



The heart of global shipping

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Clarkson PLC

Annual Report and Accounts

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Clarkson PLC is the world's leading integrated shipping services group. Through our 19 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.

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Broking

Dry bulk chartering

Clarksons coverage is unrivalled with teams operating out of 13 different country locations. Record turnover and record forward order book is driven by a very strong market and supported by our team of analysts and our understanding of the derivatives markets.

Container chartering

Historically a sector where we have been somewhat weaker, but the company has a determination to grow. We already have a very decent revenue stream and forward order book from our small but growing team based in London, Shanghai and Singapore.

Deep sea chartering

Strong revenues and the build up of the forward order book has seen us maintain very positive results with a growing market share. Global coverage is offered from our well established presence in Singapore, London and Houston now augmented by our presence in Geneva and Dubai.



Reported sterling equivalent

£51.3m
(2006: £28.6m)

Results 2007

£14.6m **+143%**
(2006: £6.0m)

Forward order book for 2008

US\$63m **+133%**
(2006: US\$27m)



Reported sterling equivalent

£3.5m
(2006: £2.9m)

Results 2007

£1.0m **+67%**
(2006: £0.6m)

Forward order book for 2008

US\$4m **-20%**
(2006: US\$5m)



Reported sterling equivalent

£23.1m
(2006: £24.3m)

Results 2007

£5.9m **+4%**
(2006: £5.7m)

Forward order book for 2008

US\$8m **+14%**
(2006: US\$7m)



Research

Research

Clarkson Research Services Limited continues to grow, with revenues up 15%. We provide the shipping and offshore industries with a wide range of market information from our extensive proprietary databases.

Reported sterling equivalent

£6.0m
(2006: £5.2m)

Results 2007:

£1.2m
(2006: £1.0m)

Specialised products chartering

Robust growth in this sector following the successful integration of our acquisitions with more in the pipeline and further growth anticipated has driven a marked increase of revenues and influence Representation in Hamburg, Geneva and Dubai augment well our global spread

Gas chartering

2007 witnessed a great team effort in extremely difficult market circumstances where, despite weaker freight markets, we have witnessed an increase of revenues and growth of our forward order book

Sale and purchase broking

Following the acquisitions made the revenues are up close to 100% which speaks volumes for the success of our strategy to grow in Asia, Greece and London. A record forward order book bodes well for our newbuilding department as 2007 broke all previous records for business placed, written and billed

**Reported sterling equivalent**

£13.5m
(2006: £10.5m)

Results 2007

£2.6m **+37%**
(2006: £1.9m)

**Reported sterling equivalent**

£6.7m
(2006: £5.5m)

Results 2007

£1.3m **0%**
(2006: £1.3m)

**Reported sterling equivalent**

£37.3m
(2006: £20.6m)

Results 2007

£6.2m **+77%**
(2006: £3.5m)

Forward order book for 2008

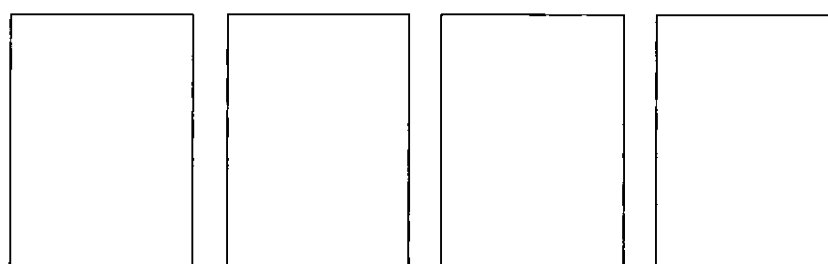
US\$9m **0%**
(2006: US\$9m)

Forward order book for 2008

US\$7m **+75%**
(2006: US\$4m)

Forward order book for 2008

US\$40m **+90%**
(2006: US\$21m)

Periodicals

Financial

Futures broking

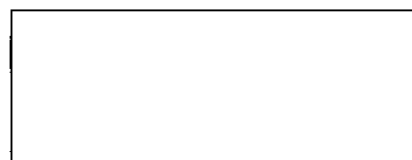
Clarksons Securities Limited had a record year in 2007. Broking activity expanded, as did the team, and revenues increased by 97%. We grew our influence in both the main dry bulk shipping synthetic markets

Fund management

The hedge fund which we operate generated a return to investors of 26.7% net and grew funds under management in line with our best expectations. We anticipate further expansion in this activity.

Financial and investment services

We have announced the establishment of Clarksons Investment Services to augment what we are already undertaking in financial services. The team will be based in Dubai, London and Houston and we look forward to growing revenues in this segment.



Reported sterling equivalent

£16.4m
(2006: £9.0m)

Results 2007

£5.5m **+120%**
(2006: £2.5m)

Forward order book for 2008

US\$26m **+271%**
(2006: US\$7m)



Reported sterling equivalent

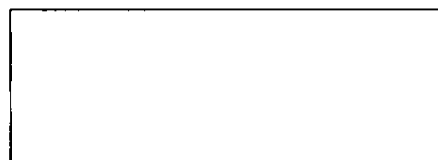
£2.6m
(2006: £0.5m)

Results 2007

£0.6m
(2006: £0.0m)

Funds under management

US\$191m **+306%**
(2006: US\$47m)



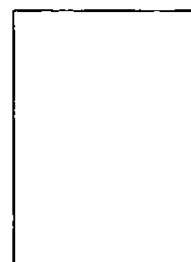
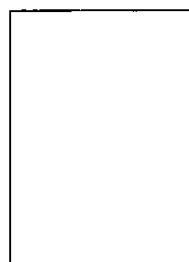
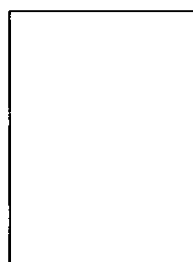
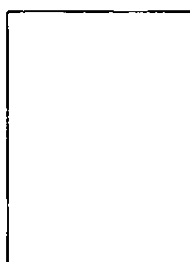
Reported sterling equivalent

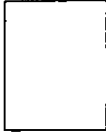
£1.3m
(2006: £2.3m)

Results 2007

£0.3m loss
(2006: £0.7m profit)

Publications





Support

Port and agency services

We have a growing port and agency services business in the UK, Egypt and Australia. Revenues have grown significantly and we anticipate improving profitability in this business which links in well with our short sea businesses.

Property services

The head lease on St Magnus House has enabled Clarksons to grow the business in London in a good environment with the benefit of letting fully the available space providing a good yield.

Logistics and technical services

This is not core business and we are looking into the future of the Pacific Dhow and Jet Express, both acquired for the Jet Fuel service which has now terminated. The CFF Seine was sold in 2007.



Results 2007

£0.2m
(2006: £0.2m)



Results 2007

£1.0m
(2006: £0.9m)



Reported sterling equivalent

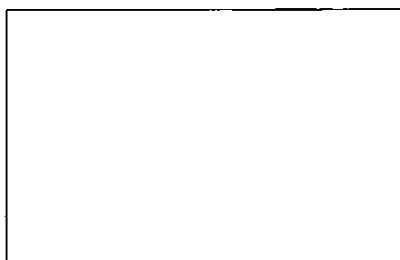
£3.9m
(2006: £1.3m)

Results 2007

£2.1m loss
(2006: £0.3m loss)

www.clarksons.com

Website



Revenue

US\$347.9m

2006. US\$216.4m

+61%

Revenue – reported sterling equivalent

£173.4m

2006 £116.6m

+49%

Profit before taxation and exceptionals – continuing operations

£31.6m

2006 £22.1m

+43%

Profit before taxation after exceptionals – continuing operations

£25.6m

2006 £22.1m

+16%

Earnings per share

101.9p

2006 86.6p

+18%

Dividend per share

40.0p

2006 36.0p

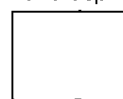
+11%

**Broking**

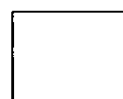
Clarksons' shipbroking services are unrivalled – for the number and calibre of brokers, breadth of market coverage, geographical spread and depth of intelligence resources

**Financial**

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

**Research**

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

**Support**

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

"Clarksons has delivered another strong set of results, reflecting the benefits of the strategy we have put in place to broaden and deepen our market leading positions across shipping services."

Clarksons has delivered another strong performance, reflecting growth in revenue and margin in almost all business segments. In 2007, the group has benefited from the global integration of businesses acquired in 2006, enhanced revenue streams from the strategic acquisition of teams, particularly within the Sale & Purchase department, and a healthy environment with buoyant freight rates

Results

Revenue has increased by 49% to £173.4m (2006: £116.6m), driven primarily by strong performances in the dry bulk, futures and sale and purchase broking businesses.

Operating profit on continuing operations before the exceptional item was £26.4m, a 47% increase on the £18.0m reported in 2006. This result was achieved despite the impact of a weak US dollar, one-off administrative expenses resulting from the initial acquisition cost of new teams (£2.4m) and the legal costs incurred in defending the Russian litigation (£3.2m).

Profit before taxation on continuing operations before the exceptional item increased by 43% to £31.6m (2006: £22.1m). As announced in January 2008, the Board has decided, without any admission of liability, to make a provision of £6.0m against the existing claims totalling US\$67m from Sovcomflot and Novoship, the Russian state-owned shipping companies. This provision has been treated as an exceptional item. Consequently, profit before taxation reported amounted to £25.6m (2006: £22.1m).

Basic earnings per share on continuing operations was 96.4p (2006: 87.2p).

Dividend

Clarksons is committed to maintaining a progressive dividend policy and the Board is recommending a final dividend of 26p per share (2006: 24p per share). The interim dividend was 14p per share, giving a total dividend for the year of 40p per share (2006: 36p per share), an increase of over 11%. This increase is a reflection of our continued confidence in the prospects for the business going forward.

The dividend will be payable on 6 June 2008 to shareholders on the register as at 23 May 2008.

Litigation

The group has received notification of a further potential claim by Sovcomflot, relating to a routine year end valuation performed by H. Clarkson & Company Limited as at 31 December 2003. The total amount claimed under this notification is US\$71m. The Board has reviewed all documentation available to it, and discussed the matter at length with its advisors. Consequently, it is the Board's strongly held view that this claim should not have been brought, is without foundation and should not succeed.

Accordingly, no provision has been made against this claim, which will be strenuously defended in court, should it reach this stage.

Outlook

Given the strong start to 2008 and a record forward order book, we remain confident about the prospects for our business. Although the potential impact of uncertainty in global economic conditions cannot be ignored, we believe that the platform we have established across a broad base of shipping services leaves us well positioned to deliver another year of growth.

Tim Hams CBE
Chairman

27 March 2008

Tim Hams CBE
Chairman

“

The platform we have established across shipping services leaves us well positioned to deliver another year of growth.

”

2008 Forward order book

US\$157m



Richard Fulford-Smith
Chief Executive

"Clarksons possess an unparalleled ability to provide full client coverage to all markets in physical and synthetic bulk product. Our clear ambition is to be a one-stop shop for a broad cross section of clients with shipping related interests, always focusing on higher margin businesses."

Clarksons is a great people business.

At a time when our industry increasingly seeks expert and informed input we are better placed than ever to meet these needs with teams of exceptionally talented individuals. It is they who enable us to grow our diverse shipping services business, a strategy to which we remain committed. I am proud of their unified determination to maintain the company's focus whilst growing and despite the potential distraction of our legal challenges. With strong roots in shipping, many loyal clients and our unequalled research base, the group is well equipped to continue to be the pre-eminent industry provider through organic growth, consolidation and the successful integration of people currently in private hire shipbroking businesses. Our strategy is to continue this process in each of our global products.

Our expansion during 2007 has been principally organic, as we continued to maximise the integration and development of both businesses and teams acquired over the previous 24 months. We have maintained and extended our position as the global leader in shipping services and the core shipping competitor to the new breed of commodity and financial services groups lured by the increasing

commoditisation of the freight process. We possess the ability to provide full client coverage to all markets in physical and synthetic bulk product and that is unparalleled. Clarkson's research and market knowledge enable us to form views based upon detailed analysis, extensive historical data and experience which we share with most in the industry as the demand for decision-making based upon sound analysis and benchmarking is ever increasing. We intend to broaden our client offering with increasing brokerage of the products, minerals and commodities that we ship.

The recognition that freight is a commodity and should be traded as such is largely responsible for our confidence that revenue growth is sustainable. The massive expansion of world trade and strong freight markets have justified our significant global growth and fuel our ability to fund new value-added initiatives. Our ongoing investment in IT enables us to provide and extend global support to all our valued clients through our extensive network of regional offices. We shall continue to grow regional presence, particularly in Asia but also with an eye to provide local representation. Globally we shall look to currently under represented areas including, for example, South America.



Our people are crucial to our success and we continue to attract and retain the best teams in the industry



Growing revenues stem from increased market share in traditional shipbroking services plus the added complementary business units which have served to broaden our base. Our next significant financial services unit will be Clarkson Investment Services where we have assembled a team of leading investment bankers. This unit will fill the gap that exists from the very limited informed coverage currently on offer to the investment community. We aim to provide a better understanding of our industry to new investors in shipping and a greater comprehension of the significance of shipping through our enlarged team of sector and equity analysts. This newly-formed unit which follows our successful entry into fund management will further spread our income base. We shall focus on taking companies to the public markets, innovative funding and equity placement and mergers and acquisitions.

Our clear ambition is to be a one-stop shop for the broadest audience in shipping, always concentrating on higher margin businesses which will be accretive to shareholder returns. We continually review all areas of our business and have clearly outlined our future core activities. Consequently, we shall cease our shipowning business, Clarksons Logistics and dispose of the remaining assets – a process started in 2007 with the sale of the CFF Seine. We will also continue modernising and updating our business plan to embrace and lead the significant structural changes in our industry.

