the economic, social and environmental changes that surround it.

Environment

Clarkson is a responsible business that is committed to minimising its impact on the environment and aims to achieve improvements in its environmental management to become a more sustainable business.

As a growing international business, Clarkson aims to save energy and carbon, minimising the company's impact on the environment and therefore reducing operating costs. The company recognises that this will only be done through continuous improvement in energy management. A video conferencing facility has been installed globally throughout the business, thus reducing the need for executive travel and therefore reducing Clarkson's carbon footprint.

Various control measures have been implemented and, in the UK, at the St. Magnus House building where the group holds the head lease, an environmental management system is in place for lighting and air conditioning controlled by a supervisory PC utilising the latest software. Regular planned maintenance is carried out to ensure that all units are working at their optimum efficiency. All office-produced waste from St. Magnus House is recycled.

In accordance with the requirements of the EPBD Regulations 2007 the production of an Energy Performance Certificate was commissioned for St. Magnus House. The building compared well against similar buildings by performing 19 points higher than the average. Research is also being carried out to explore ways in which to minimise electricity usage and further investigations will be continuing during the year. Further, a report commissioned on St. Magnus House from the Carbon Trust recognises that St. Magnus House, having been completely refurbished in 2003 is a generally efficient building.

Directors' remuneration report

This report to shareholders provides information on the remuneration and share interests of all Clarkson PLC directors and the criteria by which that remuneration has been determined. It has been prepared in accordance with the Companies Act 1985 Schedule 7A and the applicable Listing Rules.

Remuneration committee

The remuneration committee comprises all the independent non-executive directors – Bob Benton, Ed Warner, Paul Wogan and James Morley, and is chaired by Ed Warner. Martin Clark was a member of the committee until his resignation. Bob Benton chaired the committee until his appointment as company chairman. None of the committee members have day-to-day involvement with the business nor do they have any personal financial interest in the matters to be recommended. Steve Deasey, company secretary, acts as secretary to the committee. The number of formal meetings held and the attendance by each member is shown in the table on page 21. The committee also held informal discussions as required.

The remuneration committee is responsible, on behalf of the board, for:

- Setting the senior executives' remuneration policy;
- Reviewing the design of all share incentive plans for approval by the board and shareholders;
- Approving the design of, and recommending targets for, any performance related pay schemes the company operates for senior executives.

Hewitt New Bridge Street ('HNBS') provide independent advice and services that materially assist the committee in their consideration of matters relating to directors' remuneration, design of share incentive plans and measurement of performance against vesting targets. HNBS has no other connection with the company.

Remuneration policy

The policy of the company is to ensure that executive rewards are linked to performance, to provide an incentive to achieve the key business aims, deliver an appropriate link between reward and performance and maintain a reasonable relationship of rewards to those offered in other competitor companies in order to attract, retain and motivate executives within a framework of what is acceptable to shareholders.

There are few comparable UK public companies involved solely in the business of providing shipping and related wholesale financial services. Comparisons are therefore made with City based companies in the financial services sector and private companies in the shipping sector, many of which are headquartered overseas. In the highly competitive global labour market which operates within the shipping services sector, the retention of key talent is critical to continued business success. Remuneration levels are set to attract and retain the best talent and to ensure that market competitive rewards are available for the delivery of strong business and personal performance. The remuneration committee is advised by HNBS on the issue of comparability with the benchmark companies.

The remuneration committee seeks to structure total remuneration packages which align the interests of shareholders and senior executives. Directors' remuneration will be the subject of regular review in accordance with this policy in the next and following financial years.

It is recognised by the remuneration committee that the current management team is highly regarded and would be attractive to our competitors in the shipping industry and, increasingly, broader wholesale financial services businesses. Retention of key talent in this context is critical (whilst recognising the need for appropriate succession planning).

The proportionate breakdown of the total remuneration is such that, in line with most other financial services companies, a very high proportion of the package is performance related. For instance, in 2008 approximately 63%–90% of executive directors' total remuneration was derived from performance related pay.

Non-executive directors' remuneration is set by the chairman, chief executive and finance director with guidance from HNBS.

Base salary

Base salary is reviewed annually and is determined by reference to individual responsibilities, performance and external market data. Therefore it is set to reflect the experience, responsibility, effectiveness and market value of the executive.

Base salaries have remained unchanged since 2006 for executive directors who served throughout the year.

Benefits

The principal taxable benefits for executive directors are the provision of car allowances, pension allowances and healthcare insurance.

Annual performance bonus and Long Term Incentive Plan

The remuneration committee considers that the performance-related elements of the executive directors' packages (normally consisting of annual cash bonuses and annual grants over shares calculated based on the market value at the date or dates of grant) give the executive directors the potential to receive appropriate annual rewards, but only if significant value has been delivered to shareholders. It is therefore considered that, in terms of providing motivation to the executive directors to deliver improved shareholder value, the performance-related elements of the directors' packages are critical.

It is essential that, where appropriate given the skills and responsibilities of the individual, executive directors' performance-based remuneration is designed to reward the executive commensurately with their potential rewards in comparator companies.

The committee designs the incentive structure to:

- align the executives' interests with those of shareholders through equity based incentives;
- provide an incentive structure with 'lock-in' of key executives;
- ensure the total incentive award is market competitive;
- be stretching in terms of achievement of targets.

Annual bonus

In common with most City-based financial institutions, annual bonus is not subject to a formal cap. Instead, performance criteria are calibrated carefully each year to ensure that the total bonus pool and individual allocations within the pool are not excessive. There is also a profit 'floor' below which no bonus is triggered under the formula. Above this threshold an escalating percentage of profits is payable upon the achievement of further thresholds.

A key determinant of the amount of the bonus awarded to the chief executive is the significant broking revenues generated by him. Going forward this is reflected in:

1. The percentage of the bonus pool awarded to the chief executive relative to other non-broking participants.
2. A significant part of the bonus payable being linked to the specific revenues generated by the chief executive.
3. The chief executive's right to receive the higher of the executive annual bonus or the bonus he would have been entitled to from his continuing broking activities. This underpinning of bonus was agreed at the time of his joining the board to incentivise him to assume the additional role and responsibilities of chief executive officer.

At the time of writing, the shipbroking market is significantly less buoyant compared to early 2008. The remuneration committee has calibrated the 2009 bonus plan carefully to ensure that the bonus potential is appropriate in light of the lower outlook for profitability.

Long Term Incentive Plan

The plan comprises a HMRC approved part and an unapproved part and allows senior executives to be granted options and/or performance share awards. There is an annual limit of 150% of basic salary for performance share awards or 450% of basic salary for options. For awards granted in 2007 and 2008 the vesting of the awards will be based on the following two performance criteria (as to 50% each):

EPS (normalised EPS) – to reflect financial performance of the company. Awards under this element will vest on a three year basis and will be measured against the Retail Price Index ('RPI'). Awards will vest 100% should earnings per share growth exceed RPI plus 8% per annum, and 25% should EPS growth exceed RPI plus 4% per annum. Awards will vest pro rata between these two levels.

TSR – to reflect performance relative to the stock market. Awards under this element will vest 100% on a three year basis should total shareholder return achieve the top quartile of the FTSE SmallCap Index, and 25% should TSR equal the median of the FTSE Small Cap Index. Awards will vest pro rata between these two levels.

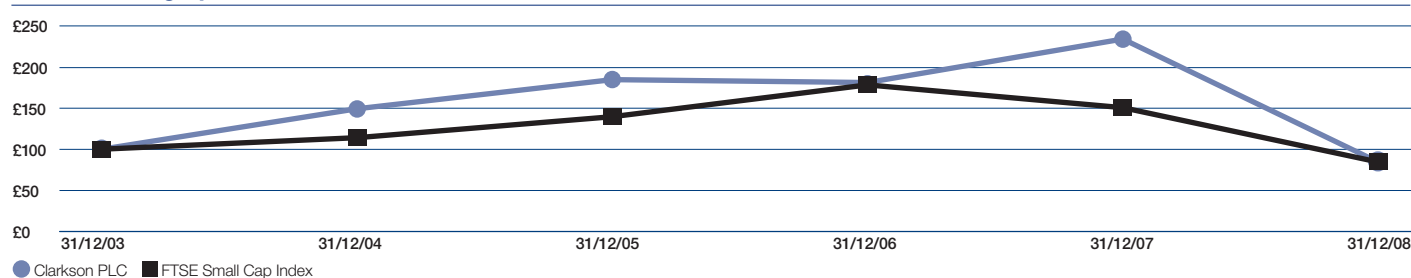
The above targets will be reviewed annually. Share awards will be made annually following the publication of the annual results. The shares would normally vest three years from the award date provided that the executive is still employed by the company and the company's performance met the relevant targets over the three year period.

For awards to be granted in 2009, EPS targets will be set which take account of growth, current market conditions and the requirement for EPS to reach new highs before 100% vesting. TSR targets remain as stated above.

Total shareholder return

This graph shows total shareholder return (that is, share price growth assuming reinvestment of any dividends) of the company over the past five financial years compared to the FTSE SmallCap Index, which the committee considers an appropriate index for comparison purposes.

Performance graph



This graph shows the value, by 31 December 2008, of £100 invested in Clarkson PLC on 31 December 2003 compared with the value of £100 invested in the FTSE Small Cap Index. The other points plotted are the values at intervening financial year-ends.

Directors' remuneration report continued

Policy on directors' employment terms

The company's policy on directors' employment terms is that:

- Executive directors should have rolling service contracts terminable on no more than one year's notice served by the company or the director; and
- Non-executive directors are appointed by letter of appointment for a fixed term not exceeding three years, renewable on the agreement of both the company and the director.

The normal retirement date for executive directors is 65.

The normal retirement date for non-executive directors is 70.

There are no predetermined provisions for compensation on termination within executive directors' service agreements, which exceed one year's emoluments. In the event of early termination of the contracts, the company reserves the right to pay in lieu of notice an amount equivalent to his basic salary, contractual benefits and annual bonus for the notice period.

The policy on termination payments is that the company does not normally make payments beyond its contractual obligations, including any payment in respect of notice to which a director is entitled.

Directors' service contracts and appointment terms

	Date of contract	Unexpired term at 31.12.08	Notice period
Details of the current directors' service contracts are as follows:			
Andi Case	17.06.08	12 months	12 months
Martin Stopford	01.09.04	12 months	12 months
Jeff Woyda	03.10.06	12 months	12 months
Details of the non-executive directors' appointment terms are as follows:			
Bob Benton	28.08.08	32 months	3 months
Ed Warner	27.06.08	30 months	3 months
Paul Wogan	27.06.08	30 months	3 months
James Morley	06.11.08	34 months	3 months

Executive contracts of service are negotiated on an individual basis as part of the overall remuneration package. Andi Case, Martin Stopford and Jeff Woyda have rolling one year contracts terminable on 12 months' notice.

Non-executive directors are appointed for specified terms and are subject to re-election at the annual general meeting following appointment, and thereafter every three years. Each appointment can be terminated before the end of the three year period with three months' notice due.

Directors' emoluments and compensation (Audited)

Details of emoluments and compensation payable in their capacity as directors during the year are set out below:

	Basic salary and fees £000	Benefits £000	Perfor- mance- related bonuses £000	Total 2008 £000	Total 2007 £000
Executive directors					
Richard Fulford-Smith ¹	550	30	2,304	2,884	3,140
Andi Case ²	298	10	2,896	3,204	–
Martin Stopford	225	39	277	541	728
Jeff Woyda	250	10	1,466	1,726	1,061
Non-executive directors					
Bob Benton ³	119	–	–	119	40
Martin Clark ⁴	45	–	–	45	40
Tim Harris ⁵	67	–	–	67	100
Ed Warner ⁶	31	–	–	31	–
Paul Wogan ⁷	31	–	–	31	–
James Morley ⁸	9	–	–	9	–
Martin Watson ⁹	–	–	–	–	12
	1,625	89	6,943	8,657	5,121

1 Resigned from the board on 30 April 2008 – Richard Fulford-Smith is being paid a base salary of £550,000 pa plus ancillary benefits monthly from the date of his notice of cessation of employment on 29 May 2008 for a period of 12 months. In addition he is entitled to participate in a performance related annual bonus until the cessation of his employment. These provisions are all in accordance with his service contract and were determined by the remuneration committee recognising that the restricted covenants and non-solicitation clauses are being rigorously adhered to.

2 Appointed 17 June 2008

3 Prior to his appointment as chairman on 28 August 2008 Bob Benton was paid £60,000 pa, this was then increased to £110,000 pa and in addition he earned £40,000 for a very significant increase in his workload, responsibilities and time commitment in a year of major transition.

4 Resigned 30 September 2008.

5 Resigned 28 August 2008.

6 Appointed 27 June 2008.

7 Appointed 27 June 2008.

8 Appointed 6 November 2008.

9 Resigned 20 April 2007.

In 2008 executive directors participated in a bonus scheme which was linked principally to the achievement of group earnings per share targets with the balance based on personal objectives. The objectives were exceeded in 2008 and the bonus was paid in full.

Included in the performance-related bonuses above are the total bonuses payable to executive directors. In line with higher earning employees up to 10% will be paid in the form of restricted shares which vest after four years. Andi Case and Jeff Woyda sacrificed £161,875 and £172,500 respectively into pension.

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

The annual performance-related bonus recognised the all-time-high level of the company's profitability in 2008, in what was an exceptional year for shipbroking.

In the case of Jeff Woyda the personal element of the bonus recognised partly the satisfactory settlement of the claims brought against H Clarkson & Company Limited by the two Russian shipping companies, Sovcomflot and Novoship.

Executive directors who served on the board during the period relating to the Russian litigation had their bonuses reduced to take account of the consideration paid by Clarksons to settle the above claims, however this does not imply any personal responsibility by these directors.

Directors' remuneration report continued

Directors' share incentives (Audited)

The following share awards were granted under the Long Term Incentive Plan on 30 June and 28 August 2008, subject to the EPS and TSR (50% of the award each) performance criteria detailed in the Long Term Incentive Plan section of this report on page 25.