Team Clarkson has grown significantly over the last 12 months. The addition of new key employees attracted by our transparent incentive packages, and the unrivalled ability to deliver a global service to clients, has increased revenues and market share in the key areas of freight physicals and derivatives, sale and purchase and newbuilding. Clarksons research, data and ideas are at the heart of this growth delivered to an enlarged, better-informed and enthusiastic audience. We shall grow our analyst team during 2008, both in the UK and globally, to provide our clients with full market commentary.

Growth in shipping has been inevitable as it provides the core arteries to world trade which has been growing at a significant pace. Increased demand for delivery of raw materials and energy products over long distances is largely attributable to the Asian industrial boom. Correspondingly inflated commodity prices have not hindered the belief that higher freight levels can be justified for high quality service. Strategically it makes sense for us to deliver quality with an expanded service base which will reward shareholders and staff alike.

Richard Fulford-Smith
Chief Executive
 27 March 2008

Our core strengths

Unrivalled knowledge

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

A phenomenal client base

We play a vital intermediary role between shipowners and ship charterers across every sector of maritime trade. The breadth of our service ensures that we deal with most participants in the market – both large and small.

Global reach/local presence

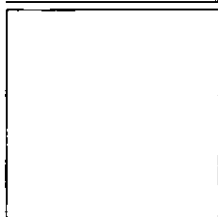
From our global network of offices in the key strategic shipping centres, across five continents around the world, we provide our customers with local knowledge combined with global expertise and reach.

An innovative approach

Unrivalled knowledge and understanding of all shipping markets puts us at the leading edge of developing innovative shipping services, financial instruments and risk management solutions for customers worldwide.

A depth of expertise

We pride ourselves on facilitating business across all global trade routes and all types of cargo. We also assist ship owners at all stages of a vessel's lifecycle, from new build to demolition, port agency to technical services.



Broking

Dry bulk chartering

Revenue US\$102.9m (2006 US\$53.1m)

Result £14.6m (2006 £6.0m)

Forward order book for 2008 US\$63m
(At 31 December 2006 for 2007 US\$27m)

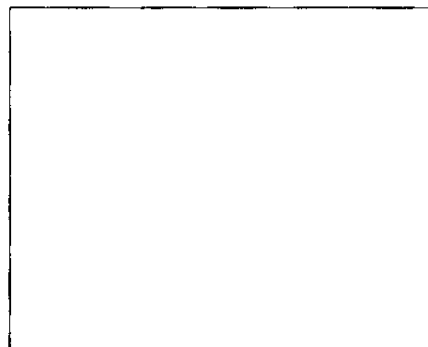
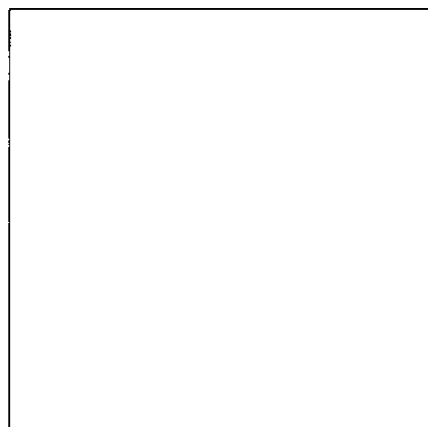
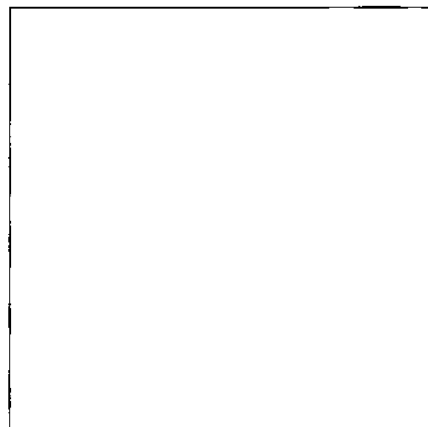
In 2007 rates for dry bulk carriers earnings set new records. Our chartering department performed significantly ahead of expectation, with success in both spot and term business throughout the year. The division started 2008 with a record forward order book.

Bulk carrier earnings prospered from the continued surge in raw material demand as Chinese steel production reached record levels. Port infrastructure constraints and a relative shortage of available ships resulted in a tight supply and demand balance which led to exceptionally high freight levels. Rate volatility increased with frequent changes in sentiment and derivative trading prospered as a result. Given the attractive yields of the shipping markets, speculative trading increased, also assisting the upward push.

Newbuilding contracts reached record levels in 2007, driven by the wealth reinvested back into the dry bulk sector. Delivery over the next few years, combined with the sale of single-hull tankers for conversion to dry bulk ships and reduction in scrapping, contribute to a market consensus of opinion forecasting a declining freight market in the longer term, despite our bullish expectations for 2008.

Clarksons dry bulk clientele comprises ship owners, cargo owners, charterers, traders and any other entity interested in trading seaborne freight. On the physical side freight cover is organised through contracts of affreightment, spot market deals or longer term period deals. Clarksons dry bulk teams are mainly organised in capesize, panamax, handymax and handysize.

Our dry bulk chartering vision is to apply a disciplined culture where our global capability creates the greatest value. Together with our extensive IT investments, Clarksons global dry bulk chartering team aims to maximise the value of a network of operations extending to local and regional markets in 13 different countries. Brokers are able to monitor real-time data and the dynamic moves of the market as presented in the derivative market, forging a comparative advantage in the highly competitive and dynamic shipping market.



Container chartering

Revenue US\$7.0m (2006 US\$5.4m)

Result £1.0m (2006 £0.6m)

Forward order book for 2008 US\$4m
(At 31 December 2006 for 2007 US\$5m)

Despite concerns at the beginning of 2007 that the container market would fail to absorb the global newbuilding order book, trade expansion of approximately 10% ensured that boxship rates steadied and firmed during the year. In fact, Far East/Europe trade was particularly buoyant.

The container market is rapidly expanding and is the largest gross earner of freight across all sectors. Very large post panamax vessels (8,000 teu plus) are entering the market over the next few years in increasing numbers. Whilst these big ships are dominated by the major liner companies, who have their own marketing teams, the interaction between owners and the majors is significant and our teams will be built up to provide the same global coverage as we have elsewhere.

Clarksons has yet to fulfil its market share ambitions and the team is focusing on expansion in 2008. This is an area in which we can achieve significant growth. Our offices are in London, Shanghai, Singapore and Sydney and we expect to expand this further, particularly with the development of derivative products and the expansion of our sale and purchase and longer term chartering activities.

Deep sea chartering

Revenue US\$46.3m (2006 US\$45.1m)

Result £5.9m (2006 £5.7m)

Forward order book for 2008 US\$8m
(At 31 December 2006 for 2007 US\$7m)

Revenue, in US dollar terms, increased in 2007. This resulted from further gains in market share and, on average, a reasonable deep sea freight market. The exception was VLCCs, where rates were soft throughout the year. Although product rates were robust west of Suez in the first six months of the year, east of Suez they did not fair so well. Consequently, to have increased revenues exhibits just how strongly our spot teams performed. We also made significant advances on the timecharter and projects desk which bodes well for future years.

One cannot underestimate the positive impact that the commoditisation of freight has had on the tanker market. Further consolidation combined with rapid growth in the freight futures market is set to continue in 2008. Clarksons remains fully equipped to assist the global tanker industry adapt to the many changes that are now sweeping through the market.

Clarksons' deep sea business has grown to have a significant presence in London, Singapore, Houston, Geneva, New Delhi and Dubai. This global coverage, combined with our extensive portfolio of clients including all oil company majors, oil traders and shipowners gives Clarksons an unparalleled position in the deep sea market.

As we enter 2008 the trend to trade freight in a more sophisticated way may provide a backdrop of increased volatility for charterers. Clarksons remains well placed in all deep sea tankers sections, from refined clean petroleum and dirty petroleum products, plus all crude oil markets up to

VLCC, to leverage its position as the world's largest shipping services provider.

Finally the unfortunate incident on the Hebei Spirit remains a source of discussion in certain sectors of the tanker industry and it will be interesting to see if the 2010 phase out of single skin vessels is brought forward on a significant scale.

Specialised products

Revenue US\$27.1m (2006 US\$19.5m)

Result £2.6m (2006 £1.9m)

Forward order book for 2008 US\$9m
(At 31 December 2006 for 2007 US\$9m)

The integration of businesses acquired in 2006, together with further expansion of our global activities continues to underscore Clarksons' major commitment to this market segment.

Global coverage within this sector provides us with the ability to maintain genuine root contact with our rapidly expanding multinational client base of important oil and energy groups, chemical companies and niche customers within the specialised products sector.

There are specialised products teams in Singapore, London and Houston, and we are establishing new operations in Geneva and Hamburg. Our ability to provide global coverage to an increasing charterer and ship owner clientele is recognised and with their encouragement we will continue to maintain the drive towards regional and centralised growth.

Large tranches of the specialised products business are controlled by significant operators for whom we aim to provide a bespoke service. We provide dedicated and specialist advice coupled with logistics input. Contracts of affreightment, time charters or indeed spot fixtures arising from

such advice are efficiently serviced by a dedicated team of operators and analysts

The specialised products business involves a high level of operational support. Increasingly we are acting as the outsourcer to much of our existing client base regardless of whether they are large or small. The structure of our global operation and the ability to provide full analytical and logistic support places us in a position whereby consolidation and growth can be achieved in tandem.

Petrochemical gas

The petrochemical gas chartering business complements the activities of our specialised products and gas chartering divisions. The team provides comprehensive brokerage services to the same producers and traders active in all three market places.

The petrochemical gas team is based in London and Singapore and has just completed its first full year of trading as a separate entity. During the year, it has secured a significant share of this exciting and expanding sector of the bulk shipping market. The wealth of experience within the team ensures it is well placed to take full advantage of growth opportunities in different parts of the globe.

Gas

Revenue US\$13.4m (2006: US\$10.2m)

Result £1.3m (2006: £1.3m)

Forward order book for 2008 US\$7m
(At 31 December 2006 for 2007: US\$4m)

The gas market in 2007 was very challenging. Generally, tight LPG supplies in the Middle East, together with the delayed start-up of a number of major new LPG projects, and accelerating deliveries of newbuildings, resulted in a weak market for the largest vessels (VLGCs). In other sizes, a combination of high levels of term cover and generally unexciting conditions in spot markets led to diminished transaction volumes. Against this difficult background, our excellent team of brokers has significantly increased its market share and also booked a number of sale and purchase deals, producing very good spot revenues and forward business. Our well equipped team of dedicated specialists, who are particularly strong in LPG, ammonia and petrochemical gases, continues to extend their influence and, with the support of our analysts, will further grow our product brokerage activities in 2008.

LPG and LNG are sourced from oil and gas fields which are typically located outside the principal import markets, whilst smaller quantities are produced in the oil refining process. Over the next couple of years there will be a significant increase in the number of new gas fields to serve the market, including those associated with new LNG projects as they come on stream. LPG trade is set to grow significantly but the market is already

equipped with a large number of newbuildings to meet the increased demand. This rapid rate of newbuilding deliveries, unfortunately in advance of the start-up of the new volumes, is having an impact on freight rates for the largest LPG carriers. As a result, significant action would appear to be required from owners to reduce the current oversupply of tonnage.

The successful acquisition of the remaining 50% of LNG Shipping Solutions was concluded in 2007. Our activity is focused in London which remains the principal centre for the trading of the product, although we also have an increasing presence in Houston. Our freight coverage is enhanced by the presence of product brokers working in both our centres on the LPG side, and this is something that we intend to develop further. Indeed, Clarksons recognises the advantages of freight and commodities brokerage businesses sitting side-by-side. Going forward, we believe, some of our future competition will stem from the inter-dealer broking community which has been particularly focused on trading physical and derivative products in energy businesses.

Sale and purchase broking

Revenue US\$74.8m (2006 US\$38.2m)

Result £6.2m (2006 £3.5m)

Forward order book for 2008 US\$40m
(At 31 December 2006 for 2007 US\$21m)

In 2007, secondhand sales were up 30% in volume and 50% in value with total global revenue exceeding US\$53bn. Newbuilding activity continued at an incredible pace and the number of deals surpassed all expectations.

The stellar performer was the dry bulk market where values increased by 77%, resulting in a comparable increase in the stock price of quoted dry bulk companies. This drew attention to shipping in the public markets and our sale and purchase brokers were able to benefit from this development to grow market share. At the same time we took a lead position in the tanker sale and purchase segment.

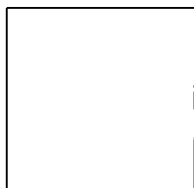
Clarksons has for a number of years been recognised as an organisation capable of uniquely placing blocs of ships. With the establishment of the Investment Services team our activity in mergers and acquisitions is anticipated to increase significantly. Clarkson operates in every single freight market sector and this sets us aside from all of our competitors and allows us to leverage off our research and consultancy base. This should see our income in sale and purchase broking and investment banking further propel revenues.

Sale and purchase broking activities extend to our Asian offices of Hong Kong, Shanghai and Singapore. However, we are also unique in having a very significant and profitable operation in Greece. Our Piraeus and Asian offices have greatly enhanced our global coverage and our team in Greece have been particularly successful in

demonstrating the advantages to the local community of the Clarksons presence and the extension of our global reach.

Our newbuilding desk acts as an intermediary in the placing of contracts by ship owners for new vessels with shipyards. The scale of our involvement in shipbuilding places us in a position of great relevance to the ship building community with whom we undertake a lot of research and consultancy in addition to our broking business. In conjunction with our research department we provide our clients with ideas and initiatives to enhance their business plans. We also operate the 'Shipbuilding Club' which analyses future demand trends for ship builders, sub-contractors and sub-suppliers.

Through our Shanghai newbuilding desk we provide an important service to the emerging Chinese shipbuilding community as well as leading our shipowner clients through the process of doing business in China. Our broader client base is well demonstrated by our placement of orders in China for local, domestic clients. The majority of newbuilding revenue is invoiced on a 'forward order book' basis. As 2007 was a particularly active year for our newbuilding department, the benefit will be seen over the coming years as ships are delivered.



Research

Research services

Revenue £6 0m (2006 £5 2m)

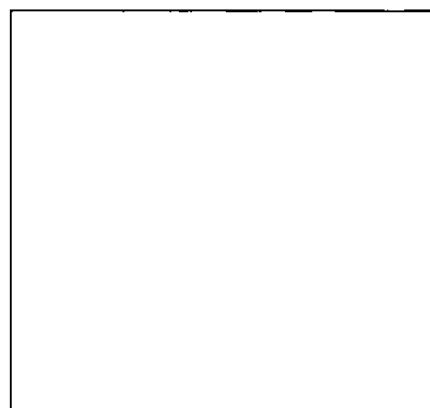
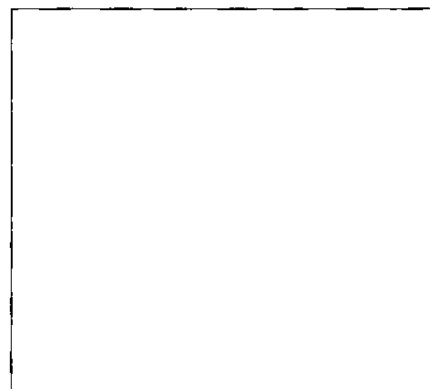
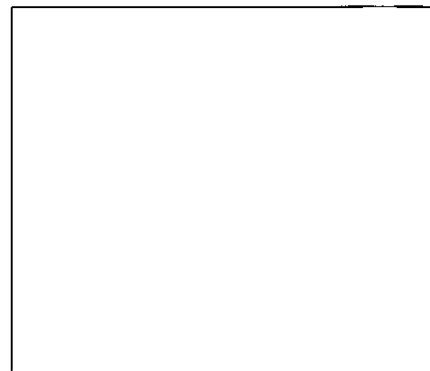
Result £1 2m (2006 £1 0m)

Clarkson Research Services Limited continued to perform strongly, with sales up 15% on the previous year. Digital product sales grew rapidly, but it was also a successful year for hard copy products. The customer services and consultancy sections also performed well, benefiting from the high level of activity of shipping companies in the financial markets. The business continues to widen its base as an information provider and by developing its sales and marketing capability. During the year, the integration of the offshore structures database was completed, as was the new database of public shipping companies, covering maritime companies listed on 39 different exchanges. In the merchant shipping area our fleet coverage was extended to include ferries and cruise ships.

Clarkson Research Services Limited provides the shipping and offshore industries with a wide range of market information from its extensive proprietary databases. Its income derives from subscriptions to periodical reports, directories, digital and online data provision, maps and from services and consultancy provided to external clients and within the group.

The scope of information provided is encapsulated in the market-leading service Shipping Intelligence Network, which supplies on-line information about all the major shipping segments including ships, shipbuilding and commercial markets. Clarkson Research provides a range of digital publications and an extensive time series database. The time series database is now widely used across the shipping industry.

The development of offshore information continues with a successful new shipping diary range and advertising sales. Our Shanghai office continues to expand, and in addition to China Intelligence Monthly maintains a comprehensive database and market intelligence system about the Chinese shipbuilding industry.



Financial

Futures broking

Revenue US\$32.9m (2006 US\$16.7m)

Result £5.5m (2006 £2.5m)

Forward order book for 2008 US\$26m
(At 31 December 2006 for 2007 US\$7m)

In 2007 futures broking trade volumes exceeded expectations, with revenues up by 97% and profit more than doubling. As a result we grew our team, which is focused now in London and Hong Kong.

Clarksons remains the world's foremost arranger of Forward Freight Agreement (FFA) trades, having formulated the concept almost 20 years ago. The FFA is a principal to principal, cash settled contract for difference based upon standardised cargo routes or timecharter indices. Settlement of these contracts is against indices generated by the Baltic Exchange.

Much of this business was historically undertaken over the counter with the principals bearing counter party risk, although several institutions including LCH/Clearnet, SGX and NOS now offer clearing facilities which has enhanced the usability of the products. We have seen the development of an options market, which trades alongside the well established swap activities. The market is divided into two core elements of dry and wet and Clarksons has significant teams in both products.

Clarkson Securities Limited, through which all futures activity is arranged, is regulated by the UK Financial Services Authority (FSA).

Fund management

Revenue US\$5.2m (2006 US\$0.9m)

Result £0.6m (2006 £0.0m)

Funds under management at

31 December 2007 US\$168m
(2006 US\$47m at 31 December 2006)

The hedge fund, for which Clarksons operates as discretionary manager, generated a return to investors for the year of 26.7% net of all fees. This puts the fund into the top 10% of the 1,356 performers listed in the Eurohedge database during 2007. Funds under management increased significantly and have now reached a level where the underlying costs of the operation are covered by management fees.

Investing in the shipping hedge fund enables institutional investors who have no direct experience of the complex market of shipping to have exposure to this sector. Clarkson Fund Management Limited (CFML), a wholly owned London based subsidiary of Clarkson PLC, is authorised and regulated by the FSA to undertake discretionary investment management activities for the Cayman Island based Clarkson Shipping Hedge Fund.

The fund invests in shares of shipping and shipping related companies and in freight derivatives taking long and/or short positions based on a combination of fundamental, technical and tactical analysis.

Financial and investment services

Revenue US\$2.6m (2006 US\$4.3m)

Loss £0.3m (2006 profit £0.7m)

The financial services team, whose results are linked to success with major financing projects, was unable to generate the same return as in 2006.

Investment services

Towards the end of 2007 we started to create an investment services team. This team will be developed over the coming year, with centres in the UK, US and Middle East. The establishment of the new investment services team cost £0.5m in 2007.

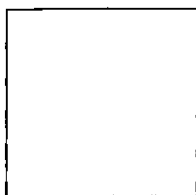
Financial services

Clarkson Financial Services (CFS) concentrates on three major areas of business:

- Structuring and arrangement of shipping-related projects,
- Advisory work for financial institutions,
- Ship operation

CFS works alongside Clarkson Fund Management Limited, concentrating on investors keen to invest in physical assets, rather than shares in shipping companies, as well as developing a range of other shipping services.

Our experienced team, which is based in London, has a good track record and long-standing relationships with various financial institutions, particularly in Germany.



Support

Port and agency services

Revenue £3.8m (2006 £1.9m)

Result £0.2m (2006 £0.2m)

2007 saw a full year's revenue and result for port and agency services, originally acquired in 2006 from Genchem. The business recorded increased numbers of ships' agency attendances and significantly higher grain exports and animal feed imports.

Ships' agency

The ships' agency activity is concentrated in five locations in the UK: Avonmouth, Birkenhead, Great Yarmouth, Ipswich and Southampton.

We earn fee income from attending to all the needs of a ship in port, from arranging pilots, boatmen and cargo handlers to procuring the services of tugs, chandlers and the like.

Stevedoring and warehousing

The stevedoring and warehousing unit operates from sites within the ports of Ipswich and Great Yarmouth. Operating principally as bulk agricultural dry goods warehouses and stevedoring terminals, there are two main income streams. These are from the export and import of grains, animal feeds and similar commodities to and from the near continent, Europe and North Africa.

Revenue is generated from exports in the form of vessel loading of ex-farm commodity, transit from store to vessel, cargo analysis, and weighbridge charges. Import operations attract revenue from vessel discharging, transit to store, re-delivery from store and rental income.

Property services

Revenue £6.5m (2006 £6.2m)

Result £1.0m (2006 £0.9m)

Clarkson PLC acquired the head lease of St Magnus House, in Lower Thames Street, London EC3, with an unexpired term of 11 years, from HSBC Bank in December 2004. Clarksons occupies 40,000 square feet of the building out of a total of 136,000 square feet, representing approximately 30% of the available space. All the available space in the building is let.

Logistics and technical services

Revenue US\$7.8m (2006 US\$2.4m)

Loss £2.1m (2006 loss £0.3m)

Logistics

Logistics remains a non-core activity of the group.

The Pacific Dhow was purchased in September 2005 to service a four-year contract the group had secured to transport jet fuel to Hong Kong International Airport from a local refinery. The original contract was terminated by the charterer in January 2008. We are evaluating the best options available now that the vessel is free of the original contract.

In May 2007, a further vessel, the Jet Express, was acquired as a possible replacement for the Pacific Dhow given it was more suited to undertake the original jet fuel transport contract. Following the termination of the jet fuel contract after the year end, we are reviewing how best to utilise this asset.

The wholly owned freight ferry CFF Seine was sold in November 2007.

Technical services

The technical services operation generated gross revenues of £2.8m in its first year of trading. Various joining incentive arrangements, which are expensed in full in the period, resulted in a small loss. This situation should not recur in 2008.

The technical services team concentrates on:

- Provision of skilled joining squads ex-shipyard. Worldwide availability for logistic reasons and with US visas performing repairs at sea as an alternative to costly dry-dock repairs,
- Project management with turnkey solutions including dealing with class and plan approvals, vessel modernisation, new installations, conversions, compliance with new regulations, boiler renewals/repairs, steel renewals, main engine and diesel generator overhauls, turbocharger overhauls, hydraulic systems, cargo pumps and systems.

All work performed with our skilled labour and under full guarantee,

- Ship inspections, class record inspections,
- Ultrasonic thickness measurement/steel specifications,
- Dry-dock and newbuilding supervision,
- Superintendent services,
- Blasting and coatings works – hydro/sand blasting of decks and tanks.

Technical services are provided from London, Dubai, Fujairah and Singapore.

Key performance indicators

The performance of the group's business is analysed by desk, division and business segment

Segmental performance is reviewed on revenue, overhead and operating margin

Owing to the nature of shipbroking, estimates of new business concluded are analysed between 'spot' revenue, which is invoiced during the current financial year, and the forward order book which will be invoiced in future years. The forward order book relating to billable revenues in the following financial year is summarised as follows

	At 31 December 2007 for invoicing in 2008 US\$m	At 31 December 2006 for invoicing in 2007 US\$m	Increase/ (decrease) US\$m	Increase/ (decrease) %
Dry bulk chartering	63	27	36	133
Container chartering	4	5	(1)	(20)
Deep sea chartering	8	7	1	14
Specialised products chartering	9	9	–	–
Gas chartering	7	4	3	75
Sale and purchase broking	40	21	19	90
Futures broking	26	7	19	271
	157	80	77	96

The group monitors the level of outstanding commissions on a regular basis and believes that the amount of working capital tied up in such balances can be significantly reduced over the coming year

Richard Fulford-Smith
Chief Executive
27 March 2008

Jeff Woyda
Finance Director

“

Following a very buoyant year, Clarkson's reports a record profit before exceptionals of £31.6m, an increase of 43% over 2006.

”

“Clarksons delivered strong growth again in 2007, driven primarily by our dry cargo, futures broking and sale and purchase businesses. This growth was achieved despite the impact of a weakening dollar.”

Income statement

Results

Following a very buoyant year, the group reports a record profit of £31.6m on continuing operations before the exceptional item and taxation, an increase of 43% over the prior year. After the exceptional item, profit before taxation was £25.6m for the year ended 31 December 2007 (2006: £22.1m), an increase of 15%.

Earnings per share on continuing activities were 96.4p per share (2006: 87.2p per share), an 11% increase.

When combined with the 5.5p per share from discontinued activities (2006: loss of 0.6p per share), total basic earnings per share on profit for the year amounted to 101.9p (2006: 86.6p).

Revenue

Revenues from continuing operations increased 49% to £173.4m from £116.6m. Segmental revenue is fully explained in note 4 to the financial statements. Revenues increased in all business segments other than financial and investment services and deep sea chartering (although in dollar terms revenue for this segment has increased). The most significant increase in revenues derived from the dry bulk chartering, futures broking and sale and purchase divisions. This increase was a reflection of the buoyant market, growth in our market share, increasingly sophisticated users of hedging instruments and the successful integration of new teams acquired during 2006.

29% of revenues and 32% of profits arise from overseas, where the group has continued to invest in meeting both the local and global needs of our clients.

Administrative expenses

As the group has grown over the past

12 months, both organically and by acquisition, staff costs have increased by £35.4m. The company continues to attempt to keep fixed remuneration increases to a minimum, with a key element of remuneration being performance related bonuses. Included within administrative expenses are the following:

- A £6.0m exceptional item, representing a provision in relation to the outstanding litigation from two recently merged Russian shipping companies. This amount has been determined by the directors, after taking advice and without any admission of liability, based upon a detailed review of all the information available to them.
- £3.2m for legal costs of defending the claims set out above, as indicated to the market at the half year.
- £2.4m of acquisition costs of new teams, particularly within the Sale & Purchase department. These costs will not recur in 2008, however up front costs to employ new staff and teams are used where appropriate and necessary.

Foreign exchange

The majority of Clarkson's revenue is US dollar denominated and therefore its results are heavily impacted by the sterling/US dollar exchange rate. At 31 December 2007 the sterling exchange rate was US\$1.99, a slight weakening since 31 December 2006 when the rate was US\$1.96. During the year the sterling exchange rate moved from a trough of US\$1.93 to a peak of US\$2.11. The group used spot currency contracts to convert cash collected into local currency to meet operating costs, resulting in an average sterling exchange rate for the period of US\$2.01 (2006: US\$1.86). No forward contracts were used during 2007. Exchange losses amounted to £0.4m (2006: loss £2.2m).

www.clarksons.com

Finance revenue and costs

The group initially invested US\$20m seed capital in the hedge fund in May 2006. As of 1 January 2007 this had increased to US\$21.3m invested.