	Interests under plan at 1 January 2008 ¹	Awards granted in year	Awards lapsed/ vested in year	Interests under plan at 31 December 2008	Vesting Date
Richard Fulford-Smith	88,330	—	—	88,330	1 Jul 2010
Andi Case	—	85,139 ²	—	85,139	27 Aug 2011
Jeff Woyda	40,150	—	—	40,150	1 Jul 2010
	—	38,941 ³	—	38,941	29 Jun 2011
Martin Stopford	36,135	—	—	36,135	1 Jul 2010
	—	35,047 ⁴	—	35,047	29 Jun 2011

1 The share price on the date of the award was £9.34

2 The share price on the date of the award was £9.69

3 The share price on the date of the award was £9.63

4 The share price on the date of the award was £9.63

Directors' interests in share options (Audited)

Directors' interests in share options over ordinary shares are as follows:

Name of director	Options held at date of appointment	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31/12/2008	Exercise Price (£)	Dates from which exercisable	Expiry date
Andi Case	50,000	—	—	—	50,000	9.91	Oct 2010	Oct 2017

The above options were granted for nil consideration.

These options will be exercisable from the dates stated above, subject to them satisfying the following performance conditions:

- Earnings Per Share (EPS) Performance: under the EPS condition, one-half of the options will vest in full if EPS growth over the performance period exceeds RPI plus 8% per annum. 25% of one-half of the options will vest if EPS growth exceeds RPI plus 4% per annum. There will be straight-line vesting between these two points;
- Total Shareholder Return (TSR): this condition is based on the Company's relative TSR performance over the performance period compared to constituent companies of the FTSE SmallCap Index (excluding the Company and any investment trusts) as at the Option Grant Date. One-half of the options will not vest if the Company's relative TSR performance ranks the Company below the median of the peer group. 25% of one-half of the options will vest if the Company's TSR performance ranks the Company at the median of the peer group and 100% of one-half of the options will vest if the Company ranks in the upper quartile and there will be straight-line vesting between 25% and 100% if the Company ranks between the median and upper quartile of the peer group;
- The performance period will be a single fixed three-year period starting on 1 January 2007. The options will lapse to the extent that the Performance Conditions applying to the options have not been satisfied at the end of the performance period.

Directors' interests in shares

The beneficial interests of the directors in the share capital of the company at 31 December 2008 are as follows:

	Ordinary shares	
	2008 Number	2007* Number
Bob Benton	—	—
Andi Case	695,294**	695,294**
James Morley	—	—
Martin Stopford	57,082	57,082
Ed Warner	—	—
Paul Wogan	—	—
Jeff Woyda	—	—

* Or at date of appointment, if later.

** Includes 210,000 Restricted Shares granted prior to Andi Case's appointment as a director based on performance at that time which are due to vest in June 2011.

These shares are held by Praxis Trustees Limited but Andi Case receives dividends and holds voting rights. The entitlement to these shares may be lost if Andi Case leaves the company.

On 14 January 2009 Ed Warner acquired beneficial interests in 15,000 ordinary shares in the company, Paul Wogan acquired beneficial interests in 5,000 ordinary shares in the company and Martin Stopford disposed of beneficial interests in 18,308 ordinary shares in the company.

Jeff Woyda is a director and trustee of Clarkson (Trustees) Limited which acts as trustee for restricted share awards issued under the LTIP.

Pensions (Audited)

Executive directors of the company earned pension benefits in the group pension schemes.

Defined benefit scheme

Pension benefits earned by the directors in the defined benefit scheme in the year to 31 December 2008 were:

	Age	Total accumulated pension benefit at 31 December 2008 £000	Change in total accumulated pension benefit (including inflation) since 31 December 2007 £000	Transfer value of accrued pension at 31 December 2008 £000	Transfer value of accrued benefits at 31 December 2007 £000	Change in transfer value of accrued benefits £000	Directors contributions during the year £000	Change in total accumulated pension benefit (excluding inflation) since 31 December 2007 £000	Transfer value of the increase in accrued benefit at 31 December 2008 less director's contributions £000
Richard Fulford-Smith	53	46	2	819	871	(52)	—	—	—

Basic salary is the only element of remuneration which is pensionable under the defined benefit scheme.

The pension entitlement shown is that which is paid annually on retirement based on service to closure of the scheme to further accrual on 31 March 2006 or date of ceasing to be a director if earlier. The defined benefit scheme provides a pension of up to two-thirds pensionable salary on retirement (subject to HMRC limits) dependent on length of service

The increase in accrued pension during the year excludes any increase in inflation.

The transfer value for the UK Listing Authority disclosure has been calculated on the basis of actuarial advice.

The pension scheme also provides dependant's pensions in the event of death.

As previously reported the existing defined benefit section of the company's main UK Scheme closed to new entrants on 31 March 2004 and closed to further accrual for all existing members from 31 March 2006.

Directors' remuneration report continued

Following the closure of the defined benefit scheme to further accrual and the implications of the changes in pensions' legislation Richard Fulford-Smith and Martin Stopford chose not to join the defined contribution scheme and exercised their right to receive an allowance equivalent to the company contribution net of National Insurance. Martin Stopford also exercised his right to transfer his benefits from the Clarkson PLC Pension Scheme.

Defined contribution scheme

Andi Case and Jeff Woyda participated in a company defined contribution scheme during the year; the employer contributions were £44,400 and £37,500 respectively being 15% of base salary.

Approval by shareholders

At the annual general meeting of the company to be held on 13 May 2009 a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the board on 27 March 2009 and signed on its behalf by:

Ed Warner

Remuneration committee chairman

27 March 2009

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors are required to prepare financial statements for each financial year which present fairly the financial position of the group and of the company, the financial performance of the group and cash flows of the group and of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- State that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and of the company and enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements for the year ended 31 December 2008 are included in the Annual Report 2008, which is published in hard copy printed form and made available on the website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Directors' responsibility statement

The directors, the names of whom are set out in the corporate governance statement on page 21 of this Annual Report, confirm to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union and in accordance with rule 4.1.12(3)(a) of the Disclosure and Transparency Rules, have been prepared in accordance with the applicable set of accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the group and the undertakings included in the consolidation taken as a whole; and
- the business review has been prepared in accordance with rule 4.1.12(3)(b) of the Disclosure and Transparency Rules, and includes a fair review of the development and performance of the business and the position of the group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the group faces.

On behalf of the board

Bob Benton
Chairman
27 March 2009

Report of the independent auditors to the members of Clarkson PLC

We have audited the consolidated and parent company financial statements (the 'financial statements') of Clarkson PLC for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and parent company statements of recognised income and expense, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, and the related notes 1 to 30. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report, the directors' remuneration report and the financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements and the part of the directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the consolidated financial information, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the report of the directors is consistent with the financial statements. The information given in the report of the directors includes that specific information presented in the business review that is cross-referred from the principal activities and business review section and the financial instruments section of the report of the directors.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the chairman's review, the chief executive's review, the business review: operations, the business review: finance, risk management, the report of the directors, the corporate governance statement and the unaudited part of the directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;

the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;

the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and

the information given in the report of the directors is consistent with the financial statements.

Ernst & Young LLP
Registered auditors
London
27 March 2009

Consolidated income statement

For the year ended 31 December 2008

	Notes	2008			2007		
		Before exceptional item £m	Exceptional item (note 5) £m	After exceptional item £m	Before exceptional item £m	Exceptional item (note 5) £m	After exceptional item £m
Revenue – continuing operations	3, 4	250.3	–	250.3	173.4	–	173.4
Cost of sales		(7.5)	–	(7.5)	(3.3)	–	(3.3)
Trading profit		242.8	–	242.8	170.1	–	170.1
Administrative expenses		(190.9)	(21.0)	(211.9)	(143.7)	(6.0)	(149.7)
Impairment of intangible assets	12	(13.9)	–	(13.9)	–	–	–
Operating profit – continuing operations	3, 4	38.0	(21.0)	17.0	26.4	(6.0)	20.4
Share of profits of associates and joint ventures	4	–	–	–	0.4	–	0.4
Finance revenue	3	4.3	–	4.3	6.9	–	6.9
Finance costs	3	(4.0)	–	(4.0)	(3.2)	–	(3.2)
Other finance revenue – pensions	3	0.9	–	0.9	1.1	–	1.1
Profit before taxation – continuing operations		39.2	(21.0)	18.2	31.6	(6.0)	25.6
Taxation	6	(16.4)	6.0	(10.4)	(10.2)	1.8	(8.4)
Profit for the year – continuing operations		22.8	(15.0)	7.8	21.4	(4.2)	17.2
Profit for the year from discontinued operations	7	–	–	–	1.0	–	1.0
Profit for the year		22.8	(15.0)	7.8	22.4	(4.2)	18.2
Attributable to:							
Equity holders of the parent		22.8	(15.0)	7.8	22.4	(4.2)	18.2
Earnings per share	8						
Basic – continuing operations		122.9p		41.9p	119.9p		96.4p
Diluted – continuing operations		121.0p		41.3p	118.6p		95.3p
Basic – profit for the year		122.9p		41.9p	125.4p		101.9p
Diluted – profit for the year		121.0p		41.3p	124.1p		100.8p

Consolidated and parent company statements of recognised income and expense

For the year ended 31 December 2008

	Notes	Group		Company	
		2008 £m	2007 £m	2008 £m	2007 £m
Actuarial (loss)/gain on employee benefits – net of tax	23	(1.7)	0.9	(1.7)	0.9
Foreign exchange differences on retranslation of foreign operations	25	14.6	0.3	–	–
Total recognised directly in equity		12.9	1.2	(1.7)	0.9
Profit for the year		7.8	18.2	4.5	5.0
Total recognised income and expense for the year		20.7	19.4	2.8	5.9
Attributable to:					
Equity holders of the parent		20.7	19.4	2.8	5.9

Consolidated and parent company balance sheets

As at 31 December 2008

		Group		Company	
	Notes	2008 £m	2007 £m	2008 £m	2007 £m
Non-current assets					
Property, plant and equipment	10	17.7	18.6	5.8	6.4
Investment property	11	0.4	0.4	0.4	0.4
Intangible assets	12	32.3	47.2	–	–
Investments in associates and joint ventures	13	0.4	1.1	–	–
Trade and other receivables	15	1.3	2.0	0.2	0.3
Investments	16	16.1	16.4	13.6	14.0
Investments in subsidiaries	17	–	–	44.3	44.6
Employee benefits	23	9.7	9.9	9.7	9.9
Deferred tax asset	6	9.3	3.3	2.1	2.0
		87.2	98.9	76.1	77.6
Current assets					
Trade and other receivables	15	53.7	43.4	33.1	26.4
Cash and short-term deposits	18	184.4	115.3	35.4	23.7
Income tax receivable		1.5	0.8	–	–
		239.6	159.5	68.5	50.1
Current liabilities					
Interest-bearing loans and borrowings	19	(3.3)	(0.8)	–	–
Trade and other payables	20	(146.5)	(101.4)	(37.1)	(20.5)
Provisions	21	(0.3)	(0.3)	–	–
Income tax payable		(8.9)	(3.8)	–	–
		(159.0)	(106.3)	(37.1)	(20.5)
Net current assets		80.6	53.2	31.4	29.6
Non-current liabilities					
Interest-bearing loans and borrowings	19	(50.7)	(51.0)	(50.7)	(48.6)
Trade and other payables	20	(4.7)	(3.1)	–	(0.2)
Provisions	21	(0.9)	(6.7)	(0.9)	(0.7)
Employee benefits	23	(1.2)	–	(1.2)	–
Deferred tax liability	6	(7.9)	(7.3)	(3.9)	(4.5)
		(65.4)	(68.1)	(56.7)	(54.0)
Net assets		102.4	84.0	50.8	53.2
Capital and reserves					
Issued capital	24	4.7	4.7	4.7	4.7
Share premium	25	27.1	25.4	27.1	25.4
ESOP reserve	25	(0.8)	(3.5)	–	–
Deferred share consideration	25	–	0.9	–	–
Employee benefits reserve	25	1.8	0.8	1.8	0.8
Capital redemption reserve	25	2.0	2.0	2.0	2.0
Profit and loss	25	54.0	54.7	15.2	20.3
Currency translation reserve	25	13.6	(1.0)	–	–
Clarkson PLC group shareholders' equity		102.4	84.0	50.8	53.2

Approved by the board on 27 March 2009, and signed on its behalf by:

Bob Benton
Chairman

Jeff Woyda
Finance Director

Consolidated and parent company cash flow statements

For the year ended 31 December 2008

	Notes	Group		Company	
		2008 £m	2007 £m	2008 £m	2007 £m
Cash flows from operating activities					
Profit before tax from continuing operations		18.2	25.6	2.2	4.8
Profit before tax from discontinued operations	7	–	1.4	–	–
Profit before tax		18.2	27.0	2.2	4.8
Adjustments for:					
Exceptional item		21.0	6.0	–	–
Foreign exchange differences	3	(12.3)	0.4	4.1	–
Depreciation		5.4	2.5	0.7	0.8
Share-based payment expense	22	1.6	0.8	0.8	–
Loss/(profit) on sale of property, plant and equipment		1.2	(1.9)	–	–
Profit on sale of investments		(3.1)	(0.1)	–	–
Amortisation and impairment of intangibles	12	15.3	1.4	–	–
Impairment of investment in subsidiaries	17	–	–	5.9	–
Provision for investments in associates and joint ventures	13	0.3	0.5	–	–
Difference between ordinary pension contributions paid and amount recognised in the income statement		(0.4)	(0.5)	(0.4)	(0.5)
Share of profits of associates and joint ventures	13	–	(0.4)	–	–
Finance revenue	3	(4.3)	(6.9)	(17.5)	(11.9)
Other finance revenue – pensions	3	(0.9)	(1.1)	(0.9)	(1.1)
Finance costs	3	4.0	3.2	3.6	3.2
(Increase)/decrease in trade and other receivables		(2.4)	(12.9)	(1.6)	4.7
Increase in bonus accrual		45.3	18.4	–	–
Increase in trade and other payables		6.2	21.0	12.8	3.9
Increase/(decrease) in provisions	21	0.2	(0.1)	0.2	0.2
Cash generated from operations		95.3	57.3	9.9	4.1
Settlement of exceptional item	21	(27.0)	–	–	–
Income tax paid		(10.4)	(4.9)	(0.2)	–
Net cash flow from operating activities		57.9	52.4	9.7	4.1
Cash flows from investing activities					
Interest received	3	3.7	3.5	1.3	1.3
Purchase of property, plant and equipment	10	(3.5)	(3.3)	(0.1)	(0.2)
Proceeds from sale of investments		6.7	0.3	–	–
Proceeds from sale of property, plant and equipment		1.0	4.0	–	–
Investment in associates and joint ventures	13	–	(0.8)	–	–
Disposal of associate	13	–	0.2	–	–
Acquisition of subsidiaries and businesses, including deferred consideration		(2.3)	(3.1)	(5.9)	–
Cash acquired on acquisitions		–	1.7	–	–
Dividends received from associates and joint ventures	13	0.4	0.6	–	–
Dividends received from investments	3	0.6	0.5	16.2	7.8
Net cash flow from investing activities		6.6	3.6	11.5	8.9
Cash flows from financing activities					
Interest paid		(3.3)	(3.2)	(3.0)	(3.2)
Dividends paid	9, 25	(7.9)	(6.7)	(7.9)	(7.0)
Proceeds from borrowings		–	0.9	–	0.9
Repayments of borrowings		(2.7)	(0.9)	(1.8)	–
ESOP shares acquired		(2.3)	(6.1)	–	–
Net cash flow from financing activities		(16.2)	(16.0)	(12.7)	(9.3)
Net increase in cash and cash equivalents		48.3	40.0	8.5	3.7
Cash and cash equivalents at 1 January		115.3	74.8	23.7	19.9
Net foreign exchange differences		20.8	0.5	3.2	0.1
Cash and cash equivalents at 31 December	18	184.4	115.3	35.4	23.7

Notes to the financial statements

1 Corporate information

The group and parent company financial statements of Clarkson PLC for the year ended 31 December 2008 were authorised for issue in accordance with a resolution of the directors on 27 March 2009. Clarkson PLC is a Public Limited Company registered in England and Wales.

The term 'company' refers to Clarkson PLC and 'group' refers to the company, its consolidated subsidiaries and the relevant assets and liabilities of the Executive Share Purchase Trust.

2 Statement of accounting policies

2.1 Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2008.

The financial statements are presented in pounds sterling and all values are rounded to the nearest one hundred thousand pounds sterling (£0.1m) except when otherwise indicated.

An item of a non-recurring nature and material when considering both size and nature, has been disclosed separately to give a clearer presentation of the group's results. This item is shown as an 'exceptional item' on the face of the income statement.

Statement of compliance

The financial statements of Clarkson PLC have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the group and company for the year ended 31 December 2008 applied in accordance with the provisions of the Companies Act 1985. No income statement is presented for Clarkson PLC as provided by Section 230 of the Companies Act 1985.

The accounting policies set out below have been applied consistently to all periods presented in these group and company financial statements. The changes to the financial statements as a result of adopting new or amended Standards during the year are shown in note 2.2.

Basis of consolidation

The group's consolidated financial statements incorporate the results and net assets of Clarkson PLC and all its subsidiary undertakings made up to 31 December each year.

The results of companies acquired or disposed of during the year are included in the group from the effective date of acquisition, being the date the group obtained control, or up to the effective date of disposal, being the date that control ceased.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

All inter-group transactions, balances, income and expenses are eliminated on consolidation, however for the purposes of segmental reporting, internal arm's-length recharges are included within the appropriate segments.

2.2 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except that the group has adopted IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction during the year. IFRIC 14 addresses how to assess the limit, under IAS 19 Employee Benefits, on the amount of the surplus that can be recognised as an asset particularly when a minimum funding requirement exists. The effect of this interpretation is detailed in note 23.

Notes to the financial statements continued

2.3 Accounting judgements and estimates

The preparation of the group's 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.

Impairment of non-financial assets

The group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 14.

Share-based payments

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used are disclosed in note 22.

Pensions

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 23.

2.4 Summary of significant accounting policies

Property, plant and equipment

Land held for use in the production or supply of goods or services, or for administrative purposes, is stated in the balance sheet at its historic cost.

Fleet interests, freehold and long leasehold properties, leasehold improvements, office furniture and equipment and motor vehicles are recorded at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged on a straight-line basis over the estimated useful life (after allowing for estimated residual value based on current prices) of the asset, and is charged from the time an asset becomes available for its intended use. Estimated useful lives are as follows:

Fleet interests	Over the remaining working life to scrap value (5–25 years)
Freehold and long leasehold properties	60 years
Leasehold improvements	Over the period of the lease (8 years)
Office furniture and equipment	4–10 years
Motor vehicles	4 years

Estimates of useful lives and residual scrap values are assessed annually.

At each balance sheet date, the group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss.

Investment properties

Land and buildings held for long-term investment and to earn rental income are classified as investment properties. Investment properties are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged on a straight-line basis over the estimated useful life of the asset, and is charged from the time an asset becomes available for its intended use. Estimated useful lives are as follows:

Investment properties	60 years
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Business combinations and goodwill

Business combinations are accounted for using the purchase method.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill arising on acquisitions prior to the date of transition to IFRSs has been retained at the previous UK GAAP amount subject to being tested for impairment at that date. Goodwill written off to reserves under the UK GAAP prior to transition has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

Notes to the financial statements continued

2 Statement of accounting policies continued

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of existing intangible assets are assessed to be five years.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Interests in associates and joint ventures

A joint venture is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. An associate is an entity in which the group has significant influence and which is neither a subsidiary nor a joint venture.

The group's investments in its joint venture and associate entities are accounted for under the equity method of accounting. Under the equity method, the investments in the joint ventures and associates are carried in the balance sheet at cost plus post acquisition changes in the group's share of net assets of the associates and joint ventures. Goodwill relating to the associates and joint ventures is included in the carrying amount of the investment and is not amortised. The income statement reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognised directly in the equity of the associates and joint ventures, the group recognises its share of any changes and discloses this, when applicable, in the statement of recognised income and expense. Profits and losses resulting from transactions between the group and the associates and joint ventures are eliminated to the extent of the interest in the associates and joint ventures.

The financial statements of the joint ventures and associates are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

Impairment of non-financial assets

The group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

Goodwill

The group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The group performs its annual impairment test of goodwill as at 31 December.

Associates and joint ventures

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates and joint ventures. The group determines at each balance sheet date whether there is any objective evidence that the investment in associates and joint ventures is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associates and joint ventures and the acquisition cost plus post acquisition changes in the group's share of net assets and recognises the amount in profit or loss.

The parent company's investments in subsidiaries

In its separate financial statements the parent company recognises its investments in subsidiaries at cost less provision for impairment. Income is recognised from these investments only in relation to distributions received from post-acquisition profits. Distributions received in excess of post-acquisition profits are deducted from the cost of the investment.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The group determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in profit or loss.

Notes to the financial statements continued

2 Statement of accounting policies continued

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories or held-to-maturity investments. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in equity until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognised in profit or loss.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques, unless these are not reliable in which case the investments are shown at cost. Such valuation techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost

Loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Impairment of financial assets

The group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in profit or loss. Reversals of impairment losses on debt instruments are reversed through profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Trade and other receivables

Trade and other receivables are recognised and carried at the lower of their original value and recoverable amount.

Cash and cash equivalents

Cash and short-term deposits comprises cash balances and call deposits with an original maturity of between one day and three months. For the purposes of the cash flow statements, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

Derivative financial instruments and hedge accounting

The group uses various financial instruments to reduce exposure to foreign exchange movements. These can include forward foreign exchange contracts and currency options. All derivative financial instruments are initially recognised on the balance sheet at their fair value adjusted for transaction costs.

The fair values of financial instrument derivatives are determined by reference to quoted prices in an active market. Where no such active market exists, the fair value is determined using appropriate valuation techniques from observable data, including discounted cash flow analysis and the Black-Scholes option pricing model.

The method of recognising the movements in the fair value of the derivative depends on whether the instrument has been designated as a hedging instrument and, if so, the cash flow being hedged. To qualify for hedge accounting, the terms of the hedge must be clearly documented at inception and there must be an expectation that the derivative will be highly effective in offsetting changes in the cash flow of the hedged risk. Hedge effectiveness is tested throughout the life of the hedge and if at any point it is concluded that the relationship can no longer be expected to remain highly effective in achieving its objective, the hedge relationship is terminated.

Gains and losses on financial instrument derivatives which qualify for hedge accounting are recognised according to the nature of the hedge relationship and the item being hedged.

Cash flow hedges: derivative financial instruments are classified as cash flow hedges when they hedge the group's exposure to changes in cash flows attributable to a particular asset or liability or a highly probable forecast transaction. Gains or losses on designated cash flow hedges are recognised directly in equity, to the extent that they are determined to be effective. Any remaining portion of the gain or loss is recognised immediately in the income statement. On recognition of the hedged asset or liability, any gains or losses that had previously been recognised directly in equity are included in the initial measurement of the fair value of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity remains there and is recognised in the income statement when the forecast transaction is ultimately recognised. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Where financial instrument derivatives do not qualify for hedge accounting, changes in the fair market value are recognised immediately in the income statement.

Notes to the financial statements continued

2 Statement of accounting policies continued

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs and have not been designated as 'at fair value through profit and loss'.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Pensions

The group operates two defined benefit pension plans, both of which may require contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur; they are presented in the consolidated statement of recognised income and expense.

The past service costs are recognised immediately to the extent that the benefits are already vested. Otherwise, they are amortised on a straight-line basis over the period until the benefits become vested.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Share-based payment transactions

Employees (including senior executives) of the group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value of the element of these awards which have a Total Shareholder Return performance condition was valued using a Stochastic model. All other elements of awards were valued using a Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in note 8).

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Rendering of services

Revenue consists of commissions receivable from dry bulk chartering, container chartering, deep sea chartering, specialised products chartering, gas chartering, sale and purchase broking and futures broking and fees receivable from fund management, financial and investment services, port and agency services and logistics and technical services.

Shipbroking and futures broking – Revenue is recognised by reference to the stage of completion. Stage of completion is measured by reference to the underlying commercial contract.

Fund management – Revenue consists of management fees, based on the assets under management and fees based on the performance of the fund which are recognised on a monthly basis.

Financial, investment and research services – Fees and commissions are recognised as services are performed.

Port and agency services – Port service income is recognised on vessel load or discharge completion date and store rent on a time basis. Agency income is recognised when vessels arrive in port.

Logistics and technical services – Logistics revenue consists of charter hire income from wholly-owned vessels and is recognised by reference to the underlying contract. Technical services revenue is recognised when work is performed and by reference to the underlying commercial contract.

Notes to the financial statements continued

2 Statement of accounting policies continued

Sale of goods

Revenue consists of shipping publications and other information and is recognised when products are delivered.

Rental income

Rental income arising from operating leases on properties is accounted for on a straight-line basis over the lease term.

Interest income

Finance revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividends

Revenue is recognised when the group's right to receive the payment is established.

Foreign currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value was determined.

On consolidation, the assets and liabilities of the group's overseas operations are translated into pounds sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period as an approximation of rates prevailing at the date of the transaction unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognised as income or expense in the period in which the operation is disposed of. Cumulative translation differences have been set to zero at the date of transition to IFRSs.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in profit or loss.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Leases

Group as a lessee: Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentive payments are amortised over the lease term.

Notes to the financial statements continued

2 Statement of accounting policies continued**New standards and interpretations not applied**

The IASB and IFRIC have issued the following standards and interpretations which are not effective and have not been early adopted for these financial statements:

		Effective for financial year beginning
International Accounting standards (IAS/IFRSs)		
IFRS 1 (amended)	First-time Adoption of International Financial Reporting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)	1 January 2009
IFRS 2 (amended)	Share-Based Payment Vesting Conditions and Cancellations	1 January 2009
IFRS 3 (revised)	Business Combinations	1 July 2009
IFRS 7	Financial Instruments: Disclosures – Reclassification of Financial Assets (Amendments)	1 July 2008
IFRS 8	Operating segments	1 January 2009
IAS 1 (revised)	Presentation of Financial Statements	1 January 2009
IAS 23 (revised)	Borrowing costs	1 January 2009
IAS 27	Determining the cost of an investment in the separate financial statements	1 January 2009
IAS 27 (amended)	Consolidated and Separate Financial Statements	1 July 2009
IAS 32 (amended)	Financial Instruments Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IAS 39 (amended)	Financial Instruments: Recognition and Measurement – Eligible hedged items	1 July 2009
IAS 39 (revised)	Recognition and Measurement	1 July 2008
Improvements to IFRSs	Collection of necessary, but not urgent, amendments to IFRSs	1 January 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17	Distributions of Non-Cash Assets to Owners	1 July 2009
IFRIC 18	Transfer of Assets from Customers	1 July 2009

The directors do not anticipate that the adoption of the remaining standards and interpretations will have a material impact on the group and company's financial statements in the period of initial application. IFRS 3 (revised) and IAS 27 (revised) will be applied prospectively to transactions occurring after the implementation date. It is therefore not possible to assess in advance their impact on the financial statements of the group and company.

3 Revenues and expenses

Revenue

Revenue for continuing operations as disclosed in the income statement is analysed as follows:

	2008 £m	2007 £m
Sale of goods	5.3	5.5
Rendering of services	241.1	163.9
Rental income	3.9	4.0
Revenue	250.3	173.4
Finance revenue	4.3	6.9
Total revenue	254.6	180.3
Finance revenue		
Bank interest receivable	3.7	3.5
Income from available-for-sale financial assets	0.6	0.5
Gain on revaluation of fair value through profit or loss investments	–	2.9
	4.3	6.9
Finance costs		
Interest-bearing loans and borrowings	(3.3)	(3.2)
Other interest payable	(0.1)	–
Loss on revaluation of fair value through profit or loss investments	(0.6)	–
	(4.0)	(3.2)
Other finance revenue – pensions		
Expected return on pension assets	7.8	7.4
Finance cost of pension scheme	(6.9)	(6.3)
	0.9	1.1

Notes to the financial statements continued

3 Revenues and expenses continued**Operating profit**

Operating profit from continuing operations represents the results from operations before share of profits of associates and joint ventures, finance revenues and finance costs. This is stated after charging/(crediting):

	2008 £m	2007 £m
Included in administrative expenses:		
Depreciation	5.4	2.3
Amortisation and impairment	15.3	1.4
Operating leases – minimum lease payments	4.3	4.3
Net foreign exchange differences	(12.3)	0.4

	2008 £000	2007 £000
Auditors' remuneration shown in thousands of pounds sterling		
Fees payable to the company's auditor for the audit of the company's accounts	80	75
Fees payable to the company's auditor and its associates for other services:		
The auditing of accounts of associates of the company pursuant to legislation	199	198
Other services pursuant to legislation	30	3
Other services relating to taxation	215	43
All other services	4	3
	528	322

	2008 £m	2007 £m
Employee compensation and benefits expense		
Salaries and commissions	54.4	45.2
Performance-related bonuses	83.9	48.7
Social security costs	12.4	8.9
Other pension costs	3.1	2.5
Expense of share-based payments	1.6	0.8
	155.4	106.1

Other pension costs represents amounts payable in respect of the group's defined contribution pension schemes.