During the year to 31 December 2007, the fund made investment returns, net of fees, of 26.7% or £2.7m (2006: £0.7m). The group rebased seed capital back to the initial US\$20m, from the beginning of 2008.

Although borrowings remained constant throughout 2007 at £51.8m, finance costs increased as a result of the higher level of average borrowings compared to 2006, during which borrowings increased by £43.6m. Of the £51.8m borrowings at the year end (2006: £51.8m), £23.7m remained in cash and cash equivalents at the year end (2006: £16.0m).

Other finance revenue, which relates to the impact of pension accounting, reflects the expected returns on the assets of the schemes less the interest cost on the liabilities of the schemes. The 2007 profit of £1.1m (2006: £1.1m) reflects the matched assets and liabilities but with a greater expected return than interest cost. 2008 will show a lower profit, given the underlying net asset position and the smaller difference between expected rates of return and discount rates.

Taxation

The effective tax rate on continuing operations was 32.8% (2006: 32.6%). The overall effective tax rate on continuing and discontinued operations was 32.6% (2006: 31.2%).

The overall tax rate is higher than the standard rate of UK tax of 30.0% due to the impact of disallowable trading expenses and impairment adjustments which are not eligible for income tax relief.

Dividends

The directors are recommending that, in line with our progressive dividend policy and reflecting our confidence in the business plan, the total dividend for the year increases to 40p per share (2006: 36p per share). The final dividend of 26p per share will be paid to shareholders on 6 June 2008. In accordance with International Financial Reporting Standards, the amount of the final dividend is not provided in the 2007 financial statements as it will be paid in the following year.

Statement of recognised income and expense

The major movements in the statement of recognised income and expense relate, as in 2006, to the actuarial gains of £0.9m on the defined benefit pension schemes (2006: £4.3m) and exchange gains of £0.3m (2006: £2.4m loss) on the translation of overseas operations' results.

Balance sheet**Non-current assets**

The significant increases in non-current assets are:

- Intangibles arising on acquisition of £4.7m – all goodwill,
- The gain on the seed capital invested in the hedge fund (£2.7m),
- The presentation of the £9.9m asset relating to the combined defined benefit schemes.

Current assets

Trade and other receivables have increased due to the high level of income generated and invoiced in the latter part of the year. During 2007, the group has increased resources dedicated to managing debtor balances, and has achieved a significant reduction in the ageing of these debts. Consequently, the increase is lower than expected from the volume of activity.

Cash balances include amounts set aside for the payment of bonuses after the year end relating to the results of the year and amounts due to trade creditors.

Current liabilities

In common with previous years, bonuses are accrued at the end of the year, for payment after the year end. At 31 December 2007 this amounted to £47.7m (2006: £23.2m). There is also an amount of £4.2m relating to deferred consideration on acquisitions.

Non-current liabilities

The company maintained its £50.0m three year revolving facility from Barclays Bank PLC. As at the year end £48.6m (2006: £47.7m) was drawn down. A further £3.2m (2006: £4.1m) was borrowed from DVB Bank in Singapore secured on the MV Pacific Dhow.

Capital and reserves

The company issued further shares during the year to meet current and future obligations arising on the various acquisitions. A total of 513,087 shares were issued for a consideration of £4.9m.

Cash flow

Cash generation remains a key strength of the group.

During the year the group accumulated cash as profit linked bonus entitlements were accrued, bonuses are paid in February and May following the end of the financial year.

At the end of the financial year the aggregate cash balance had increased to £115.3m (2006: £74.8m).

Subsequent to the year end a number of significant payments will be made totalling £52.6m (2006: £27.5m).

These include £47.7m in staff bonuses relating to 2007 (2007 in relation to 2006 £23.2m) and a £4.9m final dividend payment relating to 2007 (2007 in relation to 2006 £4.3m)

Acquisitions

In May 2007 the group announced the acquisition of the remaining 51% in Cofimar SA for a further consideration of £1.5m satisfied in cash and shares

Also in May 2007 we acquired the remaining 50% of LNG Shipping Solutions for a consideration of £1.1m, satisfied in cash

In July 2007 we announced the acquisition of Normanne Offshore Consultants for a consideration of £1.4m satisfied in shares

Discontinued activities

In November 2007, Clarkson Femes sold its only remaining asset, the CFF Seine and ceased operations

Segmental reporting

The financial statements continue to provide a detailed analysis of the operating performance of the full range of business activities undertaken by the Clarkson group, to provide shareholders with a fuller understanding of the spread of business activity

Pensions

The company now operates two defined benefit schemes: the Clarkson PLC pension scheme and the Plowrights defined benefit scheme

Defined benefit pension arrangements give rise to open ended commitments and liabilities for the sponsoring company. As a consequence the company closed the original defined benefit section of the Clarkson PLC scheme to new entrants

on 31 March 2004 and closed this section for further accrual to all existing members as from 31 March 2006. The Plowrights scheme was closed to new entrants and to further accrual with effect from 1 January 2006. From 1 April 2006 all pension benefits accrued in the UK arise in defined contribution schemes

The Clarkson PLC defined benefit pension scheme surplus at the end of 2007 was £9.9m. The Plowrights scheme also has a small surplus of £0.4m but the company is unable to recognise this as an asset in its balance sheet

The group also operates a variety of pension arrangements throughout the world, all of which are either provided by the state or are defined contribution schemes

Risk management

The identification, control and monitoring of risks facing the business remains a management priority and steps continue to be taken to improve further our risk management procedures. The risks monitored include operational, market, treasury, credit, legal and reputational risk

Liquidity risk

The group's policy is to maintain borrowings and facilities at a level such that they provide access to funds sufficient to meet all of its foreseeable requirements. At the end of the year the company had short- and medium-term borrowing facilities of £50.0m (2006 £55.0m) of which £48.6m was drawn down (2006 £47.7m). Taking the group's bank facilities and strong operating cash flow generation, the group is well placed to fund future developments of its global business

Interest rate risk

The majority of the group's borrowings are at variable rates of interest. We keep under constant review the appropriateness of this exposure to interest rate movements

Foreign exchange risk

As stated, the US dollar is the major trading currency of the group. Movements in the US dollar relative to other currencies, particularly sterling, have the potential to impact the results of the group as was evident in 2007 both in terms of the operating results and the revaluation of the balance sheet

Credit risk

In common with most other companies, the group is exposed to credit-related losses in the event of non-payment of invoices. The group mitigates this risk by closely monitoring amounts outstanding from all sources and by adopting a conservative approach to accounting for bad debt

Share price

The share price at 31 December 2007 was £10.20. During 2007 the share price ranged from a low of £7.96 in January to a high of £11.12 in October

Compliance and regulation

Clarksons has two subsidiaries which are authorised and regulated by the UK Financial Services Authority (FSA)

Clarkson Securities Limited provides futures broking services and Clarkson Fund Management Limited provides investment management services to the Clarkson Shipping Hedge Fund

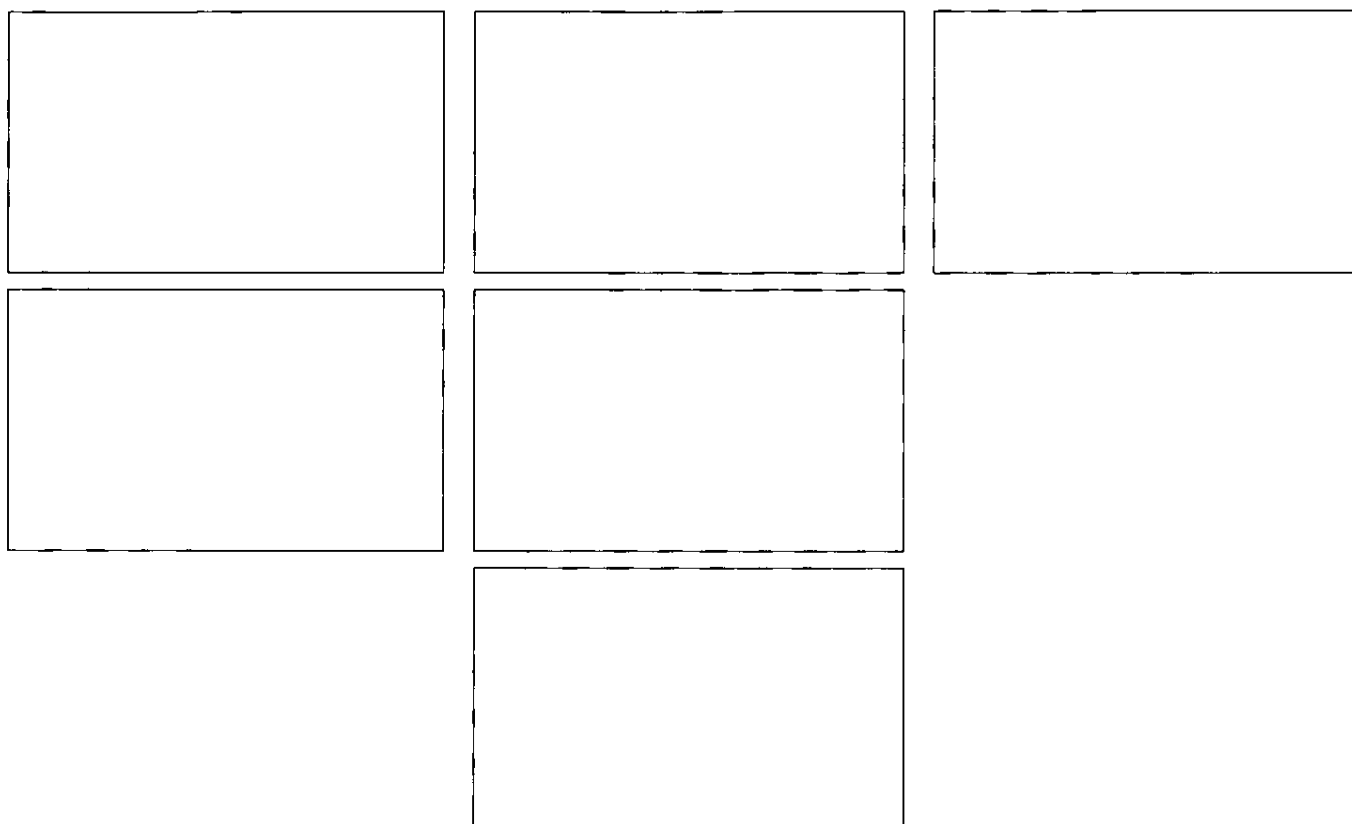
Both companies have strong balance sheets to comply with regulatory capital adequacy requirements

Jeff Woyda

Finance Director

27 March 2008

Board of Directors



Tim Hams CBE

Chairman (Non-Executive)

Tim Hams aged 60 was appointed a director of the company in March 2002. He is executive chairman of James Fisher and Sons plc and a director of Neptune Orient Lines. He was previously with P&O where he was assistant managing director and prior to that chairman and chief executive of P&O Cruises and chief executive of P&O Nedlloyd.

Martin Clark

Non-Executive Director

Martin Clark aged 62 was appointed a director of the company in January 2002. He is non-executive chairman of Senior plc. He was previously a non-executive director of BPB plc, Blick plc and ICM Computer Group plc. Prior to that he was group finance director of Associated British Foods plc, Northern Foods plc and Novar plc.

Richard Fulford-Smith

Chief Executive

Richard Fulford-Smith aged 52 joined Clarksons in 1992 from Simpson Spence & Young and was previously with Ocean Transport and Trading group, Eggar Forrester and J E Hyde. He was appointed to the PLC board in April 2004.

Martin Stopford

Director

Martin Stopford aged 60 joined Clarksons in 1990 and was previously a vice president at Chase Manhattan Bank and a director of British Shipbuilders. He was appointed to the PLC board in September 2004.

Bob Benton

Non-Executive Director

Bob Benton aged 50 was appointed a director of the company in May 2005. He has spent his entire career in the City of London. He is currently chief executive of Ingenious Securities Ltd. Prior to this, he was chairman of Bridgewell Securities Ltd and chairman and chief executive of Charterhouse Securities Ltd, global head of sales at ABN AMRO, and managing director of HSBC James Capel Ltd.

Jeff Woyda

Finance Director

Jeff Woyda aged 46 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.

Report of the directors

The directors present their report and the group and company financial statements for the year ended 31 December 2007, which were approved by them on 27 March 2008

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 statement, the review of strategy, the business review – operations and the business review – finance on pages 6 to 23

Group results and dividends

The results of the group, giving details of the profit, dividends and retained earnings are shown on pages 40 and 81. An interim dividend of 14p (2006: 12p) was paid in September 2007. The directors will be recommending a final dividend of 26p (2006: 24p), payable on 6 June 2008 to shareholders registered at the close of business on 23 May 2008, making a total dividend for the year of 40p (2006: 36p) per share.

Share price

The closing market price of the shares at 31 December 2007 was £10.20 (31 December 2006: £8.205) and the range during 2007 was £7.96 to £11.12 (2006 range: £7.25 to £10.585).

Directors

The directors of the company as at the date of this report are shown on page 24.

The following have been directors during the year ended 31 December 2007: Bob Benton, Martin Clark, Richard Fulford-Smith, Tim Hams, Martin Stopford, Martin Watson and Jeff Woyda.

Martin Watson resigned from the Board on 20 April 2007.

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.

Qualifying third party indemnity provision (as defined in section 234 of the Companies Act 2006) are in force for the benefit of the directors and former directors who held office during 2007.

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 annual general meeting each year. Bob Benton will retire by rotation, and being eligible, offers himself for re-election in 2008.

Substantial interests

The company has been notified of the following substantial interests in its issued share capital as at 19 March 2008 (being the latest practicable date prior to the approval of these accounts):

Employees and employee share trusts	27.00%
CMB Group	17.24%
Lloyds TSB Group	6.48%
Barclays Group	3.55%
Legal and General Group	3.04%
Abbey Life Assurance Company Limited	3.02%

Save for the above, the company is unaware of any substantial interests, other than those of the directors whose interests are shown on page 34, in its issued share capital.