The numbers above include remuneration and pension entitlements for each director. Details are included in the directors' remuneration report in the directors' emoluments and compensation table on page 27.

The average number of persons employed by the group during the year including executive directors is analysed below:

	2008 Number	2007 Number
Europe, Middle East and Africa	500	435
Americas	28	26
Asia Pacific	208	176
	736	637

4 Segmental information

The group's primary segmental analysis is based on the classes of business it provides. The secondary analysis is presented according to geographic markets comprising Europe, Middle East & Africa, Americas and Asia Pacific. This is consistent with the way the group manages itself and with the format of the group's internal financial reporting.

Clarksons' chartering divisions represent shipowners and charterers in the transportation by sea of a wide range of cargoes. Dry bulk chartering involves the movement of a wide range of cargoes such as grain, phosphate rock, iron ore and coal. Container chartering involves the transportation of a wide range of cargoes in containers. Deep sea chartering arranges the transport of crude oil and related products. Specialised products chartering involves petrochemical liquids and gases, clean and dirty oil products, lubricants, vegetable oil products and molasses. Gas chartering focuses on liquified natural gas, liquified petroleum and chemical gases. Sale and purchase broking covers secondhand vessel transactions, demolition and vessel newbuilding.

Research services encompass the provision of shipping related information and publications. The futures broking operation arranges principal-to-principal cash settled contracts for differences based upon standardised freight contracts. Fund management represents the management of the Clarkson Shipping Hedge Fund and the Clarkson Freight Fund. Financial and investment services represents the provision of advice to clients on the financial aspects of a range of shipping related transactions. Port and agency services represents ship agency services provided throughout the UK. Property services includes the provision of accommodation both within and outside the Clarkson group. Logistics and technical services comprise operations which are specific projects where Clarkson has financial and operating interest in several logistics projects and technical services including ship repair and inspections.

All areas of the business work closely together to provide the best possible service to our clients. Occasionally revenue is shared between different segments to reflect relative contributions to a particular transaction. Internal arm's-length recharges are included within the appropriate segments.

Notes to the financial statements continued

4 Segmental information continued

Business segments

	Revenue		Results	
	2008 £m	2007 £m	2008 £m	2007 £m
Continuing operations				
Dry bulk chartering	78.9	51.3	21.9	14.6
Container chartering	4.4	3.5	1.1	1.0
Deep sea chartering	37.8	23.1	10.3	5.9
Specialised products chartering	17.3	13.5	3.3	2.6
Gas chartering	8.7	6.7	1.7	1.3
Sale and purchase broking	46.2	37.3	6.6	6.2
Research services	6.1	6.0	0.8	1.2
Futures broking	31.6	16.4	10.8	5.5
Fund management	1.8	2.6	0.2	0.6
Financial and investment services	0.5	1.3	(6.8)	(0.3)
Port and agency services	4.5	3.8	0.4	0.2
Property services	6.7	6.5	1.2	1.0
Logistics and technical services	8.6	3.9	(5.4)	(2.1)
	253.1	175.9		
Less property services revenue arising within the group	(2.8)	(2.5)		
Segment revenue/results	250.3	173.4	46.1	37.7
Unallocated other costs			(4.5)	(5.9)
Head office costs			(6.7)	(5.7)
Unallocated foreign exchange differences			–	0.3
Profit on sale of investments			3.1	–
Operating profit before exceptional item			38.0	26.4
Exceptional item			(21.0)	(6.0)
Operating profit after exceptional item			17.0	20.4
Share of profits of associates and joint ventures			–	0.4
Finance revenue			4.3	6.9
Finance costs			(4.0)	(3.2)
Other finance revenue – pensions			0.9	1.1
Profit before taxation			18.2	25.6
Taxation			(10.4)	(8.4)
Profit after taxation			7.8	17.2

The share of profit of associates and joint ventures is as follows:

	2008 £m	2007 £m
Dry bulk chartering	–	0.2
Financial and investment services	–	0.2
	–	0.4

Business segments

	Revenue		Results	
	2008 £m	2007 £m	2008 £m	2007 £m
Discontinued operations (see note 7)				
Logistics – discontinued	–	1.5	–	1.4
Taxation			–	(0.4)
Profit after taxation			–	1.0

Business segments

	Assets		Liabilities	
	2008 £m	2007 £m	2008 £m	2007 £m
Dry bulk chartering	62.3	57.2	37.8	25.1
Container chartering	1.5	1.9	1.2	0.9
Deep sea chartering	15.7	13.0	12.9	5.7
Specialised products chartering	15.5	22.9	4.5	3.4
Gas chartering	7.8	8.5	3.9	2.3
Sale and purchase broking	38.2	26.4	31.8	27.6
Research services	6.5	4.2	3.1	2.0
Futures broking	34.6	17.9	16.6	9.0
Fund management	14.9	16.7	0.4	0.9
Financial and investment services	4.5	1.1	4.1	0.8
Port and agency services	7.4	9.1	3.1	6.9
Property services	9.2	10.0	1.2	2.7
Logistics and technical services	9.6	10.5	5.0	4.0
Segment assets/liabilities	227.7	199.4	125.6	91.3
Unallocated assets/liabilities	99.1	59.0	98.8	83.1
	326.8	258.4	224.4	174.4

Unallocated assets predominantly relate to head office cash balances, the pension scheme surplus and tax assets. Unallocated liabilities predominantly relate to head office loans and borrowings and tax liabilities.

Included within segment assets shown above are investments in associates and joint ventures as follows:

	2008 £m	2007 £m
Dry bulk chartering	0.4	0.7
Futures broking	–	0.1
Port and agency services	–	0.2
Financial and investment services	–	0.1
	0.4	1.1

Notes to the financial statements continued

4 Segmental information continued

Business segments

	Capital expenditure				Depreciation		Amortisation and impairment of intangibles	
	Property, plant and equipment 2008 £m	Intangible assets 2008 £m	Property, plant and equipment 2007 £m	Intangible assets 2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Dry bulk chartering	0.5	–	0.5	2.0	0.4	0.2	6.9	–
Container chartering	–	–	–	–	–	–	–	–
Deep sea chartering	0.3	–	–	–	–	–	–	–
Specialised products chartering	–	–	–	0.1	–	–	3.0	–
Gas chartering	–	–	–	1.0	–	–	–	–
Sale and purchase broking	–	–	0.1	1.4	0.1	–	4.8	1.2
Research services	–	–	–	–	–	–	–	–
Futures broking	0.4	–	–	–	0.1	–	–	–
Fund management	–	–	–	–	–	–	–	–
Financial and investment services	–	–	–	–	–	–	0.6	0.2
Port and agency services	0.3	–	0.2	0.2	0.2	0.2	–	–
Property services	1.0	–	0.9	–	1.7	1.5	–	–
Logistics and technical services	1.0	–	1.6	–	2.9	0.4	–	–
Logistics – discontinued	–	–	–	–	–	0.2	–	–
	3.5	–	3.3	4.7	5.4	2.5	15.3	1.4

Geographical segments – by origin of invoice

	Revenue	
	2008 £m	2007 £m
Continuing operations		
Europe, Middle East and Africa	193.9	137.5
Americas	10.2	7.4
Asia Pacific	46.2	28.5
	250.3	173.4

	Revenue	
	Logistics – discontinued 2008 £m	Logistics – discontinued 2007 £m
Discontinued operations		
Europe, Middle East and Africa	–	1.5
Americas	–	–
Asia Pacific	–	–
	–	1.5

Geographical segments – by location of assets

	Total assets	
	2008 £m	2007 £m
Europe, Middle East and Africa	173.1	142.7
Americas	5.8	9.3
Asia Pacific	48.8	47.4
Segment assets	227.7	199.4
Unallocated	99.1	59.0
	326.8	258.4

Included within segment assets by geographical segment are investments in associates and joint ventures as follows:

	Total assets	
	2008 £m	2007 £m
Europe, Middle East and Africa	0.4	0.7
Americas	–	0.2
Asia Pacific	–	0.2
Segment assets	0.4	1.1

	Capital expenditure			
	Property, plant and equipment 2008 £m	Intangible assets 2008 £m	Property, plant and equipment 2007 £m	Intangible assets 2007 £m
Europe, Middle East and Africa	2.7	–	1.4	3.3
Americas	0.1	–	0.1	1.4
Asia Pacific	0.7	–	1.8	–
	3.5	–	3.3	4.7

5 Exceptional item

In June 2008 the group announced the settlement of the claims brought against the subsidiary H Clarkson & Company Limited by the Russian companies, Sovcomflot and Novoship for £27.0m. As a result of this settlement the group provided a further £21.0m in addition to the £6.0m provided in 2007.

Notes to the financial statements continued

6 Taxation

Tax charged in the income statement

	2008 £m	2007 £m
Current income tax		
UK corporation tax – continuing operations	10.6	3.7
– discontinued operations	–	0.5
UK corporation tax	10.6	4.2
Foreign tax – continuing operations	3.4	1.9
Total current income tax	14.0	6.1
Deferred tax		
Adjustment relating to changes in tax rates – continuing operations	–	(0.2)
Origination and reversal of temporary differences – continuing operations	(3.6)	3.0
– discontinued operations	–	(0.1)
Total tax charge in the income statement	10.4	8.8
The tax charge in the income statement is disclosed as follows:		
Income tax expense on continuing operations	10.4	8.4
Income tax expense on discontinued operations	–	0.4
	10.4	8.8

Tax relating to items charged or credited to equity

	2008 £m	2007 £m
Deferred tax (credit)/charge: Actuarial losses/gains on pension schemes (see note 23)	(1.0)	0.3
Tax charge in the statement of recognised income and expense	(1.0)	0.3

Reconciliation of tax charge

The tax expense in the income statement for the year is higher (2007: higher) than the average standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are reconciled below:

	2008 £m	2007 £m
Profit from continuing operations before taxation	18.2	25.6
Profit from discontinued operations before taxation	–	1.4
Accounting profit before income tax	18.2	27.0
Accounting profit at UK average standard rate of corporation tax of 28.5% (2007: 30%)	5.2	8.1
Effects of:		
Expenses not deductible for tax purposes	5.7	1.5
Non-taxable income	(0.9)	(0.6)
Lower tax rates on overseas earnings	(1.2)	(1.2)
Adjustments relating to prior year	–	0.6
Tax losses not available for group relief	1.5	0.5
Other adjustments	0.1	(0.1)
Total tax expense reported in the income statement	10.4	8.8

Deferred tax

Deferred tax included in the group income statement is as follows:

	2008 £m	2007 £m
Employee benefits – on special pension contribution	1.1	1.2
– on pension benefit asset	0.4	0.5
– other employee benefits	(4.7)	(1.0)
Foreign currency contracts	(0.4)	–
(Losses)/gains on fair value through profit or loss investments	(0.2)	1.1
Unremitted earnings of overseas subsidiaries	0.6	0.8
Other temporary differences	(0.4)	0.1
	(3.6)	2.7

Deferred tax included in the balance sheet is as follows:

	Group balance sheet		Company balance sheet	
	2008 £m	2007 £m	2008 £m	2007 £m
Deferred tax asset				
Employee benefits – on special pension contributions	0.5	1.6	0.5	1.6
– other employee benefits	6.2	1.0	1.0	–
– on pension benefit liability	0.3	–	0.3	–
Foreign currency contracts	0.4	–	–	–
Other temporary differences	1.9	0.7	0.3	0.4
Deferred tax asset	9.3	3.3	2.1	2.0
Deferred tax liability				
Employee benefits – on pension benefit asset	(2.7)	(2.8)	(2.7)	(2.8)
Unremitted earnings of overseas subsidiaries	(3.1)	(2.5)	–	–
Gains on fair value through profit or loss investments	(0.9)	(1.1)	(0.9)	(1.0)
Other temporary differences	(1.2)	(0.9)	(0.3)	(0.7)
Deferred tax liability	(7.9)	(7.3)	(3.9)	(4.5)

The deferred tax credit to income relating to changes in tax rates amounts to £nil (2007: £0.2m). All other deferred tax movements arise from the origination and reversal of temporary differences.

The temporary differences associated with investments in subsidiaries, associates and joint ventures, for which a deferred tax liability has not been recognised aggregate to £3.1m (2007: £0.7m).

There are no income tax consequences attaching to the payment of dividends by Clarkson PLC to its shareholders.

Notes to the financial statements continued

7 Discontinued operations

In November 2007 the group sold its freight ferry the CFF Seine thereby ceasing its logistics – ferry-owning business.

The results of the discontinued operations for the year are presented below:

	Logistics – discontinued	
	2008 £m	2007 £m
Revenue	–	1.5
Administrative expenses	–	(2.0)
Operating loss	–	(0.5)
Profit on disposal of vessel	–	1.9
Profit before taxation	–	1.4
Taxation: on operating loss	–	0.2
Taxation: on profit on disposal	–	(0.6)
Profit after taxation	–	1.0

Included in administrative expenses is £nil of depreciation (2007: £0.2m).

The net cash flows attributable to the discontinued operations are as follows:

	2008 £m	2007 £m
Operating cash flows	–	(0.9)
Investing cash flows – proceeds from sale of property, plant and equipment	–	3.7
Net cash inflows	–	2.8

Earnings per share from discontinued operations:

	2008 Pence per share	2007 Pence per share
Basic	–	5.5p
Diluted	–	5.5p

8 Earnings per share

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

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

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

	Before exceptional item		After exceptional item	
	2008 £m	2007 £m	2008 £m	2007 £m
Net profit attributable to ordinary equity holders of the parent – continuing operations	22.8	21.4	7.8	17.2
Net profit attributable to ordinary equity holders of the parent – discontinued operations	–	1.0	–	1.0
Net profit attributable to ordinary equity holders of the parent	22.8	22.4	7.8	18.2

	2008 Number	2007 Number
Weighted average number of ordinary shares (excluding Executive Share Purchase Trust shares) for basic earnings per share	18,555,759	17,846,847
Dilutive effect of shares contingently payable on business combinations	286,896	198,739
Weighted average number of ordinary shares (excluding Executive Share Purchase Trust shares) adjusted for the effect of dilution	18,842,655	18,045,586

The share awards relating to directors and certain share options granted to senior executives under the Long Term Incentive Plan are not included in the above numbers as the performance conditions have not yet been met as at the balance sheet date (see note 22). The weighted average number of these shares were 445,049 (2007: 27,806). Also excluded from the above numbers are share options which have no performance conditions but are not considered to be dilutive. The weighted average number of these shares were 50,000 (2007: 12,638).