As at 19 March 2008, employees directly held 13.54% of the company's share capital, 13.46% was held by employee share trusts for use under the company's various incentive schemes, and 0.55% was held by Clarkson (Trustees) Limited in respect of deferred consideration, arising from an acquisition in 2005.

Report of the directors *continued*

Share capital and control

Details of the company's authorised and issued share capital as at 31 December 2007 can be found in note 24 to the financial statements, under 'Authorised and issued share capital'. Clarkson PLC shares are listed on the London Stock Exchange.

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 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.

Interests in voting rights

Other than as stated on page 25, 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 and 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 web site, www.clarksons.com.

Employees are encouraged to become involved in the financial performance of the group through the operation of the Long Term Incentive Plan. At 19 March 2008, employee share trusts held 2,517,603 shares (2006: 2,076,663 shares) for allocation to employees at a future date under share incentive schemes.

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 £139,000 (2006: £116,000).

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 directors believe that the group has adequate resources to continue in operation for the foreseeable future. These accounts have therefore been prepared on a going concern basis.

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 risk management are set out on page 23 in the business review – finance.

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. Further details of these resolutions together with explanatory notes can be found in the enclosed notice of meeting.

Auditors

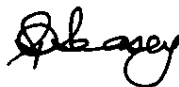
A resolution to re-appoint Ernst & Young LLP as auditors of the company will be proposed at the annual general meeting.

By order of the Board

Steve Deasey

Secretary

27 March 2008



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 2007. 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 two 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 24.

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 is Martin Clark.

The chairman met with the non-executive directors during the year without the executive directors present, and a meeting of the non-executive directors took 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 requirement for smaller companies.

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.

During the year the chairman undertook a formal evaluation of the Board and each of its members. This was in the form of a rigorous assessment of the Board's performance and that of its committees and individual directors including interviews with each director. This evaluation process continues.

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.

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 and nomination committee
Total number of meetings	5	1	2	3
Current directors				
Bob Benton	4	1	2	3
Martin Clark	5	1	2	3
Richard Fulford-Smith	5	1	–	–
Tim Hams	5	1	–	–
Martin Stopford	5	1	–	–
Jeff Woyda	5	1	–	–
Past director				
Martin Watson	2	–	1	1

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

The remuneration and nomination committee advises on remuneration and incentive schemes for senior staff, and makes recommendations for the operation of the company's performance-related schemes. The committee recommends to the Board appointments for the role of chairman, chief executive, finance director, executive and non-executive directors. Further details of the work of this committee are contained within the directors' remuneration report on pages 31 to 36.

The Audit committee comprises the independent non-executive directors, Martin Clark and Bob Benton. Martin Watson was a member until his resignation. Martin Clark chairs the committee. The main role and responsibilities of the audit and risk management 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.

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 governance statement *continued*

Corporate social responsibility

Clarksons is committed to responsible business practices, good corporate governance, communication with its stakeholders and sound risk management

As an international business operating in 16 countries with 637 staff worldwide, Clarksons aims to conduct its business in a socially responsible manner, to contribute to the communities in which it operates and to respect the needs of customers, shareholders, staff and suppliers

Clarksons endeavours to comply with the laws, regulations and rules applicable to its business and to conduct its business in accordance with established best practice in each of the countries in which it operates. The group aims to be a responsible employer and adopt values and standards designed to help and guide its staff in their conduct and business relationships

Environment

The group recognises that the majority of its operations have minimal environmental impact. Its policy is to operate, as far as practicable, environmentally friendly policies and meet the statutory requirements placed on the group.

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.

Clarksons operates two vessels. The group recognises this has an impact on the environment and it is group policy to make the most efficient use of energy and materials to minimise any adverse environmental impact where possible.

Internal control

The Board is responsible for the establishment and ongoing implementation of the group's internal control mechanisms.

These are designed to identify and counter the particular risks to which the company is exposed. By their very nature, these controls can provide reasonable but not absolute assurance against material misstatement or loss. A number of key procedures have been established to provide effective internal controls. These include a comprehensive budgetary process, with both annual and regular forecasts being considered and approved by the Board, monthly monitoring of trading results, balance sheet and cash flow against budget and prior periods with significant variances being investigated and appropriate action taken, senior management within each office having responsibility for the establishment of appropriate control frameworks within their operations to ensure compliance with group policies, procedures, standards and ensuring that risks within their businesses are identified, assessed, controlled and monitored on an ongoing basis, clearly defined lines of responsibility and limits of delegated authority and regular meetings of the board and senior operational managers to discuss particular issues affecting each business unit, including their 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.

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 Sch 7A and the applicable Listing Rules.

Remuneration and nomination committee

The remuneration and nomination committee comprises the independent non-executive directors – Bob Benton and Martin Clark. Martin Watson chaired the committee until his resignation from the Board and was succeeded by Bob Benton. 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 28. The committee also held informal discussions as required.

The 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,
- considering the granting of options and allocation of share scheme awards,
- approving the total quantum of company earnings related incentive rewards,
- recommending to the Board appointments for the role of chairman, chief executive officer, executive and non-executive directors.

New Bridge Street Consultants LLP ('NBSC') are appointed by the committee to 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. NBSC 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 level of total remuneration for acceptable performance and maintain a reasonable relationship of rewards to those offered in other competitor companies in order to attract, retain and motivate executives within the bounds 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 NBSC 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 2007 around 75%-80% 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 NBSC.

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.

Benefits

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

Directors' remuneration report *continued*

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 improved 'lock-in' of key executives,
- ensure the total incentive award is market competitive,
- be stretching in terms of achievement of targets.

Annual bonus

In 2007 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 pre-determined personal objectives. The maximum performance targets were exceeded in 2007 and this element of the bonus was paid in full, however the element linked to personal objectives was restricted by the remuneration committee, with the agreement of the directors.

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. For 2008, the annual bonus has been recalibrated so as to require incremental progression in profit to deliver an equivalent level of bonus. There is also a profit 'floor' below which no bonus is triggered under the formula.

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. It is intended that awards of performance shares will be granted in 2008, which will vest on the third anniversary of grant.

For awards made in 2008, the performance conditions are based on the following three elements (as to 50% for the EPS part, 25% for the TSR part and 25% for the element based on profit vs the Baltic Dry Exchange Index (BDI)) each:

EPS – to reflect EPS growth of the company. Awards under this element will be measured against the UK Retail Price Index ('RPI') over a period of three financial years. 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.

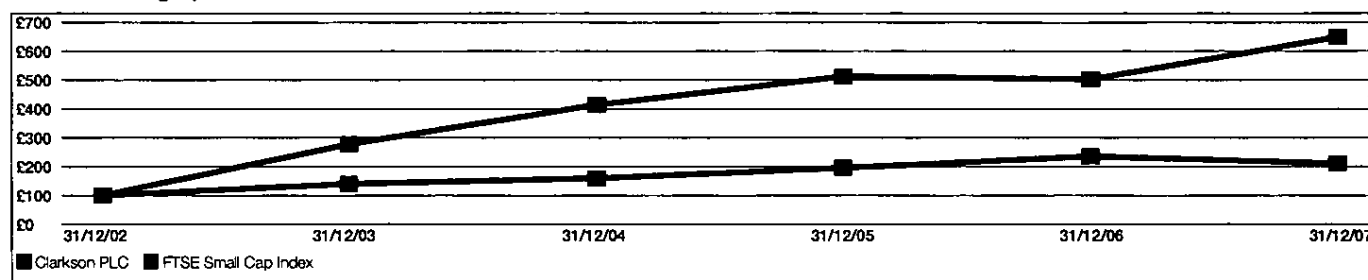
TSR – to reflect performance relative to the stock market. Awards under this element will be based on total shareholder return, measured over a three-year performance period. Awards will vest 100% should the Company's TSR be in the top quartile of the companies comprising the FTSE Small Cap index, and 25% of the award will vest should TSR equal the median of the FTSE Small Cap index. Awards will vest pro rata between these two levels.

Profit versus the BDI – to reflect performance of the Company's core shipping-related activities (which still account for a significant proportion of revenues). This will provide a focussed incentive on performance against the core shipping market. Awards will vest 100% should the movement in the Company's pre-tax profit exceed the BDI by a margin calibrated prior to grant so as to be broadly equivalent to upper quartile performance and the top end of the EPS range. 25% of the award will vest for performance equal to the BDI.

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.

Performance graph



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 Small Cap Index, which the committee considers an appropriate index for comparison purposes

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 31/12/07	Notice period
Details of the current directors' service contracts are as follows			
Richard Fulford-Smith	02/07/04	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	25/05/05	5 months	3 months
Martin Clark	29/01/05	1 month	3 months
Tim Harris	26/05/07	29 months	3 months

Executive service contracts are negotiated on an individual basis as part of the overall remuneration package. Richard Fulford-Smith, 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' remuneration report *continued*

Directors' share incentives (Audited)

The following share awards were granted under the Long Term Incentive Plan on 2 July 2007, 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 32

	Interests under plan at 1 January 2007	Awards granted in year	Awards lapsed/ vested in year	Interests under plan at 31 December 2007	Vesting Date
Richard Fulford-Smith	–	88,330	–	88,330	1 July 2010
Jeff Woyda	–	40,150	–	40,150	1 July 2010
Martin Stopford	–	36,135	–	36,135	1 July 2010

Directors' interests in shares

The beneficial interests of the directors who held interests in the share capital of the company at 31 December 2007 are as follows

	Ordinary shares	
	2007* Number	2006* Number
Martin Clark	7,500	7,500
Richard Fulford-Smith	697,955	697,955**
Tim Hams	10,778	10,778
Martin Stopford	57,082	62,082

*Or at date of appointment, if later

**Includes 11 607 restricted shares granted prior to Richard Fulford-Smith's appointment as a director based on performance at that time which vested in April 2007

On 17 March 2008 Richard Fulford-Smith acquired beneficial interests in 1,300 ordinary shares in the company

Jeff Woyda and Bob Benton are directors and joint trustees of Clarkson (Trustees) Limited which acts as a trustee for the restricted share awards issued under the LTIP

Directors' emoluments and compensation (Audited)

Details of directors' emoluments and compensation received during the year are set out below

	Basic salary and fees £000	Benefits £000	Perfor- mance- related bonuses £000	Total 2007 £000	Total 2006 £000
Executive directors					
Richard Fulford-Smith	550	90	2,500	3,140	2,586
Martin Stopford	225	53	450	728	495
Rob Ward*	–	–	–	–	841
Jeff Woyda**	250	11	800	1,061	96
Non-executive directors					
Bob Benton	40	–	–	40	35
Martin Clark	40	–	–	40	35
Tim Hams	100	–	–	100	100
Martin Watson***	12	–	–	12	40
	1,217	154	3,750	5,121	4,228

*Resigned 31 December 2006

**Appointed 1 November 2006

***Resigned 20 April 2007

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

There are no sums payable to third parties for services made available by the directors

No director was paid or was entitled to receive a sum paid by way of expense allowance that is chargeable to UK income tax in respect of his qualifying service (2006 £nil)

There are no elements of remuneration of a non-cash nature, other than the benefits referred to above

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 2007 were

			Change in total accumulated accrued pension benefit (including inflation) since 31 December 2006	Transfer value of accrued benefits at 31 December 2007	Transfer value of accrued benefits at 31 December 2006	Change in transfer value of accrued benefits £'000	Directors contributions during the year £'000	Change in total accumulated accrued pension benefit (excluding inflation) since 31 December 2006	Transfer value of the increase in accrued benefit at 31 December 2007 less director's contributions £'000
Age	Total accumulated pension benefit at 31 December 2007 £'000		31 December 2006 £'000	£'000	£'000	£'000	£'000	£'000	£'000
Richard Fulford-Smith	52	44	2	871	770	101	-	-	-

Martin Stopford transferred his benefits out of the scheme on 30 August 2006

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 the end of the year 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 Inland Revenue capping) dependent on length of service.

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, and lump sum benefits on death in service.

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

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 of 15% net of National Insurance. Martin Stopford also exercised his right to transfer his benefits from the Clarkson PLC Pension Scheme.

The pension figures shown in the table above also exclude any of the members' FURB entitlements (see over)

Directors' remuneration report *continued*

Defined contribution scheme

Jeff Woyda participated in a company defined contribution scheme during the year, the employer contribution was £37,500 being 15% of base salary

FURB

The company also operated a funded unapproved retirement benefits scheme ('FURB') for Richard Fulford-Smith and Rob Ward who joined the company after May 1989 and were therefore subject to Inland Revenue restrictions on their entitlement to benefit from the group's defined benefit pension scheme. Following the Government's pension simplification proposals which were implemented on 6 April 2006 ('A-Day') the company decided, on advice, to close the FURB. During the year, the company made no contributions into the FURB for Richard Fulford-Smith (2006: none). The FURB is being wound up.

There are no outstanding liabilities in respect of benefits due to current and past directors.

Approval by shareholders

At the annual general meeting of the company to be held on 7 May 2008 a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the Board on 27 March 2008 and signed on its behalf by

Bob Benton

Remuneration and nomination committee chairman

27 March 2008



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 2007 are included in the Annual Report 2007, 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.