9 Dividends

	2008 £m	2007 £m
Declared and paid during the year:		
Final dividend for 2007 of 26.0 pence per share (2006: 24.0 pence per share)	4.8	4.2
Interim dividend for 2008 of 16.0 pence per share (2007: 14.0 pence per share)	3.1	2.5
Dividend paid	7.9	6.7
Proposed for approval at AGM (not recognised as a liability at 31 December):		
Final dividend for 2008 proposed of 26.0 pence per share (2007: 26.0 pence per share)	4.9	4.8

In 2008 the Executive Share Purchase Trust waived its rights to receive a dividend on its shareholding in Clarkson PLC. In 2007 the Executive Share Purchase Trust received a dividend of £0.3m from Clarkson PLC.

10 Property, plant and equipment

31 December 2008

	Group					
	Fleet interests £m	Freehold and long leasehold properties £m	Leasehold improve- ments £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost						
At 1 January 2008	8.7	3.5	0.6	15.3	0.7	28.8
Additions	–	–	0.1	2.9	0.5	3.5
Disposals	(2.1)	–	–	(4.2)	(0.2)	(6.5)
Foreign exchange differences	3.3	0.3	–	0.7	–	4.3
At 31 December 2008	9.9	3.8	0.7	14.7	1.0	30.1
Depreciation						
At 1 January 2008	0.7	0.3	0.2	8.8	0.2	10.2
Provided during the year	2.5	0.1	0.1	2.5	0.2	5.4
Disposals	(0.1)	–	–	(4.1)	(0.1)	(4.3)
Foreign exchange differences	0.5	0.1	–	0.5	–	1.1
At 31 December 2008	3.6	0.5	0.3	7.7	0.3	12.4
Net book value at 31 December 2008	6.3	3.3	0.4	7.0	0.7	17.7

At 31 December 2008 fleet interests with a net book value of £6.3m were pledged as security for a loan with an outstanding principal value of £3.3m.

Notes to the financial statements continued

10 Property, plant and equipment continued

31 December 2007

						Group
	Fleet interests £m	Freehold and long leasehold properties £m	Leasehold improve- ments £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost						
At 1 January 2007	10.5	3.6	0.6	13.9	0.8	29.4
Additions	1.5	–	0.1	1.5	0.2	3.3
Disposals	(3.2)	–	(0.1)	(0.3)	(0.3)	(3.9)
Reclassification	–	(0.1)	–	0.1	–	–
Foreign exchange differences	(0.1)	–	–	0.1	–	–
At 31 December 2007	8.7	3.5	0.6	15.3	0.7	28.8
Depreciation						
At 1 January 2007	1.4	0.2	0.3	7.1	0.3	9.3
Provided during the year	0.6	0.1	–	1.7	0.1	2.5
Disposals	(1.3)	–	(0.1)	(0.2)	(0.2)	(1.8)
Reclassification	–	(0.1)	–	0.1	–	–
Foreign exchange differences	–	0.1	–	0.1	–	0.2
At 31 December 2007	0.7	0.3	0.2	8.8	0.2	10.2
Net book value at 31 December 2007	8.0	3.2	0.4	6.5	0.5	18.6
Net book value at 1 January 2007	9.1	3.4	0.3	6.8	0.5	20.1

At 31 December 2007 fleet interests with a net book value of £6.5m were pledged as security for a loan with an outstanding principal value of £3.2m.

31 December 2008

	Company			
	Freehold and long leasehold properties £m	Leasehold improve- ments £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2008	1.9	0.5	6.4	8.8
Additions	–	–	0.1	0.1
At 31 December 2008	1.9	0.5	6.5	8.9
Depreciation				
At 1 January 2008	0.2	0.2	2.0	2.4
Provided during the year	–	–	0.7	0.7
At 31 December 2008	0.2	0.2	2.7	3.1
Net book value at 31 December 2008	1.7	0.3	3.8	5.8

31 December 2007

	Company			
	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2007	2.0	0.5	6.1	8.6
Additions	–	–	0.2	0.2
Reclassification	(0.1)	–	0.1	–
At 31 December 2007	1.9	0.5	6.4	8.8
Depreciation				
At 1 January 2007	0.3	0.1	1.2	1.6
Provided during the year	–	0.1	0.7	0.8
Reclassification	(0.1)	–	0.1	–
At 31 December 2007	0.2	0.2	2.0	2.4
Net book value at 31 December 2007	1.7	0.3	4.4	6.4
Net book value at 1 January 2007	1.7	0.4	4.9	7.0

11 Investment property

31 December 2008

	Group and company £m
Cost	
At 1 January and 31 December 2008	0.6
Depreciation	
At 1 January and 31 December 2008	0.2
Net book value at 31 December 2008	0.4

The fair value of the investment property at 31 December 2008 was £0.7m (2007: £0.9m). This valuation was carried out by an independent valuer.

31 December 2007

	Group and company £m
Cost	
At 1 January and 31 December 2007	0.6
Depreciation	
At 1 January and 31 December 2007	0.2
Net book value at 31 December 2007	0.4
Net book value at 1 January 2007	0.4

Notes to the financial statements continued

12 Intangible assets**31 December 2008**

	Intangibles £m	Goodwill £m	Total £m
Cost			
At 1 January 2008	6.8	42.3	49.1
Deferred consideration adjustment	–	(0.7)	(0.7)
Foreign exchange differences	–	1.3	1.3
At 31 December 2008	6.8	42.9	49.7
Amortisation and impairment			
At 1 January 2008	1.4	0.5	1.9
Amortisation	1.4	–	1.4
Impairment	4.0	9.9	13.9
Foreign exchange differences	–	0.2	0.2
At 31 December 2008	6.8	10.6	17.4
Net book value at 31 December 2008	–	32.3	32.3

The adjustment above represents a decrease in deferred consideration payable relating to the 2006 acquisition of the Plowrights group.

31 December 2007

	Intangibles £m	Goodwill £m	Total £m
Cost			
At 1 January 2007	6.8	36.1	42.9
Acquisition of subsidiaries and businesses	–	4.7	4.7
Deferred consideration adjustment	–	1.3	1.3
Foreign exchange differences	–	0.2	0.2
At 31 December 2007	6.8	42.3	49.1
Amortisation and impairment			
At 1 January 2007	–	0.5	0.5
Amortisation	1.4	–	1.4
At 31 December 2007	1.4	0.5	1.9
Net book value at 31 December 2007	5.4	41.8	47.2
Net book value at 1 January 2007	6.8	35.6	42.4

The adjustment above represents an increase in deferred consideration payable relating to an acquisition in 2005 of £0.9m, £0.2m relating to the 2006 acquisition of Genchem and £0.2m relating to the 2006 acquisition of Anchor Cross.

Acquisitions

2007

On 17 May 2007 the group acquired the controlling 51% interest in Cofimar SA ('Cofimar'). Cofimar provides dry bulk chartering services in Paris. The group originally acquired 49% of Cofimar in 2001.

On 23 May 2007 the group completed the acquisition of the other 50% shareholding in LNG Shipping Solutions Limited ('LNGSS'). LNGSS predominantly serves liquefied natural gas. The group subscribed £25,000 for 50% of LNGSS in 2001.

On 5 July 2007 the group acquired Normarine Offshore Consultants (USA) ('Normarine'). Normarine provides broking services in the off-shore project markets. No individual assets or liabilities exceeded £50,000. Total net assets were less than £50,000. There were no separately identifiable intangible assets; the entire cost of acquisition has been allocated to goodwill.

Cofimar and LNGSS have been accounted for as step acquisitions. The book and fair values of the identifiable assets and liabilities of Cofimar, LNGSS and Normarine at each stage of acquisition were as follows:

	Cofimar		LNGSS		Normarine		Total	
	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m	Book value £m	Fair value £m
2007								
Investments	0.1	0.1	–	–	–	–	0.1	0.1
Trade receivables	0.1	0.1	–	–	–	–	0.1	0.1
Other receivables	–	–	0.1	0.1	–	–	0.1	0.1
Cash and short-term deposits	0.3	0.3	1.4	1.4	–	–	1.7	1.7
	0.5	0.5	1.5	1.5	–	–	2.0	2.0
Trade and other payables	(0.5)	(0.5)	(0.8)	(0.8)	–	–	(1.3)	(1.3)
Income tax payable	–	–	(0.5)	(0.5)	–	–	(0.5)	(0.5)
	(0.5)	(0.5)	(1.3)	(1.3)	–	–	(1.8)	(1.8)
	–	–	0.2	–	–	–	0.2	–
Fair value of net assets		–		0.2		–		0.2
Accumulated reserves		–		(0.1)		–		(0.1)
Goodwill arising on acquisitions		1.5		1.0		1.4		3.9
		1.5		1.1		1.4		4.0

	Cofimar £m	LNGSS £m	Total £m
Previously acquired			
Fair value of net assets	0.3	–	0.3
Goodwill arising on previous acquisition	0.8	–	0.8
Consideration previously paid	1.1	–	1.1

Cofimar was accounted for as an associate in 2006. Goodwill relating to Cofimar was previously included within investments in associates.

	Cofimar £m	LNGSS £m	Normarine £m	Total £m
Discharged by:				
Fair value of shares issued:				
Cofimar 129,107 shares	1.3	–	–	1.3
Normarine 145,566 shares	–	–	1.4	1.4
Cash	–	1.1	–	1.1
Costs associated with acquisition, settled in cash	0.2	–	–	0.2
Consideration previously paid	1.1	–	–	1.1
	2.6	1.1	1.4	5.1

Notes to the financial statements continued

12 Intangible assets continued

From the date of acquisitions, Cofimar and LNGSS have contributed £0.3m and £0.2m respectively to the net profit of the group. If the combination had taken place at the beginning of the year, the revenue from continuing operations would have been £175.1m and the profit after tax from continuing operations would have been £18.1m.

Normarine has now been integrated with the group's current operations. It is therefore impracticable to provide details of revenue and profit contributed to the group by Normarine during the year, or if the effective dates of acquisition were at the beginning of the year.

The goodwill of £4.7m comprises the fair value of expected synergies arising from the acquisitions together with the detailed knowledge and expertise of the specialised markets.

13 Investments in associates and joint ventures

	2008 £m	2007 £m
Investments in associates	0.4	0.8
Investments in joint ventures	–	0.3
	0.4	1.1

2008

During the year the group provided for its investments in PANZ and CIF Trading Limited totalling £0.3m. The group received dividends totalling £0.4m from associates and joint ventures.

2007

During 2007 the group acquired interests in PANZ, Clarkson Shipping Agency (Egypt) and a further investment in Global Slot Network Limited for a total consideration of £0.8m and disposed of its £0.2m interest in Cafi-Lift Srl.

The group has also acquired the remaining interest in LNG Shipping Solutions Limited and Cofimar SA. The combined investment of £1.4m has therefore been reclassified as part of the business combination (see note 12).

Included in the above is a provision for impairment of the investment in Global Slot Network Limited of £0.5m.

The group's share of profits from associates and joint ventures amounted to £0.4m. The group received dividends totalling £0.6m from associates and joint ventures.

The information below provides summarised financial information of associates and joint ventures in which the group has an interest (the entities' entire financial position and results of operations are presented, not the group's share).

Summarised financial information – associates

	2008 £m	2007 £m
Associates' balance sheet:		
Non-current assets	0.3	0.3
Current assets	0.6	1.3
Current liabilities	(0.2)	(0.3)
Net assets	0.7	1.3
Associates' income statement:		
Revenue	0.2	1.2
Profit for the year	–	0.4

Summarised financial information – joint ventures

	2008 £m	2007 £m
Joint ventures' balance sheet:		
Non-current assets	–	–
Current assets	0.2	0.1
Current liabilities	–	(0.2)
Net assets/(liabilities)	0.2	(0.1)
Joint ventures' income statement:		
Revenue	2.2	1.9
Administrative expenses	(2.2)	(1.5)
Profit before taxation	–	0.4
Taxation	–	–
Profit for the year	–	0.4

14 Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the attributable cash-generating units, which are also reportable segments, for impairment testing as follows:

- Dry bulk chartering
- Specialised products chartering
- Gas chartering
- Sale and purchase broking
- Research services
- Port and agency services

The carrying amount of goodwill allocated to each of the cash-generating units is:

	2008 £m	2007 £m
Dry bulk chartering	11.7	18.0
Specialised products chartering	12.2	16.0
Gas chartering	2.7	2.7
Sale and purchase broking	2.0	1.4
Research services	3.3	3.3
Port and agency services	0.4	0.4
	32.3	41.8

The movement in the aggregate carrying value is analysed in more detail in note 12.

Goodwill is allocated to cash-generating units which are tested for impairment at least annually. The goodwill arising in each segment is similar in nature and thus the testing for impairment uses the same approach. It is considered that the cost of capital for each cash-generating unit is not materially different. No externally available information exists to assist in this process.

The recoverable amounts of the cash-generating units are assessed using a value in use model. Value in use is calculated as the net present value of the projected risk-adjusted cash flows of the cash-generating unit to which the goodwill is allocated. The pre-tax discount rate used is based on the group's WACC and adjusted for risks within each cash-generating unit. As all cash-generating units have operations around the world and similar risk profiles, the same pre-tax discount rate was applied to each unit. The group pre-tax discount rate is 12% (2007: 8%). Where an initial impairment test using the post-tax discount rate indicates that the recoverable value of the unit is close to or below its carrying value, the test is reperformed using the pre-tax discount rate and pre-tax cash flows in order to determine if an impairment exists and to establish its magnitude. The discounted cash flow models make key assumptions about long-term sales growth rates (between a decline of 5% to expansion by 5%), profit margins and discount rates over a five-year period.

Notes to the financial statements continued

14 Impairment testing of goodwill continued

During the above testing it was concluded that the following impairment charges were necessary:

	2008 £m	2007 £m
Dry bulk chartering	6.9	—
Specialised products chartering	3.0	—
	9.9	—

These impairment charges arise from a review of the segments' reduced ability to generate cash returns over the next five years. We anticipate declines in the sales revenues of the dry bulk segment and a slowing of the growth in the specialised products chartering segment.