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 2007 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 chairman's statement, the review of strategy and the business review operations and the business review finance 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 statement, the review of strategy, the business review operations, the business review finance, 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 2007 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 2007,

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 2008

Ernst & Young LLP

Consolidated income statement

For the year ended 31 December 2007

			2007	2006	
	Notes	Before exceptional item £m	Exceptional item (note 5) £m	After exceptional item £m	£m
Revenue – continuing operations	3, 4	173 4	–	173 4	116 6
Cost of sales		(3 3)	–	(3 3)	–
Trading profit		170 1	–	170 1	116 6
Administrative expenses		(143 7)	(6 0)	(149 7)	(98 6)
Operating profit – continuing operations	3, 4	26 4	(6 0)	20 4	18 0
Share of profits of associates and joint ventures	4	0 4	–	0 4	0 4
Finance revenue	3	6 9	–	6 9	4 2
Finance costs	3	(3 2)	–	(3 2)	(1 6)
Other finance revenue – pensions	3	1 1	–	1 1	1 1
Profit before taxation – continuing operations		31 6	(6 0)	25 6	22 1
Taxation	6	(10 2)	1 8	(8 4)	(7 2)
Profit for the year – continuing operations		21 4	(4 2)	17 2	14 9
Profit/(loss) for the year from discontinued operations	7	1 0	–	1 0	(0 1)
Profit for the year		22 4	(4 2)	18 2	14 8
Attributable to					
Equity holders of the parent		22 4	(4 2)	18 2	14 8
Earnings per share	8				
Basic – continuing operations		119 9p		96 4p	87 2p
Diluted – continuing operations		118 6p		95 3p	86 9p
Basic – profit for the year		125 4p		101 9p	86 6p
Diluted – profit for the year		124 1p		100 8p	86 3p

Consolidated and parent company statements of recognised income and expense

For the year ended 31 December 2007

		Group		Company	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Actuarial gain on employee benefits – net of tax	23	0 9	4 3	0 9	4 3
Foreign exchange differences on retranslation of foreign operations	25	0 3	(2 4)	–	–
Total recognised directly in equity		1 2	1 9	0 9	4 3
Profit for the year		18 2	14 8	5 0	6 8
Total recognised income and expense for the year		19 4	16 7	5 9	11 1
Attributable to					
Equity holders of the parent		19 4	16 7	5 9	11 1

Consolidated and parent company balance sheets

As at 31 December 2007

		Group		Company	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Non-current assets					
Property, plant and equipment	10	18 6	20 1	6 4	7 0
Investment property	11	0 4	0 4	0 4	0 4
Intangible assets	12	47 2	42 4	–	–
Investments in associates and joint ventures	13	1 1	2 6	–	–
Trade and other receivables	15	2 0	0 4	0 3	0 4
Investments	16	16 4	14 0	14 0	11 3
Investments in subsidiaries	17	–	–	44 6	34 7
Employee benefits	23	9 9	7 1	9 9	7 1
Deferred tax asset	6	3 3	3 7	2 0	3 0
		98 9	90 7	77 6	63 9
Current assets					
Trade and other receivables	15	43 4	30 5	26 4	34 4
Cash and short-term deposits	18	115 3	74 8	23 7	19 9
Income tax receivable		0 8	0 6	–	–
		159 5	105 9	50 1	54 3
Current liabilities					
Interest-bearing loans and borrowings	19	(0 8)	(0 9)	–	–
Trade and other payables	20	(101 4)	(66 6)	(20 5)	(17 8)
Provisions	21	(0 3)	(0 6)	–	–
Income tax payable		(3 8)	(2 0)	–	–
		(106 3)	(70 1)	(20 5)	(17 8)
Net current assets		53 2	35 8	29 6	36 5
Non-current liabilities					
Interest-bearing loans and borrowings	19	(51 0)	(50 9)	(48 6)	(47 7)
Trade and other payables	20	(3 1)	(5 0)	(0 2)	(1 1)
Provisions	21	(6 7)	(0 5)	(0 7)	(0 5)
Deferred tax liability	6	(7 3)	(4 7)	(4 5)	(2 5)
		(68 1)	(61 1)	(54 0)	(51 8)
Net assets		84 0	65 4	53 2	48 6
Capital and reserves					
Issued capital	24	4 7	4 5	4 7	4 5
Share premium	25	25 4	20 7	25 4	20 7
ESOP reserve	25	(3 5)	(3 7)	–	–
Deferred share consideration	25	0 9	1 1	–	–
Employee benefits reserve	25	0 8	–	0 8	–
Capital redemption reserve	25	2 0	2 0	2 0	2 0
Profit and loss	25	54 7	42 1	20 3	21 4
Currency translation reserve	25	(1 0)	(1 3)	–	–
Clarkson PLC group shareholders' equity		84 0	65 4	53 2	48 6

Approved by the Board on 27 March 2008, and signed on its behalf by

Tim Harris
Chairman

Jeff Woyda
Finance Director

Consolidated and parent company cash flow statements

For the year ended 31 December 2007

		Group		Company	
	Notes	2007 £m	2006 £m	2007 £m	2006 £m
Cash flows from operating activities					
Profit before tax from continuing operations		25 6	22 1	4 8	5 3
Profit/(loss) before tax from discontinued operations	7	1 4	(0 6)	–	–
Profit before tax		27 0	21 5	4 8	5 3
Adjustments for					
Depreciation	10	2 5	2 6	0 8	0 7
Profit on sale of property, plant and equipment		(1 9)	–	–	–
Profit on sale of investments		(0 1)	–	–	–
Amortisation and impairment of intangibles	12	1 4	0 5	–	–
Provision for investments in associates and joint ventures	13	0 5	–	–	–
Difference between ordinary pension contributions paid and amount recognised in the income statement		(0 5)	(0 4)	(0 5)	0 5
Share of profits of associates and joint ventures	13	(0 4)	(0 4)	–	–
Finance revenue	3	(6 9)	(4 2)	(11 9)	(9 6)
Other finance revenue – pensions	3	(1 1)	(1 1)	(1 1)	(1 1)
Finance costs	3	3 2	1 6	3 2	1 7
(Increase)/decrease in trade and other receivables		(12 5)	(2 4)	4 7	(4 5)
Increase/(decrease) in bonus accrual		18 4	(9 4)	–	–
Increase in trade and other payables		21 8	13 0	3 9	1 8
Increase/(decrease) in provisions	21	5 9	(3 0)	0 2	0 3
Cash generated/(utilised) from operations		57 3	18 3	4 1	(4 9)
Income tax paid		(4 9)	(8 3)	–	–
Interest paid	3	(3 2)	(1 6)	(3 2)	(1 7)
Net cash flow from operating activities		49 2	8 4	0 9	(6 6)
Cash flows from investing activities					
Interest received	3	3 5	1 7	1 3	0 4
Purchase of property, plant and equipment	10	(3 3)	(2 2)	(0 2)	(0 7)
Proceeds from sale of investments		0 3	–	–	–
Proceeds from sale of property, plant and equipment		4 0	0 1	–	–
Purchase of investments		–	(11 2)	–	(10 2)
Special contribution to pension scheme		–	(6 7)	–	(6 7)
Investment in associates and joint ventures	13	(0 8)	(0 7)	–	–
Disposal of associate	13	0 2	–	–	–
Acquisition of subsidiaries and businesses, including deferred consideration		(3 1)	(8 8)	–	(6 4)
Cash acquired on acquisitions		1 7	3 3	–	–
Dividends received from associates and joint ventures	13	0 6	0 3	–	–
Dividends received from investments	3	0 5	1 8	7 8	8 5
Net cash flow from investing activities		3 6	(22 4)	8 9	(15 1)
Cash flows from financing activities					
Dividends paid	9, 25	(6 7)	(5 7)	(7 0)	(6 0)
Proceeds from borrowings		0 9	44 8	0 9	44 8
Repayments of borrowings		(0 9)	(1 2)	–	–
ESOP shares acquired		(6 1)	(3 1)	–	–
Net cash flow from financing activities		(12 8)	34 8	(6 1)	38 8
Net increase in cash and cash equivalents		40 0	20 8	3 7	17 1
Cash and cash equivalents at 1 January		74 8	55 1	19 9	2 8
Net foreign exchange differences		0 5	(1 1)	0 1	–
Cash and cash equivalents at 31 December	18	115 3	74 8	23 7	19 9

Notes to the financial statements

1 Corporate information

The group and parent company financial statements of Clarkson PLC for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the directors on 27 March 2008. 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 2007.

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 2007 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. There have been no changes to the financial statements as a result of adopting new or amended Standards during the year.

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 as follows:

The group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the financial performance or position of the group. They did however give rise to additional disclosures:

- IFRS 7 Financial Instruments: Disclosures,
- IAS 1 Amendment: Capital disclosures – Presentation of Financial Statements,
- IFRIC 8 Scope of IFRS 2,
- IFRIC 9 Reassessment of Embedded Derivatives,
- IFRIC 10 Interim Financial Reporting and Impairment,
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

Notes to the financial statements *continued*

2 Statement of accounting policies continued

The principal effects of these changes are as follows

IFRS 7 Financial Instruments Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

IAS 1 Amendment Capital disclosures – Presentation of Financial Statements

This amendment requires the group to make new disclosures to enable users of the financial statements to evaluate the group's objectives, policies and processes for managing capital. These new disclosures are shown in note 27.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the group.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the group has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the group.

IFRIC 10 Interim Financial Reporting and Impairment

The group adopted IFRIC Interpretation 10 as of 1 January 2007, which requires that an entity must not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the group had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the group.

IFRIC 11 IFRS2 – Group and Treasury Share Transactions

The group has elected to adopt IFRIC Interpretation 11 as of 1 January 2007. This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

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.

Judgements, estimates and assumptions

In the process of applying the group's accounting policies, management has made judgements, estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as discussed below

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. The net employee asset at 31 December 2007 is £9.9m (2006 £7.1m). 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.

Notes to the financial statements *continued*

2 Statement of accounting policies *continued*

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 (9 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.

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.

Notes to the financial statements *continued*

2 Statement of accounting policies *continued*

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 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.

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.

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.

Notes to the financial statements *continued*

2 Statement of accounting policies *continued*

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 is determined by reference to the quoted market price at the date of grant.

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.

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.

Notes to the financial statements *continued*

2 Statement of accounting policies *continued*

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.

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 2 (amended)	Share-Based Payment Vesting Conditions and Cancellations	1 January 2009
IFRS 3 (revised)	Business Combinations	1 July 2009
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 (revised)	Consolidated and Separate Financial Statements	1 July 2009
International Financial Reporting Interpretations Committee (IFRIC)		
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes	1 July 2008
IFRIC 14	IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the group and company's financial statements in the period of initial application

3 Revenues and expenses

Revenue

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

	2007 £m	2006 £m
Sale of goods	60	52
Rendering of services	163.4	107.4
Rental income	4.0	4.0
Revenue	173.4	116.6
Finance revenue	6.9	4.2
Total revenue	180.3	120.8

Finance revenue

Bank interest receivable	3.5	1.7
Income from available-for-sale financial assets	0.5	1.8
Gain on revaluation of fair value through profit or loss investments	2.9	0.7
	6.9	4.2

Finance costs

Interest-bearing loans and borrowings	(3.2)	(1.6)
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Other finance revenue – pensions

Expected return on pension assets	7.4	7.2
Finance cost of pension scheme	(6.3)	(6.1)
	1.1	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

	2007 £m	2006 £m
Included in administrative expenses		
Depreciation	23	20
Amortisation and impairment	14	0.5
Operating leases – minimum lease payments	43	43
Net foreign exchange differences	0.4	2.2

	2007 £000	2006 £000
Auditors' remuneration shown in thousands of pounds sterling		
Fees payable to the company's auditor for the audit of the company's accounts	75	70
Fees payable to the company's auditor and its associates for other services		
Audit of the company's subsidiaries pursuant to legislation	198	158
Taxation services	43	36
Other services pursuant to legislation	3	24
Other services	3	1
	322	289

	2007 £m	2006 £m
Employee benefits expense		
Salaries and commissions	45.2	38.1
Performance-related bonuses	48.7	23.2
Social security costs	8.9	5.3
Other pension costs	2.5	4.1
Expense of share-based payments	0.8	–
	106.1	70.7

Other pension costs includes £nil (2006: £0.5m) in respect of the group's defined benefit pension schemes, and £2.5m (2006: £3.6m) 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 34.

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

	2007 Number	2006 Number
UK	377	355
Americas	26	24
Rest of World	234	191
	637	570

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 UK, Americas and the Rest of the World. 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 ship owners 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. 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	
	2007 £m	2006 £m	2007 £m	2006 £m
Continuing operations				
Dry bulk chartering	51.3	28.6	14.6	6.0
Container chartering	3.5	2.9	1.0	0.6
Deep sea chartering	23.1	24.3	5.9	5.7
Specialised products chartering	13.5	10.5	2.6	1.9
Gas chartering	6.7	5.5	1.3	1.3
Sale and purchase broking	37.3	20.6	6.2	3.5
Research services	6.0	5.2	1.2	1.0
Futures broking	16.4	9.0	5.5	2.5
Fund management	2.6	0.5	0.6	–
Financial and investment services	1.3	2.3	(0.3)	0.7
Port and agency services	3.8	1.9	0.2	0.2
Property services	6.5	6.2	1.0	0.9
Logistics and technical services	3.9	1.3	(2.1)	(0.3)
	175.9	118.8		
Less property services revenue arising within the group	(2.5)	(2.2)		
Segment revenue/results	173.4	116.6	37.7	24.0
Unallocated other costs			(5.9)	–
Head office costs			(5.7)	(4.0)
Unallocated foreign exchange differences			0.3	(2.0)
Operating profit before exceptional item			26.4	18.0
Exceptional item			(6.0)	–
Operating profit after exceptional item			20.4	18.0
Share of profits of associates and joint ventures			0.4	0.4
Finance revenue			6.9	4.2
Finance costs			(3.2)	(1.6)
Other finance revenue – pensions			1.1	1.1
Profit before taxation			25.6	22.1
Taxation			(8.4)	(7.2)
Profit after taxation			17.2	14.9

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

	2007 £m	2006 £m
Dry bulk chartering	0.2	0.1
Sale and purchase broking	–	0.3
Financial and investment services	0.2	–
	0.4	0.4

Business segments

	Revenue		Results	
	2007 £m	2006 £m	2007 £m	2006 £m
Discontinued operations (see note 7)				
Logistics - discontinued	1 5	1 1	1 4	(0 5)
Finance costs			–	(0 1)
Profit/(loss) before taxation			1 4	(0 6)
Taxation			(0 4)	0 5
Profit/(loss) after taxation			1 0	(0 1)

Business segments

	Assets		Liabilities	
	2007 £m	2006 £m	2007 £m	2006 £m
Dry bulk chartering	57 2	45 8	25 1	18 2
Container chartering	1 9	0 3	0 9	0 6
Deep sea chartering	13 0	13 8	5 7	7 3
Specialised products chartering	22 9	21 0	3 4	2 1
Gas chartering	8 5	5 1	2 3	1 5
Sale and purchase broking	26 4	17 7	27 6	11 0
Research services	4 2	4 2	2 0	1 8
Futures broking	17 9	8 9	9 0	5 0
Fund management	16 7	12 0	0 9	0 3
Financial and investment services	1 1	1 4	0 8	1 2
Port and agency services	9 1	4 4	6 9	2 1
Property services	10 0	11 1	2 7	4 9
Logistics and technical services	10 5	10 7	4 0	4 9
Segment assets/liabilities	199 4	156 4	91 3	60 9
Unallocated assets/liabilities	59 0	40 2	83 1	70 3
	258 4	196 6	174 4	131 2

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

	2007 £m	2006 £m
Dry bulk chartering	0 7	1 4
Sale and purchase broking	–	0 4
Futures broking	0 1	0 1
Port and agency services	0 2	–
Financial and investment services	0 1	0 7
	1 1	2 6

Notes to the financial statements *continued***4 Segmental information continued****Business segments**

	Capital expenditure				Depreciation	
	Property, plant and equipment 2007 £m	Intangible assets 2007 £m	Property, plant and equipment 2006 £m	Intangible assets 2006 £m	2007 £m	2006 £m
Dry bulk chartering	0.5	2.0	0.8	4.8	0.2	0.2
Container chartering	-	-	-	-	-	-
Deep sea chartering	-	-	-	-	-	0.1
Specialised products chartering	-	0.1	-	14.6	-	-
Gas chartering	-	1.0	-	-	-	-
Sale and purchase broking	0.1	1.4	-	6.0	-	-
Research services	-	-	-	-	-	-
Futures broking	-	-	-	-	-	-
Fund management	-	-	-	-	-	-
Financial and investment services	-	-	-	0.8	-	-
Port and agency services	0.2	0.2	0.7	0.8	0.2	0.1
Property services	0.9	-	1.2	-	1.5	1.3
Logistics and technical services	1.6	-	-	-	0.4	0.3
Logistics – discontinued	-	-	-	-	0.2	0.6
	3.3	4.7	2.7	27.0	2.5	2.6

Geographical segments – by origin of invoice

	Revenue	
	2007 £m	2006 £m
Continuing operations		
UK	123.3	82.4
Americas	7.4	10.0
Rest of World	42.7	24.2
	173.4	116.6

	Revenue	
	2007 Logistics – discontinued £m	2006 logistics – discontinued £m
Discontinued operations		
UK	1.5	1.1
Americas	-	-
Rest of World	-	-
	1.5	1.1

Geographical segments – by location of assets

	Total assets	
	2007 £m	2006 £m
UK	124.0	103.5
Americas	9.3	7.6
Rest of World	66.1	45.3
Segment assets	199.4	156.4
Unallocated	59.0	40.2
	258.4	196.6

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

	Total assets	
	2007 £m	2006 £m
UK	0.3	1.0
Americas	0.2	0.2
Rest of World	0.6	1.4
Segment assets	1.1	2.6

	Capital expenditure			
	Property, plant and equipment 2007 £m	Intangible assets 2007 £m	Property plant and equipment 2006 £m	Intangible assets 2006 £m
UK	1.2	1.1	1.9	22.2
Americas	0.1	1.4	0.1	–
Rest of World	2.0	2.2	0.7	4.8
	3.3	4.7	2.7	27.0

5 Exceptional item

The Board has decided, without any admission of liability, to make a provision of £6.0m against the existing claims from Sovcomflot and Novoship, the Russian state-owned shipping companies. Further details are provided in note 26.

6 Taxation

Tax charged in the income statement

	2007 £m	2006 £m
Current income tax		
UK corporation tax – continuing operations	3.7	3.0
– discontinued operations	0.5	(0.5)
UK corporation tax	4.2	2.5
Foreign tax – continuing operations	1.9	1.5
– discontinued operations	–	–
Total current income tax	6.1	4.0
Deferred tax		
Adjustment relating to changes in tax rates – continuing operations	(0.2)	–
Origination and reversal of temporary differences – continuing operations	3.0	2.7
– discontinued operations	(0.1)	–
Total tax charge in the income statement	8.8	6.7
The tax charge in the income statement is disclosed as follows		
Income tax expense on continuing operations	8.4	7.2
Income tax expense/(credit) on discontinued operations	0.4	(0.5)
	8.8	6.7
Tax relating to items charged or credited to equity		
	2007 £m	2006 £m
Deferred tax charge: Actuarial gains on pension schemes (see note 23)	0.3	1.7
Tax charge in the statement of recognised income and expense	0.3	1.7

Notes to the financial statements *continued***6 Taxation continued****Reconciliation of tax charge**

The tax expense in the income statement for the year is higher (2006 higher) than the standard rate of corporation tax in the UK of 30% (2006 30%). The differences are reconciled below

	2007 £m	2006 £m
Profit from continuing operations before taxation	25.6	22.1
Profit/(loss) from discontinued operations	1.4	(0.6)
Accounting profit before income tax	27.0	21.5
Accounting profit at UK standard rate of corporation tax of 30.0%	8.1	6.5
Effects of		
Expenses not deductible for tax purposes	1.5	1.1
Non-taxable income	(0.6)	(1.0)
Lower tax rates on overseas earnings	(0.7)	(0.6)
Adjustments relating to prior year	0.6	–
Other adjustments	(0.1)	0.7
Total tax expense reported in the income statement	8.8	6.7

Deferred tax

Deferred tax included in the group income statement is as follows

	2007 £m	2006 £m
Accelerated capital allowances	–	0.1
Employee benefits	0.7	1.9
Gains on fair value through profit or loss investments	1.1	–
Unremitted earnings of overseas subsidiaries	0.8	0.5
Other temporary differences	0.1	0.2
	2.7	2.7

Deferred tax included in the balance sheet is as follows

	Group balance sheet		Company balance sheet	
	2007 £m	2006 £m	2007 £m	2006 £m
Deferred tax asset				
Employee benefits – on special pension contributions	1.6	2.9	1.6	2.9
– other employee benefits	1.0	–	–	–
Other temporary differences	0.7	0.8	0.4	0.1
Deferred tax asset	3.3	3.7	2.0	3.0
Deferred tax liability				
Employee benefits – on pension benefit asset	(2.8)	(2.1)	(2.8)	(2.1)
Unremitted earnings of overseas subsidiaries	(2.5)	(1.7)	–	–
Gains on fair value through profit or loss investments	(1.0)	–	(1.0)	–
Other temporary differences	(1.0)	(0.9)	(0.7)	(0.4)
Deferred tax liability	(7.3)	(4.7)	(4.5)	(2.5)

The deferred tax credit to income relating to changes in tax rates amounts to £0.2m (2006 none). 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 £0.7m (2006 none).

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

7 Discontinued operations

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

During 2006 the group ceased its specialised reefer services originally acquired from Beacon Chartering & Shipping Limited

In December 2005 the Board agreed to cease the operations of Channel Freight Ferries Limited, its logistics – ferry chartering business

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

	2007			2006
	Logistics – discontinued £m	Logistics – discontinued £m	Reefer services £m	Total £m
Revenue	1 5	1 1	–	1 1
Administrative expenses	(2 0)	(1 1)	(0 5)	(1 6)
Operating loss	(0 5)	–	(0 5)	(0 5)
Finance costs	–	(0 1)	–	(0 1)
Profit on disposal on sale of vessel	1 9	–	–	–
Profit/(loss) before taxation	1 4	(0 1)	(0 5)	(0 6)
Taxation on operating loss	0 2	0 5	–	0 5
Taxation on profit on disposal	(0 6)	–	–	–
Profit/(loss) after taxation	1 0	0 4	(0 5)	(0 1)

Included in administrative expenses is £0.2m of depreciation (2006 £0.6m)

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

	2007 £m	2006 £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

	2007 Pence per share	2006 Pence per share
Basic	5 5p	(0 6p)
Diluted	5 5p	(0 6p)

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

	2007 £m	2006 £m
Net profit attributable to ordinary equity holders of the parent – continuing operations	17 2	14 9
Net profit attributable to ordinary equity holders of the parent – discontinued operations	1 0	(0 1)
Net profit attributable to ordinary equity holders of the parent	18 2	14 8

Notes to the financial statements *continued***8 Earnings per share continued**

	2007 Number	2006 Number
Weighted average number of ordinary shares (excluding Executive Share Purchase Trust shares) for basic earnings per share	17,846,847	17,118,798
Dilutive effect of shares contingently payable on business combinations	198,739	63,262
Weighted average number of ordinary shares (excluding Executive Share Purchase Trust shares) adjusted for the effect of dilution	18,045,586	17,182,060

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 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 12,638.

9 Dividends

	2007 £m	2006 £m
Declared and paid during the year		
Final dividend for 2006 of 24.0 pence per share (2005: 22.0 pence per share)	4.2	3.7
Interim dividend for 2007 of 14.0 pence per share (2006: 12.0 pence per share)	2.5	2.0
Dividend paid	6.7	5.7
Proposed for approval at AGM (not recognised as a liability at 31 December)		
Final dividend for 2007 proposed of 26.0 pence per share (2006: 24.0 pence per share)	4.9	4.2

10 Property, plant and equipment

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

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 2006

						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 2006	11.5	3.0	0.7	12.6	0.7	28.5
Additions	–	0.5	–	1.6	0.1	2.2
Arising on acquisitions	–	0.2	–	0.1	0.2	0.5
Disposals	–	–	–	(0.3)	(0.2)	(0.5)
Foreign exchange differences	(1.0)	(0.1)	(0.1)	(0.1)	–	(1.3)
At 31 December 2006	10.5	3.6	0.6	13.9	0.8	29.4
Depreciation						
At 1 January 2006	0.5	0.2	0.2	6.1	0.2	7.2
Provided during the year	0.9	–	0.1	1.4	0.2	2.6
Disposals	–	–	–	(0.3)	(0.1)	(0.4)
Foreign exchange differences	–	–	–	(0.1)	–	(0.1)
At 31 December 2006	1.4	0.2	0.3	7.1	0.3	9.3
Net book value at 31 December 2006	9.1	3.4	0.3	6.8	0.5	20.1
Net book value at 1 January 2006	11.0	2.8	0.5	6.5	0.5	21.3

At 31 December 2006 fleet interests with a net book value of £6.9m were pledged as security for a loan with an outstanding principal value of £4.1m

31 December 2007

					Company
	Freehold and long leasehold properties £m	Leasehold improve- ments £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

Notes to the financial statements *continued***10 Property, plant and equipment continued**

31 December 2006

	Company			
	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2006	2.0	0.5	5.4	7.9
Additions	–	–	0.7	0.7
At 31 December 2006	2.0	0.5	6.1	8.6
Depreciation				
At 1 January 2006	0.2	0.1	0.6	0.9
Provided during the year	0.1	–	0.6	0.7
At 31 December 2006	0.3	0.1	1.2	1.6
Net book value at 31 December 2006	1.7	0.4	4.9	7.0
Net book value at 1 January 2006	1.8	0.4	4.8	7.0

11 Investment property

31 December 2007

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

31 December 2006

	Group and company £m
Cost	
At 1 January 2006	0.6
At 31 December 2006	0.6
Depreciation	
At 1 January 2006	0.2
Provided during the year	–
At 31 December 2006	0.2
Net book value at 31 December 2006	0.4
Net book value at 1 January 2006	0.4

The fair value of the investment property at 31 December 2007 was £0.9m (2006: £0.9m). This valuation was carried out by an independent valuer.

12 Intangible assets

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

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

31 December 2006

	Intangibles £m	Goodwill £m	Total £m
Cost			
At 1 January 2006	–	17.7	17.7
Additions	6.8	–	6.8
Acquisition of subsidiaries and businesses	–	20.2	20.2
Reclassification of associate's goodwill	–	(0.8)	(0.8)
Deferred consideration adjustment	–	(0.9)	(0.9)
Foreign exchange differences	–	(0.1)	(0.1)
At 31 December 2006	6.8	36.1	42.9
Amortisation and impairment			
At 1 January 2006	–	–	–
Impairment	–	0.5	0.5
Amortisation	–	–	–
At 31 December 2006	–	0.5	0.5
Net book value at 31 December 2006	6.8	35.6	42.4

The adjustment above represents the release of deferred consideration in relation to an acquisition in 2005

The impairment relates to the discontinued specialised reefer services and is included in administrative expenses in note 7

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 Normanne Offshore Consultants (USA) ('Normanne'). Normanne 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.

Notes to the financial statements *continued***12 Intangible assets continued**

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 Normanne at each stage of acquisition were as follows:

	Cofimar		LNGSS		Normanne		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
Previously acquired					Cofimar £m	LNGSS £m		Total £m
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	Normanne £m	Total £m
Discharged by				
Fair value of shares issued				
Cofimar 129,107 shares	1.3	–	–	1.3
Normanne 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

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.

Normanne 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 Normanne 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.