Changes to the above assumptions could cause the carrying value of any of the cash generating units to exceed its recoverable amount. For example, an increase in the discount rate of 1.0% could result in a further impairment of £0.2m. Further sustained declines in profitability in certain segments could also result in an additional impairment charge.

15 Trade and other receivables

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Non-current:				
Other receivables	1.1	1.7	—	—
Prepayments and accrued income	0.2	0.3	0.2	0.3
	1.3	2.0	0.2	0.3
Current:				
Trade receivables	45.9	33.8	—	—
Amounts owed by associates and joint ventures	—	0.2	—	—
Other receivables	4.6	4.7	0.1	0.1
Prepayments and accrued income	3.2	4.7	—	—
Owed by group companies	—	—	33.0	26.3
	53.7	43.4	33.1	26.4

Further details of related party receivables are included in note 29.

Trade receivables are non-interest bearing and are generally on terms payable within 90 days.

As at 31 December 2008, group trade receivables at nominal value of £10.2m (2007: £1.2m) were impaired and fully provided for. The company has no trade receivables (2007: none). The amount of the provision equates to the total amount of impaired debt. The provision is based on ongoing market information about the credit-worthiness of counterparties.

Movements in the provision for impairment of receivables were as follows:

	Individually impaired £m	Total £m
At 1 January 2008	1.2	1.2
Charge for the year	9.0	9.0
Utilised	—	—
At 31 December 2008	10.2	10.2
At 1 January 2007	1.0	1.0
Charge for the year	0.2	0.2
Utilised	—	—
At 31 December 2007	1.2	1.2

As at 31 December, the ageing analysis of trade receivables is as follows:

	Total £m	Neither past due nor impaired £m	Past due but not impaired > 90 days £m
2008	45.9	38.3	7.6
2007	33.8	28.9	4.9

16 Investments

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Available-for-sale financial assets	2.8	2.8	0.3	0.4
Fair value through profit or loss investments	13.3	13.6	13.3	13.6
	16.1	16.4	13.6	14.0

Available-for-sale financial assets consist of investments in unlisted ordinary shares and are shown at cost. There are no reasonable pricing alternatives to be able to give a range of fair value to these assets.

Fair value through profit or loss investments represents an investment in the Clarkson Shipping Hedge Fund of £10.0m (2007: £13.6m) and the Clarkson Freight Fund of £3.3m (2007: £nil). During 2008 the group disposed of £3.5m from its investment in order to rebase seed capital back to the initial US\$20.0m.

17 Investments in subsidiaries

	Company	
	2008 £m	2007 £m
Cost at 1 January	44.6	34.7
Transferred from subsidiaries	–	6.9
Additions	3.3	3.0
Recapitalisation of existing subsidiary	3.0	–
Impairment	(5.9)	–
Deferred consideration adjustment	(0.7)	–
At 31 December	44.3	44.6

2008

The additions represent payments of deferred consideration relating to previous acquisitions of £2.8m and capital contributions to subsidiaries in respect of share-based payments of £0.5m.

During the year the company subscribed for £3.0m of additional share capital in Clarkson Investment Services Limited.

The impairment relates to the investments in Genchem, Plowrights, Ferrobulk and AGA.

The deferred consideration adjustment relates to an amount of consideration relating to the previous Plowrights acquisition which is no longer required to be paid.

2007

During 2007 the shareholdings in Clarkson Italia SRL and Cofimar SA were transferred from subsidiaries.

The additions represent the acquisition of Cofimar SA of £2.6m (see note 12) and capital contributions to subsidiaries in respect of share-based payments of £0.4m.

Notes to the financial statements continued

18 Cash and short-term deposits

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Cash at bank and in hand	127.0	76.5	26.9	—
Short-term deposits	57.4	38.8	8.5	23.7
	184.4	115.3	35.4	23.7

For purposes of the cash flow statement, cash and cash equivalents are as detailed above.

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods between one day and three months, depending upon the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates. The fair value of cash and short-term deposits is £184.4m (2007: £115.3m).

19 Interest-bearing loans and borrowings

Financial liabilities measured at amortised cost

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Current:				
US\$9,165,000 bank loan	3.3	0.8	—	—
	3.3	0.8	—	—
Non-current:				
US\$9,165,000 bank loan	—	2.4	—	—
US\$20,000,000 bank loan	13.9	10.7	13.9	10.7
Aus\$5,000,000 bank loan	2.4	2.3	2.4	2.3
£34,400,000/£35,600,000 bank loan	34.4	35.6	34.4	35.6
	50.7	51.0	50.7	48.6

US\$9,165,000 bank loan: this is secured on certain fleet interests, repayable in August 2009 including a final repayment of US\$3,465,600 and bears interest at 5.575%.

The remaining loans are part of a revolving facility that is reviewed on a regular basis which is secured by a debenture over certain of the group's assets. All loans taken out under this facility are to be repaid by November 2011. These loans bear interest at LIBOR plus a margin and mandatory costs. The margin varies between 0.6% per annum and 2.5% per annum depending on cash cover and are subject to a cross-guarantee between certain group companies.

20 Trade and other payables

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Current:				
Trade payables	13.5	11.7	–	–
Foreign currency contracts	1.4	–	–	–
Other payables	2.9	10.5	0.2	–
Amounts owed to associates and joint ventures	0.1	–	–	–
Accruals and deferred income	124.5	73.4	8.4	4.0
Other tax and social security	2.8	1.6	–	–
Owed to group companies	–	–	28.3	15.1
Deferred consideration	1.3	4.2	0.2	1.4
	146.5	101.4	37.1	20.5
Non-current:				
Other payables	4.7	1.5	–	–
Deferred consideration	–	1.6	–	0.2
	4.7	3.1	–	0.2

Terms and conditions of the financial liabilities:

- Trade payables are non-interest bearing and are normally settled on demand.
- Other payables are non-interest bearing and are normally settled on demand.
- Interest payable is normally settled monthly throughout the financial year.
- Further details of related party payables are included in note 29.

21 Provisions

31 December 2008

	Group		Company	
	Litigation £m	Dilapidation of leasehold premises £m	Total £m	Dilapidation of leasehold premises £m
Current:				
At 1 January 2008	–	0.3	0.3	–
Utilised	–	–	–	–
At 31 December 2008	–	0.3	0.3	–
Non-current:				
At 1 January 2008	6.0	0.7	6.7	0.7
Arising during the year	21.0	0.2	21.2	0.2
Utilised during the year	(27.0)	–	(27.0)	–
At 31 December 2008	–	0.9	0.9	0.9

A provision is recognised for the dilapidation of various leasehold premises. A provision was recognised and utilised for legal claims made against the group (see note 5).

Notes to the financial statements continued

21 Provisions continued

31 December 2007

				Group	Company
	Litigation £m	Dilapidation of leasehold premises £m	Discon- tinued operations £m	Total £m	Dilapidation of leasehold premises £m
Current:					
At 1 January 2007	–	0.3	0.3	0.6	–
Utilised	–	–	(0.3)	(0.3)	–
At 31 December 2007	–	0.3	–	0.3	–
Non-current:					
At 1 January 2007	–	0.5	–	0.5	0.5
Arising during the year	6.0	0.2	–	6.2	0.2
At 31 December 2007	6.0	0.7	–	6.7	0.7

A provision is recognised for the dilapidation of various leasehold premises. A provision was recognised for legal claims made against the group (see note 5).

22 Share-based payment plans

The expense recognised for employee services received during the year is shown in the following table:

	2008 £m	2007 £m
Expense arising from equity-settled share-based payment transactions	1.6	0.8
Total expense arising from share-based payment transactions	1.6	0.8

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2008 or 2007.

Long Term Incentive Plan

Details of the Long Term Incentive Plan are included in the directors' remuneration report on page 25. Awards made to the directors are given in the directors' remuneration report on page 28.

In addition, 210,120 awards were granted to certain senior executives at a weighted average price of £9.76. The fair value of these shares was determined based on the market price at the date of grant. The expense to the group and company in 2008 relating to these awards total £1.1m (2007: £0.4m).

In addition, the company has made a capital contribution of £0.5m (2007: £0.4m) relating to share-based payments of subsidiaries (See note 17).

Share options

During 2007, 50,000 options were granted to senior executives with no performance conditions attached and 110,000 options were granted to senior executives with the same performance conditions as the directors (see above).

The fair value of the element of these awards which have a TSR performance condition was valued using a Stochastic model. All other elements of awards were valued using a Black-Scholes model.

The expense to the group in 2008 amounted to £nil (2007: £0.1m).

The contractual life of each option granted is between three and ten years. There are no cash settlement alternatives.

Movements in the year

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year:

	2008		2007	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	160,000	£9.97	–	–
Granted during the year	–	–	160,000	£9.97
Outstanding at 31 December	160,000	£9.97	160,000	£9.97
Exercisable at 31 December	–	–	–	–

The following table lists the inputs to the models used for the valuations of share options granted in 2007:

	2007 No performance conditions	2007 With performance conditions
Dividend yield (%)	3.7	4.0
Expected volatility (%)	30.2	30.0
Risk-free interest rate (%)	5.0	4.9
Expected life of option (years)	6	6
Weighted average share price (£)	10.42	9.60

There were no options granted during 2008.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2008 is estimated at 5 years (2007: 6 years).

The weighted average fair value of options granted during 2007 was £2.32.

The range of exercise prices for options outstanding at the end of 2008 and 2007 was £9.91 to £10.15.

Other employee incentives

During the year, 610,720 shares (2007: 612,648 shares) at a weighted average price of £8.14 (2007: £9.35) were awarded to employees in settlement of 2007 (2006) cash bonuses. There was no expense in 2008 as a result of these awards.

The fair value of the above shares was determined based on the market price at the date of grant.

Other awards

In 2007, 235,294 shares were issued, at a weighted average price of £8.70, as consideration relating to the 2006 intangible addition.

Notes to the financial statements continued

23 Employee benefits

The group's two defined benefit pension schemes are in the UK and all financial information provided in this note relates to those schemes.

Defined benefit pension scheme

The group operates two defined benefit pension schemes, being the Clarkson PLC pension scheme and the Plowrights defined benefit scheme, which are funded by the payment of contributions to separately administered trust funds. The schemes' assets are invested in a range of pooled pension investment funds managed by professional fund managers.

Defined benefit pension arrangements give rise to open ended commitments and liabilities for the sponsoring company. As a consequence the company closed its original defined benefit section of the UK scheme to new entrants on 31 March 2004. This section was closed to further accrual for all existing members as from 31 March 2006; the Plowrights scheme was closed to further accrual from 1 January 2006.

Every three years, a pension scheme must obtain from an actuary a report containing a valuation and a recommendation on rates of contribution.

The most recent report of the main UK scheme was prepared as at 31 March 2007. This report shows a pension surplus on the original scheme of £5.7m. A joint funding rate, as agreed by the actuaries, of 10% of previously pensionable salaries has applied since 31 March 2006.

The most recent report of the Plowrights scheme was prepared as at 31 March 2007. This report showed a pension deficit of £1.2m. It has been agreed between Clarkson PLC and the Trustees and certified by the actuary, that the company will fund this deficit over a period of five years commencing on 1 July 2008 by paying contributions of £0.4m per annum.

All the financial information provided in this note represents the sum of the two separate schemes.

Other pension arrangements

Overseas defined contribution arrangements have been determined in accordance with local practice and regulations.

The group also operates various other defined contribution pension arrangements. Where required the group also makes contributions into these schemes.

The group incurs no material expenses in the provision of post-retirement benefits other than pensions.

The following tables summarise amounts recognised in the consolidated and company balance sheet and the components of net benefit income recognised in the consolidated income statement:

Benefit asset

	Group and Company	
	2008 £m	2007 £m
Fair value of schemes' assets	114.6	132.6
Present value of funded defined benefit obligations	(104.9)	(122.3)
	9.7	10.3
Unrecognised asset	—	(0.4)
Asset recognised on the balance sheet	9.7	9.9

A deferred tax liability on the above recognised asset amounting to £2.7m (2007: £2.8m) is shown in note 6.

Benefit liability

	Group and Company	
	2008 £m	2007 £m
Minimum funding requirement	1.2	—

A deferred tax asset on the above recognised liability amounting to £0.3m (2007: £nil) is shown in note 6.

Recognised in the income statement

	Group and Company	
	2008 £m	2007 £m
Interest cost on benefit obligation (recognised in other finance revenue – pensions)	(6.9)	(6.3)
Expected return on plan assets (recognised in other finance revenue – pensions)	7.8	7.4
Net benefit income	0.9	1.1

Taken to the statement of recognised income and expense

	Group and Company	
	2008 £m	2007 £m
Actual (deficit)/returns on schemes' assets	(11.7)	3.9
Less: expected returns on plan assets	(7.8)	(7.4)
	(19.5)	(3.5)
Actuarial gains on defined benefit obligations	17.6	5.1
Actuarial (losses)/gains recognised in the statement of recognised income and expense	(1.9)	1.6
Movement in unrecognised asset	0.4	(0.4)
Deferred tax credit/(charge) on actuarial losses/gains and movements in unrecognised asset	0.7	(0.3)
Minimum funding requirement in relation to the Plowrights scheme	(1.2)	–
Deferred tax credit on minimum funding requirement	0.3	–
Net actuarial (losses)/gains on employee benefit obligations	(1.7)	0.9
Cumulative amount of actuarial gains recognised in the statement of recognised income and expense	4.4	7.5

The directors are unable to determine the amount of actuarial gains and losses that would have been recognised in the statement of recognised income and expense prior to the date of transition to IFRSs on 1 January 2004.

The assets of the schemes and the expected rates of return are as follows:

	Group and Company					
	Percentage of total 2008 %	Expected rate of return 2008 % pa	2008 £m	Percentage of total 2007 %	Expected rate of return 2007 % pa	2007 £m
Equities	47.8	7.75	54.8	47.0	7.75	62.4
Government bonds	29.6	4.00	33.9	34.6	4.50	45.8
Corporate bonds	19.1	5.75	21.9	14.1	5.80	18.7
Property	2.2	6.75	2.5	2.3	6.75	3.1
Cash and other assets	1.3	2.75	1.5	2.0	6.00	2.6
Benefit asset	100.0		114.6	100.0		132.6

The overall expected rate of return on assets is determined based on market prices applicable to the period over which the obligation is to be settled.

Notes to the financial statements continued

23 Employee benefits continued

Changes in the fair value of plan assets are as follows:

	Group and Company	
	2008 £m	2007 £m
Opening fair value of plan assets	132.6	134.7
Expected return on assets	7.8	7.4
Contributions	0.4	0.5
Benefits paid	(6.7)	(6.5)
Actuarial losses	(19.5)	(3.5)
Fair value of assets at 31 December	114.6	132.6

The group expects to contribute £0.4m to its defined benefit pension schemes in 2009 (2008: £0.5m).

The principal valuation assumptions are as follows:

	Group and Company	
	2008 %	2007 %
Rate of increase in pensions in payment	2.60 – 2.70	3.20 – 3.40
Price inflation	2.80	3.40
Discount rate for scheme liabilities	6.20	5.80

Mortality assumptions

The mortality assumptions used to assess the defined benefit obligation at 31 December 2008 and 2007 are based on the '00' series of tables published by the actuarial profession. These tables have been adjusted to allow for anticipated future improvements in life expectancy. Examples of the assumed future life expectancy are given in the table below:

	Group and Company	
	2008 Additional years	2007 Additional years
Post-retirement life expectancy on retirement at age 65:		
Pensioners retiring in the year – male	22.4	22.2
– female	24.3	24.2
Pensions retiring in twenty years time – male	24.7	24.6
– female	25.8	25.7

Changes in the fair value of the defined benefit obligation

	Group and Company	
	2008 £m	2007 £m
Opening defined benefit obligations	122.3	127.6
Interest costs	6.9	6.3
Actuarial gains	(17.6)	(5.1)
Benefits paid	(6.7)	(6.5)
	104.9	122.3

Historical comparative information

	Group and Company			
	2008 £m	2007 £m	2006 £m	2005 £m
Fair value of schemes' assets	114.6	132.6	134.7	112.4
Defined benefit obligation	(104.9)	(122.3)	(127.6)	(112.8)
Unrecognised asset	–	(0.4)	–	–
Surplus/(deficit)	9.7	9.9	7.1	(0.4)
Experience adjustments on plan assets	(19.5)	(3.4)	3.0	11.0
Experience adjustments on plan liabilities	(0.5)	0.4	(0.2)	(14.7)

24 Authorised and issued share capital

Share capital

	Group and Company			
	2008 Number	2007 Number	2008 £m	2007 £m
Authorised				
Ordinary shares of 25 pence each:	29,000,000	29,000,000	7.3	7.3
Allotted, issued and fully paid				
Ordinary shares of 25 pence each:				
At 1 January	18,693,616	18,180,529	4.7	4.5
Issued during the year	181,890	513,087	–	0.2
At 31 December	18,875,506	18,693,616	4.7	4.7

Shares issued during the year

	2008 Number	2007 Number	2008 £m	2007 £m
Acquisitions	–	274,673	–	2.7
Deferred share consideration	181,890	92,848	1.7	0.9
ESOP shares	–	145,566	–	1.3
	181,890	513,087	1.7	4.9

2008

During 2008 96,118 shares with a total value of £1.0m were issued in relation to deferred consideration arising from the Genchem and Anchor Cross acquisitions in 2006.

In addition 85,772 shares with a total value of £0.7m were issued in relation to deferred consideration arising from the Ferrobulk acquisition in 2005.

There was no cash received by the group from the issue of the shares during 2008.

2007

During 2007 274,673 shares were issued for a total value of £2.7m to cover the Cofimar and Normarine acquisitions. In addition 92,848 shares with a total value of £0.9m were deferred consideration relating to the Genchem and Anchor Cross acquisitions in 2006. Further details are included in note 12.

A further 145,566 shares with a value of £1.3m was issued to the ESOP during the year.

There was no cash received by the group from the issue of the shares during 2007.

Notes to the financial statements continued

25 Reserves

Share premium

	Group and Company	
	2008 £m	2007 £m
At 1 January	25.4	20.7
Arising on the issue of new shares	1.7	4.7
At 31 December	27.1	25.4

Profit and loss reserve reconciliation

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Profit and loss reserve at 1 January	54.7	42.1	20.3	21.4
Profit for the year attributable to equity holders of the parent	7.8	18.2	4.5	5.0
Actuarial (loss)/gain on employee benefits – net of tax	(1.7)	0.9	(1.7)	0.9
Dividend paid in year	(7.9)	(6.7)	(7.9)	(7.0)
Profit on ESOP shares	0.2	–	–	–
Deferred share consideration	0.9	0.2	–	–
At 31 December	54.0	54.7	15.2	20.3

31 December 2008

	Group					
	ESOP reserve £m	Deferred share con- sideration £m	Employee benefits reserve £m	Capital redemption reserve £m	Profit and loss £m	Currency translation reserve £m
At 1 January 2008	(3.5)	0.9	0.8	2.0	54.7	(1.0)
Total recognised income and expense	–	–	–	–	6.1	14.6
Dividend paid	–	–	–	–	(7.9)	–
ESOP shares acquired	(2.3)	–	–	–	–	–
ESOP shares utilised	5.0	–	–	–	–	–
Profit on ESOP shares	–	–	–	–	0.2	–
Share-based payments	–	–	1.0	–	–	–
Deferred share consideration	–	(0.9)	–	–	0.9	–
At 31 December 2008	(0.8)	–	1.8	2.0	54.0	13.6

31 December 2007

	ESOP reserve £m	Deferred share con- sideration £m	Employee benefit reserve £m	Capital redemption reserve £m	Profit and loss £m	Group Currency translation reserve £m
At 1 January 2007	(3.7)	1.1	–	2.0	42.1	(1.3)
Total recognised income and expense	–	–	–	–	19.1	0.3
Dividend paid	–	–	–	–	(6.7)	–
ESOP shares acquired	(7.4)	–	–	–	–	–
ESOP shares utilised	7.6	–	–	–	–	–
Deferred share consideration	–	(0.2)	–	–	0.2	–
Share-based payments	–	–	0.8	–	–	–
At 31 December 2007	(3.5)	0.9	0.8	2.0	54.7	(1.0)

31 December 2008

	Profit and loss £m	Employee benefits reserve £m	Company Capital redemption reserve £m
At 1 January 2008	20.3	0.8	2.0
Dividend paid	(7.9)	–	–
Total recognised income and expense	2.8	–	–
Share-based payments	–	1.0	–
At 31 December 2008	15.2	1.8	2.0

31 December 2007

	Profit and loss £m	Employee benefits reserve £m	Company Capital redemption reserve £m
At 1 January 2007	21.4	–	2.0
Dividend paid	(7.0)	–	–
Total recognised income and expense	5.9	–	–
Share-based payments	–	0.8	–
At 31 December 2007	20.3	0.8	2.0

Notes to the financial statements continued

25 Reserves continued**Nature and purpose of other reserves****ESOP reserve – group**

The ESOP reserve in the group represents 226,004 shares (2007: 484,147 shares) held by the Executive Share Purchase Trust to meet obligations under various incentive schemes. The shares are stated at cost. The market value of these shares at 31 December 2008 was £0.8m (2007: £4.9m). At 31 December 2008 none of these shares were under option (2007: none).

Deferred share consideration – group

Deferred share consideration represented the element of deferred consideration payable in shares from an acquisition in 2005.

Employee benefits reserve – group and company

The employee benefits reserve is used to record the value of equity-settled share-based payments provided to employees. Further details are included in note 22.

Capital redemption reserve – group and company

The capital redemption reserve arose on previous share buy-backs by Clarkson PLC.

Currency translation reserve – group

The currency translation reserve represents the currency translation differences arising from the consolidation of foreign operations.

26 Financial commitments and contingencies**Operating lease commitments – group as lessee**

The group has entered into commercial leases in relation to land and buildings and other assets on the basis that it is not in the group's best interests to purchase these assets. The leases have an average life of between five and ten years with renewal terms included in the contracts. Renewals are at the option of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2008 £m	2007 £m	2008 £m	2007 £m
Within one year	4.9	4.9	4.3	4.3
After one year but not more than five years	17.8	18.3	17.2	17.2
After five years	8.6	12.9	8.6	12.9
	31.3	36.1	30.1	34.4

The group and company has sublet space in certain properties. The future minimum sublease payments expected to be received under non-cancellable sublease agreements as at 31 December 2008 is £24.4m (2007: £28.1m).

Contingencies

The group and company have given no financial commitments to suppliers (2007: none).

The group and company have given no guarantees (2007: none).

Since June 2006, H Clarkson & Company Limited received commissions amounting to US\$15.2m which were the subject of the litigation as described in note 5. H Clarkson & Company Limited held those monies in separate designated accounts pending determination as to who was entitled to receive them. It became clear to the board that these monies were rightfully payable to the Claimants and thus, as part of the settlement agreed with the Claimants on 26 June 2008, they were released to their account. There remain Part 20 claims from two of the defendants that these monies are rightfully theirs. After taking extensive legal advice and closely reviewing the evidence, the board believes that the Part 20 claims have no foundation whatsoever and they will not succeed.

27 Financial risk management objectives and policies

The group's principal financial liabilities comprise bank loans and overdrafts, trade payables and loans given. The company's principal financial liabilities comprise bank loans. The main purpose of these financial liabilities is to raise finance for the group's operations. The group and company have various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The group and company have not entered into derivative transactions other than the forward currency contracts explained later in this section. It is, and has been throughout 2008 and 2007, the group's policy that no trading in derivatives shall be undertaken for speculative purposes.

The main risks arising from the group and company's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk, liquidity risk and investment risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Interest rate risk

The group and company's exposure to the risk of changes in market interest rates relates primarily to the group and company's cash and short-term deposits and long-term debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group and company's profit before tax (through the impact on cash balances and floating rate borrowings). There is no impact on the group or company's equity.

	Increase/ decrease in basis points	Group effect on profit before tax £m	Company effect on profit before tax £m
2008			
Sterling	+100	0.7	(0.1)
US dollars	+100	0.7	–
Sterling	–100	(0.7)	0.1
US dollars	–100	(0.7)	–
2007			
Sterling	+50	0.2	(0.1)
US dollars	+50	0.1	(0.1)
Sterling	–100	(0.5)	0.1
US dollars	–100	(0.2)	0.1

Notes to the financial statements continued

27 Financial risk management objectives and policies continued**Foreign currency risk**

The group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency. Approximately 90% of the group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst almost 90% of costs are denominated in the unit's functional currency.

The group uses foreign currency contracts only to reduce exposure to variations in the US dollar exchange rate and to meet local currency expenditure in the ordinary course of business.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the group's profit before tax (due to changes in the fair value of monetary assets and liabilities). The effect on equity is the same as profit before tax.

	Strengthening/ (weakening) in US dollar rate £m	Effect on profit/(loss) before tax £m
2008	+5%	1.6
	-5%	(1.6)
2007	+5%	1.1
	-5%	(1.1)

Derivative financial instruments

It is the group's policy to cover or hedge a proportion of its transactional US dollar exposures with foreign currency contracts. Where these are designated and documented as hedging instruments in the context of IAS 39 and are demonstrated to be both effective and efficient, mark-to-market gains and losses are recognised directly in equity and transferred to the income statement upon recognition of the underlying item being hedged.

The fair value of foreign currency contracts at 31 December are as follows:

	Assets		Liabilities	
	2008 £m	2007 £m	2008 £m	2007 £m
Foreign currency contracts	—	—	1.4	—

Credit risk

The group seeks to trade only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis and any potential bad debts identified at an early stage. The maximum exposure is the carrying amounts as disclosed in note 15. There are no significant concentrations of credit risk within the group and company.

With respect to credit risk arising from the other financial assets of the group, which comprise cash and cash equivalents, fair value through profit or loss investments and available-for-sale financial investments, the group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

The group monitors its risk to a shortage of funds using projected cash flows from operations. The group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The tables below summarise the maturity profile of the group's financial liabilities at 31 December based on contractual undiscounted payments.

Year ended 31 December 2008

Group	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Interest-bearing loans and borrowings	–	0.3	3.1	54.4	57.8
Trade and other payables	16.4	–	–	4.7	21.1
Foreign currency contracts	–	0.4	1.0	–	1.4
	16.4	0.7	4.1	59.1	80.3

Year ended 31 December 2007

Group	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Total £m
Interest-bearing loans and borrowings	–	0.3	0.8	56.9	58.0
Trade and other payables	22.2	–	–	1.5	23.7
	22.2	0.3	0.8	58.4	81.7

The company has undiscounted interest-bearing loans and borrowings totalling £54.4m (2007: £54.4m) which are payable in 1 to 5 years (2007: 1 to 5 years).

Investment risk

The group and company hold investments in the Clarkson Shipping Hedge Fund and the Clarkson Freight Fund amounting to US\$19.1m (2007: US\$27.1m). These amounts are treated as Fair Value through Profit or Loss investments. The valuations of the investments are based on the underlying net assets of the Funds. The group's exposure to investment risk arises from a deterioration of the value of these assets, with a maximum exposure equal to the carrying amount of the Funds. During 2008 the group and company rebased seed capital back to the initial US\$20.0m.

Capital management

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years ended 31 December 2008 and 31 December 2007.

A number of the group's trading companies are subject to regulation by the FSA in the UK. All such companies complied with their regulatory capital requirements throughout the year.

The group monitors capital using a gearing ratio, which is normally defined as net debt divided by total capital plus net debt. The group includes within net funds, cash and cash equivalents and interest-bearing loans and borrowings. Capital comprises equity attributable to the equity holders of the parent.

	2008 £m	2007 £m
Interest bearing loans and borrowings	(54.0)	(51.8)
Cash and short-term deposits	184.4	115.3
Net funds	130.4	63.5
Gearing ratio	–%	–%

Notes to the financial statements continued

28 Financial instruments**Fair values**

Set out below is a comparison by category of carrying amounts and fair values of all of the group's financial instruments, that are carried in the financial statements:

	2008		2007	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets				
Cash	184.4	184.4	115.3	115.3
Fair value through profit or loss investments	13.3	13.3	13.6	13.6
Financial liabilities				
Derivatives	1.4	1.4	—	—
Interest-bearing loans and borrowings:				
Floating rate borrowings	50.7	50.7	48.6	48.6
Fixed rate borrowings	3.3	3.3	3.2	3.2

The fair value of borrowings has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of other financial assets has been calculated using market rates.

29 Related party transactions

During the year the group and company entered into transactions, in the ordinary course of business, with related parties.

Those transactions, and balances outstanding at 31 December, are as follows:

	Group	
	Associates and joint ventures 2008 £m	Associates and joint ventures 2007 £m
Amounts owed by related party	—	0.2
Amounts owed to related party	0.1	—

	Company	
	Subsidiaries 2008 £m	Subsidiaries 2007 £m
Management fees charged by related party	0.1	0.7
Management fees charged to related party	1.1	1.2
Interest received from related party	0.4	0.3
Amounts owed by related party	33.0	26.3
Amounts owed to related party	28.3	15.1

Compensation of key management personnel (including directors)

There were no key management personnel in the group and company apart from the Clarkson PLC directors. Details of their compensation can be found in the directors' emoluments and compensation table on page 27. Share-based payments relating to the Clarkson PLC directors amounted to £0.3m (2007: £0.4m).

30 Subsidiaries, associates and joint ventures

Principal subsidiaries

Country of incorporation and operation	Company	Percentage of equity shares
UK	H Clarkson & Company Limited	100
	Clarkson Port Services Limited*	100
	Clarkson Financial Services Limited	100
	Clarkson Fund Management Limited	100†
	Clarkson Investment Services Limited	100†
	Clarkson Legal Services Limited	100
	Clarkson Logistics Limited	100
	Clarkson Overseas Shipbroking Limited	100
	Clarkson Property Holdings Limited	100†
	Clarkson Research Services Limited	100
	Clarkson Securities Limited	100
	Clarkson Shipbroking Group Limited	100†
	Clarkson Shipping Investments Limited	100†
	Clarkson Technical Services Limited*	100†
	Clarkson Valuations Limited	100
	Genchem Holdings Limited*	100†
	LevelSeas Limited	100
	LNG Shipping Solutions Limited	100
	Oilfield Publications Limited	100
	O.P.S. (Holdings) Limited	100†

*Not audited by Ernst & Young LLP and associates.

†Held by Clarkson PLC.

Notes to the financial statements continued

30 Subsidiaries, associates and joint ventures continued**Principal subsidiaries**

Country of incorporation and operation	Company	Percentage of equity shares
Australia	Clarkson Australia (Pty) Limited*	100
	Clarkson Melbourne (Pty) Limited*	100
	Clarkson Shipping Services (Pty) Limited*	100
China	Bonus Plus Investments Limited*	100
	Clarkson Asia Limited*	100
	Clarkson Logistics (HK) Limited*	100
Dubai	Clarkson FZE*	100
France	Clarkson Paris SA*	100
Germany	Clarkson (Deutschland) GmbH*	100
Greece	Clarkson (Hellas) Limited	100
India	Clarkson Shipping Services India Private Limited*	100
Italy	Clarkson Italia Srl	100†
New Zealand	Clarkson New Zealand Limited*	100
Singapore	Clarkson Asia Pte Limited	100
South Africa	Clarkson South Africa Limited*	100
	Afromar Properties (Pty) Limited*	100
Switzerland	Clarkson Shipbroking Switzerland SA*	100
USA	Clarkson Shipping Services USA, Inc.*	100

Associates

UK	H C Shipping & Chartering Limited*	25
USA	Overseas Wiborg Chartering Co. (Partnership)	50

*Not audited by Ernst & Young LLP and associates.

†Held by Clarkson PLC.

All the companies in this note are engaged in the provision of shipping and shipping related services.

The group also holds investments in other subsidiaries which are either not trading or not significant. In compliance with Section 231 of the Companies Act 1985, a complete list of subsidiaries will be annexed to the company's next annual return.

Glossary

Aframax	A tanker size range defined by Clarksons as between 80,000 and 120,000 dwt.
Ballast voyage	A voyage with no cargo on board to get a ship in position for the next loading port or docking. On voyage the ship is said to be in ballast.
Bareboat charter	The hire or lease of a vessel from one company to another (the charterer), which in turn provides crew, bunkers, stores and pays all operating costs.
Bulk cargo	Unpackaged cargoes such as coal, ore and grain.
Bunkers	The ship's fuel.
Cabotage	Transport of goods between two ports or places located in the same country, often restricted to domestic carriers.
Capesize	Bulk ship size range defined by Clarksons as 100,000 dwt or larger.
Charterer	Cargo owner or another person/company who hires a ship.
Charter-party	Transport contract between shipowner and shipper of goods.
CIF	Cost, insurance and freight. Delivery of goods is the seller's responsibility to the port of discharge. The freight is paid for by the supplier of goods.
Clean oil	Refined oil products such as naphtha.
COA	Contract of Affreightment. An agreement to transport a defined amount of cargo at an agreed freight rate, with the shipowner choosing the ship.
Combination carrier	Ship capable of carrying oil or dry bulk cargoes, thereby increasing the productivity of the vessel. Typically termed OBO or Ore/Oiler.
Crude oil	Unrefined oil.
Daily operating costs	The costs of a vessel's technical operation, crewing, insurance and maintenance, but excluding costs of financing.
Demurrage	Money paid to shipowner by charterer, shipper or receiver for failing to complete loading/discharging within time allowed according to charter-party.
Dirty oil	Less refined oil products such as fuel oil.
Dry (market)	Generic term for the bulk market.
Dry cargo carrier	A ship carrying general cargoes or sometimes bulk cargo.
Dry docking	To put a vessel into a dry dock for inspection, repair and maintenance. Normally done on a regular basis.

Glossary continued

Dwt	Deadweight ton. A measure expressed in metric tons (1,000 kg) or long tons (1,016 kg) of a ship's carrying capacity, including bunker oil, fresh water, crew and provisions. This is the most important commercial measure of the capacity.
FFA	A Forward Freight Agreement is a cash contract for differences requiring no physical delivery based on freight rates on standardised trade routes.
FOB	Free On Board. Cost of the delivery of goods is the seller's responsibility only up to the port of loading. The freight is paid for by the buyer of the goods.
FOB (estimate)	Forward Order Book represents estimated commissions collectable over the duration of the contract as principal payments fall due. The forward order book is not discounted.
FOSVA	Forward Ship Value Agreement. An FFA based product designed specifically for the sale and purchase market.
Freight rate	The agreed charge for the carriage of cargo expressed per ton(ne) of cargo (also Worldscale in the tanker market) or as a lump sum.
Handysize/Handymax	Bulk ship size ranges of ships defined by Clarksons as 10-40,000 dwt and 40-60,000 dwt.
IMO	International Maritime Organisation: a United Nations agency devoted to shipping.
ISM code	International Safety Management code for the safe operation of ships and for pollution prevention as adopted by the IMO.
LNG	Liquefied Natural Gas.
LPG	Liquefied Petroleum Gas.
MOA	Memorandum of agreement.
OBO	Oil, Bulk, Ore carrier (see combination carrier).
Oil tanker	Tanker carrying crude oil or refined oil products.
Panamax	Bulk ship size range defined by Clarksons as 60-100,000 dwt. Strictly speaking the largest ship capable of navigating in the Panama Canal.
Parcel tanker	Tanker equipped to carry several types of cargo simultaneously.
Product tanker	Tanker that carries refined oil products.
Reefer	A vessel capable of handling refrigerated cargoes such as meat, fish and fruit.
Ro-Ro	An abbreviation for roll-on roll-off, describing vessels where vehicles drive onto and off of the vessels.
Shipbroker	A person/company who on behalf of shipowner/shipper negotiates a deal for the transportation of cargo at an agreed price. Shipbrokers also act on behalf of shipping companies in negotiating the purchasing and selling of ships, both second-hand tonnage and newbuilding contracts.
Shuttle tanker	Tanker carrying oil from offshore fields to terminals.
Spot business	Broker commission negotiated and invoiced within the same business year.
Spot market	Short-term contracts for voyage, trip or short-term time charters, normally no longer than three months in duration.
Suezmax	A tanker size range defined by Clarksons as 120,000-200,000 dwt.
TEU	Twenty foot Equivalent Units. The unit of measurement of a standard twenty foot long container.

Time charter (t/c)	An arrangement whereby a shipowner places a crewed ship at a charterer's disposal for a certain period. Freight is customarily paid periodically in advance. The charterer also pays for bunker, port and canal charges.
Time Charter Equivalent (TCE)	Gross freight income less voyage costs (bunker, port and canal charges), usually expressed in US\$ per day.
Ton/Tonne	Imperial/Metric ton of 2,240 lbs/1,000 kilos (2,204 lbs).
ULCC	Ultra Large Crude Carrier. Tanker of more than 320,000 dwt.
VLCC	Very Large Crude Carrier. Tanker between 200,000 and 320,000 dwt.
Voyage charter	The transportation of cargo from port(s) of loading to port(s) of discharge. Payment is normally per ton(ne) of cargo, and the shipowner pays for bunker, port and canal charges.
Voyage costs	Costs directly related to a specific voyage (eg. bunker, port and canal charges).
Wet (market)	Generic term for the tanker market.
Worldscale (WS)	An international index of freight for tankers. Worldscale is a schedule of freight rates for a standard ship in US dollars per tonne of oil for an array of oil routes. The rates listed in the table are designated as Worldscale Flat or WS100 and are revised annually.

Five year financial summary

Income statement

	2008* £m	2007* £m	2006 £m	2005 £m	2004 £m
Revenue – continuing operations	250.3	173.4	116.6	115.6	82.4
Cost of sales	(7.5)	(3.3)	–	–	–
Trading profit	242.8	170.1	116.6	115.6	82.4
Administrative expenses	(190.9)	(143.7)	(98.6)	(91.9)	(62.2)
Impairment of intangible assets	(13.9)	–	–	–	–
Operating profit – continuing operations	38.0	26.4	18.0	23.7	20.2
Profit before taxation – continuing operations	39.2	31.6	22.1	26.8	23.1
Taxation	(16.4)	(10.2)	(7.2)	(8.9)	(7.4)
Profit for the year – continuing operations	22.8	21.4	14.9	17.9	15.7

Cash flow

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Net cash inflow from operating activities	57.9	52.4	8.4	30.4	19.0

Balance sheet

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Non-current assets	87.2	98.9	90.7	46.3	17.1
Trade and other receivables (including income tax receivable)	55.2	44.2	31.1	25.7	17.0
Cash and short-term deposits	184.4	115.3	74.8	55.1	44.1
Current liabilities	(159.0)	(106.3)	(70.1)	(67.7)	(40.7)
Non-current liabilities	(65.4)	(68.1)	(61.1)	(11.6)	(9.4)
	102.4	84.0	65.4	47.8	28.1

Statistics

	2008	2007	2006	2005	2004
Earnings per share – basic	41.9p	101.9p	86.6p	116.8p	86.0p
Dividends per share	42.0p	40.0p	36.0p	32.0p	25.0p

* Before exceptional item.

Principal trading offices

United Kingdom

London

Registered office
Clarkson PLC
St. Magnus House
3 Lower Thames Street
London
EC3R 6HE
United Kingdom
Registered number: 1190238
Contact: Andi Case
Tel: +44 20 7334 0000
www.clarksons.com

Ipswich

Maritime House
19a St Helens Street
Ipswich
IP4 1HE
United Kingdom
Contact: David Rumsey
Tel: +44 1473 297321

Ledbury

15 The Homend
Ledbury
Herefordshire
HR8 1BN
United Kingdom
Contact: Julia Vanston
Tel: +44 1531 634 563

Australia

Brisbane

Level 18/Riverside Centre
123 Eagle Street
Brisbane
QLD 4000
Australia
Contact: John Coburn
Tel: +61 7 3112 2795

Melbourne

Level 8
492 St Kilda Road
Melbourne
Victoria 3004
Australia
Contact: Michael Davies
Tel: +61 3 9867 6800

Perth

Level 10
16 St Georges Terrace
Perth
WA 6000
Australia
Contact: Julian Richmond
Tel: +61 8 6210 8700

Sydney

12th Floor
157 Walker Street
North Sydney
NSW 2060
Australia
Contact: David Oakley/Peter Quirk
Tel: +61 2 9954 0200

China

Room 2203-06 The Center
989 Chang Le Lu
Shanghai 200031
China

Contact: Cheng Yu Wang
Tel: +86 21 6103 0100

France

90 Avenue Des Champs Elysees
Paris
75008
France

Contact: Hervé Poux
Tel: + 33 1 45 62 74 74

Germany

Johannisbollwerk 20, 5. fl
Hamburg
20459
Germany

Contact: Jan Aldag
Tel: +49 40 3197 66 110

Greece

95 Akti Miaouli
Pireaus 185 38
Greece

Contact: George Margaronis
Tel: +30 210 458 6700

Hong Kong

1706-1716 Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

Contact: Ken Michie/Martin Rowe
+ 852 2866 3111

India

Flat number 124-125, Rectangle 1
Plot D-4, Saket District Centre
New Delhi
110017
India

Contact: Robert Lowe
Tel: +91 11 308 48208

Italy

Piazza Rossetti 3A
16129 Genoa
Italy

Contact: Massimo Dentice
Tel: +39 0 10 55401

New Zealand

Level 13, Citibank Centre
23 Customs Street East
Auckland
New Zealand

Contact: Peter Cookson
Tel: +64 9 379 7994

Singapore

8 Shenton Way
25-01 Temasek Tower
Singapore 068811

Contact: Giles Lane
Tel: +65 6 339 0036

South Africa

Heron House
33 Wessel Road
Rivonia
Johannesburg 2128
South Africa
Contact: David Tucker
Tel: +27 11 803 0008

Switzerland

Rue de la Fontaine 1
1204
Geneva
Switzerland
Contact: David Collins
Tel: +41 22 308 9900

United Arab Emirates

Office 2301
Saba Towers 1
Jumeirah Lake Towers
Sheikh Zayed Road
Dubai
UAE
PO Box 102929
Contact: Esam Balla
Tel: +971 4 427 0113

USA

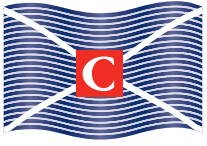
1333 West Loop South
Suite 1525
Houston
Texas 77027
USA
Contact: Roger Horton
Tel: +1 713 235 7400



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Thank you.

This report is available at:
<http://www.clarksons.com>



Clarkson PLC
St. Magnus House
3 Lower Thames Street
London EC3R 6HE
+44 (0) 20 7334 0000