Acquisitions

2006

On 4 January 2006 the group completed the acquisition of J O Plowright & Co (Holdings) Limited ('Plowrights') Plowrights had 26 staff predominantly serving the petrochemical, products, lubricant, gas, vegetable oil and molasses freight markets. The business has now been merged with H Clarkson & Company Limited

On 10 August 2006 the group acquired Genchem Holdings Limited ('Genchem') Genchem had 54 staff and its services comprise shipbroking, port agency, warehousing and stevedoring

On 5 September 2006 the group acquired the business of Anchor Cross Shipbrokers (Pty) Limited ('Anchor Cross') This operation was merged with Clarkson Melbourne (Pty) Limited. The combined entity employed in excess of 20 people serving the dry bulk sector

In December 2006 the group purchased intangible assets representing non-contractual commercial relationships for £6.8m payable in cash and shares. The directors believe the useful life of these assets to be five years. These assets will be amortised on a straight line basis. Deferred consideration of £2.7m was paid in 2007.

Included in the goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured. These items include the expected value of synergies and the detailed knowledge and expertise of the specialised markets.

The book and fair values of the identifiable assets and liabilities of Plowrights, Genchem and Anchor Cross at the date of acquisition were as follows:

	Plowrights		Genchem		Anchor Cross		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
Property, plant and equipment	–	–	0.5	0.5	–	–	0.5	0.5
Deferred tax asset	–	1.9	–	–	–	–	–	1.9
Trade receivables	0.4	0.4	0.4	0.4	–	–	0.8	0.8
Other receivables	1.0	1.0	0.7	0.7	–	–	1.7	1.7
Prepayments	–	–	0.1	0.1	–	–	0.1	0.1
Cash and short-term deposits	1.0	1.0	2.3	2.3	–	–	3.3	3.3
	2.4	4.3	4.0	4.0	–	–	6.4	8.3
Trade and other payables	(1.4)	(1.5)	(1.5)	(1.5)	–	–	(2.9)	(3.0)
Accruals	–	–	(0.1)	(0.1)	–	–	(0.1)	(0.1)
Income tax payable	(0.9)	(0.9)	(0.3)	(0.3)	–	–	(1.2)	(1.2)
Employee benefits	(6.7)	(6.7)	–	–	–	–	(6.7)	(6.7)
Other tax and social security	–	–	(0.1)	(0.1)	–	–	(0.1)	(0.1)
	(9.0)	(9.1)	(2.0)	(2.0)	–	–	(11.0)	(11.1)
	(6.6)		2.0		–	–	(4.6)	
Fair value of net assets		(4.8)		2.0		–		(2.8)
Goodwill arising on acquisitions		7.1		8.3		4.8		20.2
Consideration paid		2.3		10.3		4.8		17.4

The fair value adjustments relating to the Plowrights acquisition are the deferred tax asset arising on the Plowrights pension deficit available to the company (£1.9m) and additional liabilities (£0.1m).

	Plowrights £m	Genchem £m	Anchor Cross £m	Total £m
Discharged by				
Fair value of shares issued (Plowrights 79,918 shares, Genchem 374,368 shares)	0.7	3.2	–	3.9
Cash	–	5.3	2.4	7.7
Costs associated with acquisition, settled in cash	0.8	0.3	–	1.1
Deferred consideration	0.8	1.5	2.4	4.7
	2.3	10.3	4.8	17.4

Notes to the financial statements *continued*

12 Intangible assets continued

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

Deferred consideration

For the Ferrobulk acquisition in 2005, £2.2m is payable in 2008. For the Plowrights acquisition, £0.8m of deferred consideration is payable in 2008. For the Genchem acquisition, £0.6m is payable in 2008 and £0.2m is payable in 2009. For the Anchor Cross acquisition, £0.6m

is payable in 2008 and £1.4m is payable in 2009. The deferred consideration relating to the above is payable in cash and shares.

During 2007, £4.8m of deferred consideration was settled by way of cash and shares.

Deferred consideration as at 31 December 2006 represented £1.9m relating to Ferrobulk, £0.8m relating to Plowrights, £1.5m relating to Genchem, £2.4m relating to Anchor Cross and £2.7m relating to the intangible addition.

13 Investments in associates and joint ventures

	2007 £m	2006 £m
Investments in associates	0.8	1.8
Investments in joint ventures	0.3	0.8
	1.1	2.6

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.

2006

During 2006 the group acquired interests in C I F Trading Limited, Cafi-Lift Srl and Global Slot Network Limited for a total consideration of £0.7m.

The investments in associates and joint ventures are listed in note 30.

The group's share of profits from associates and joint ventures amounted to £0.4m. The group received dividends totalling £0.3m 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

	2007 £m	2006 £m
Associates' balance sheet		
Non-current assets	0.3	0.6
Current assets	1.3	2.4
Current liabilities	(0.3)	(1.0)
Net assets	1.3	2.0
Associates' income statement		
Revenue	1.2	5.2
Profit for the year	0.4	0.3

Summarised financial information – joint ventures

	2007 £m	2006 £m
Joint ventures' balance sheet		
Non-current assets	-	0.3
Current assets	0.1	2.2
Current liabilities	(0.2)	(1.2)
Net (liabilities)/assets	(0.1)	1.3
Joint ventures' income statement		
Revenue	1.9	4.3
Administrative expenses	(1.5)	(3.3)
Profit before taxation	0.4	1.0
Taxation	-	(0.3)
Profit for the year	0.4	0.7

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

	2007 £m	2006 £m
Dry bulk chartering	18.0	14.5
Specialised products chartering	16.0	15.8
Gas chartering	2.7	1.8
Sale and purchase broking	1.4	-
Research services	3.3	3.3
Port and agency services	0.4	0.2
	41.8	35.6

Goodwill is allocated to cash generating units which are tested for impairment at least annually. 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, five-year post-tax cash flows based on internal budgets and extrapolated using a growth rate of 5%. Initially a post-tax discount rate based on the group's weighted average cost of capital of 6.80% (2006: 6.06%) is applied to calculate the net present value of the post-tax cash flows. Where this indicates that the recoverable value of the unit is close to or below its carrying value, the impairment test is reperformed using a pre-tax discount rate and pre-tax cash flows in order to determine if an impairment exists and to establish its magnitude. It is considered that the cost of capital for each cash-generating unit is not materially different. Similarly, consistent growth rates have been applied.

Management believes that no reasonably possible change in the above assumptions would cause the carrying value of any of the cash-generating units to materially exceed its recoverable amount.

Notes to the financial statements *continued***15 Trade and other receivables**

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Non-current				
Other receivables	1 7	–	–	–
Prepayments and accrued income	0 3	0 4	0 3	0 4
	2 0	0 4	0 3	0 4
Current				
Trade receivables	33 8	23 4	–	–
Amounts owed by associates and joint ventures	0 2	0 2	–	–
Other receivables	4 7	2 8	0 1	–
Prepayments and accrued income	4 7	4 1	–	0 1
Owed by group companies	–	–	26 3	34 3
	43 4	30 5	26 4	34 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 2007, group trade receivables at nominal value of £1 2m (2006 £1 0m) were impaired and fully provided for
The company has no trade receivables (2006 none)

Movements in the provision for impairment of receivables were as follows

	Individually impaired £m	Total £m
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
At 1 January 2006	0 5	0 5
Charge for the year	0 5	0 5
Utilised	–	–
At 31 December 2006	1 0	1 0

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
2007	33 8	28 9	4 9
2006	23 4	19 2	4 2

16 Investments

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Available-for-sale financial assets	2 8	3 1	0 4	0 4
Fair value through profit or loss investments	13 6	10 9	13 6	10 9
	16 4	14 0	14 0	11 3

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

17 Investments in subsidiaries

	Company	
	2007 £m	2006 £m
Cost at 1 January	34.7	17.3
Transferred from subsidiaries	6.9	–
Additions	3.0	17.4
At 31 December	44.6	34.7

2007

During 2007 the shareholdings in Clarksons 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

2006

During 2006 the company acquired J O Plowright & Co (Holdings) Limited and Genchem Holdings Limited, details of which are set out in note 12

Details of subsidiaries are listed in note 30

18 Cash and short-term deposits

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Cash at bank and in hand	76.5	42.2	–	–
Short-term deposits	38.8	32.6	23.7	19.9
	115.3	74.8	23.7	19.9

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 £115.3m (2006: £74.8m)

Notes to the financial statements *continued***19 Interest-bearing loans and borrowings****Financial liabilities measured at amortised cost**

	Group		Company	
	2007	2006	2007	2006
	£m	£m	£m	£m
Current				
US\$9,165,000 bank loan	0.8	0.9	–	–
	0.8	0.9	–	–
Non-current				
US\$9,165,000 bank loan	2.4	3.2	–	–
€5,433,000 bank loan	–	3.8	–	3.8
US\$20,000,000 bank loan	10.7	10.7	10.7	10.7
Aus\$5,000,000 bank loan	2.3	2.1	2.3	2.1
£35,600,000 bank loan (2006: £31,100,000)	35.6	31.1	35.6	31.1
	51.0	50.9	48.6	47.7

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 August 2009. These loans bear interest at LIBOR + 0.95% and mandatory costs and are subject to a cross-guarantee between certain group companies.

20 Trade and other payables

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Current				
Trade payables	117	86	-	-
Other payables	105	65	-	-
Accruals and deferred income	734	443	40	27
Other tax and social security	16	23	-	-
Owed to group companies	-	-	151	139
Deferred consideration	42	49	14	12
	1014	666	205	178
Non-current				
Other payables	15	06	-	-
Deferred consideration	16	44	02	11
	31	50	02	11

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 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	-	03	03	06	-
Utilised	-	-	(03)	(03)	-
At 31 December 2007	-	03	-	03	-
Non-current					
At 1 January 2007	-	05	-	05	05
Arising during the year	60	02	-	62	02
At 31 December 2007	60	07	-	67	07

A provision is recognised for the dilapidation of various leasehold premises. A provision is recognised for legal claims made against the group (see note 26).

Notes to the financial statements *continued***21 Provisions continued**

31 December 2006

			Group	Company
	Dilapidation of leasehold premises £m	Discon- tinued operations £m	Total £m	Dilapidation of leasehold premises £m
Current				
At 1 January 2006	0.5	3.4	3.9	–
Utilised	(0.2)	(3.1)	(3.3)	–
At 31 December 2006	0.3	0.3	0.6	–
Non-current				
At 1 January 2006	0.2	–	0.2	0.2
Arising during the year	0.3	–	0.3	0.3
At 31 December 2006	0.5	–	0.5	0.5

A provision is recognised for the dilapidation of various leasehold premises. A provision was recognised and utilised on the discontinued operations of Channel Freight Ferries.

22 Share-based payment plans

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

	2007 £m	2006 £m
Expense arising from equity-settled share-based payment transactions	0.8	–
Total expense arising from share-based payment transactions	0.8	–

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2007 or 2006.

Long Term Incentive Plan

Details of the long term incentive plan are included in the director's remuneration report on page 32. Awards made to the directors are given in the directors' remuneration report on page 34.

To value the element of these awards which have a Total Shareholder Return (TSR) performance condition attached, a Stochastic model has been used. The remaining element of the awards have been valued using a Black-Scholes model.

The expense to the group and company in 2007 relating to these awards total £0.4m.

In addition, the company has made a capital contribution of £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 2007 amounted to £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

	2007		2006	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	–	–	–	–
Granted during the year	160,000	£9.97	–	–
Outstanding at 31 December	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 the year

	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 2006 or outstanding at 31 December 2006

The weighted average remaining contractual life for the share options outstanding as at 31 December 2007 is estimated at 6 years

The weighted average fair value of options granted during the year was £2.32

The range of exercise prices for options outstanding at the end of the year was £9.91 to £10.15

Other employee incentives

During the year, 612,648 shares (2006 192,943 shares) at a weighted average price of £9.35 (2006 £7.68) were awarded to employees in settlement of 2006 (2005) cash bonuses. There was no expense in 2007 as a result of these awards.

Also issued during the year were 145,566 shares at a weighted average price of £9.43. These awards will vest in 2010. The expense in 2007 relating to these awards total £0.3m.

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

Other awards

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

In 2006, 337,500 shares were issued, at a weighted average price of £8.70, as consideration relating to the 2006 intangible addition.

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

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 30 June 2005. This report showed a pension deficit of £6.8m. However, as at 3 January 2006, the Scheme was transferred to Clarkson PLC and closed to new accrual as outlined above. The resultant deficit on a corporate bond basis as at 3 January 2006 was settled in full and a funding rate, as agreed by the Company and the Trustees and certified by the actuary, of 10% of previously pensionable salaries has applied since 31 March 2006.

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

Other pension arrangements

The company operates a funded unapproved retirement benefits scheme for UK members who joined the company after May 1989 and are therefore subject to HM Revenue and Customs restrictions on their entitlement to benefit. Following the Government's pension simplification proposals which were implemented on 6 April 2006 ('A-Day') the company decided, on advice, to close the scheme.

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	
	2007 £m	2006 £m
Defined benefit obligation	(122.3)	(127.6)
Fair value of plan assets	132.6	134.7
Unrecognised asset	(0.4)	–
Net benefit asset	9.9	7.1

A deferred tax liability on the above recognised asset amounting to £2.8m (2006 £2.1m) is shown in note 6

The fair value of the plan assets has, in the case of the Plowrights scheme, been restricted to the value of the liabilities as the scheme has no active members and the principal employer cannot obtain a refund. As such there is an unrealised asset of £0.4m relating to the benefit asset

Recognised in the income statement

	Group and Company	
	2007 £m	2006 £m
Current service cost (recognised in administrative expenses)	–	(0.5)
Interest cost on benefit obligation (recognised in other finance revenue – pensions)	(6.3)	(6.1)
Expected return on plan assets (recognised in other finance revenue – pensions)	7.4	7.2
Net benefit income	1.1	0.6

Taken to the statement of recognised income and expense

	Group and Company	
	2007 £m	2006 £m
Actual return on schemes' assets	3.9	10.5
Less expected return on plan assets	(7.4)	(7.2)
	(3.5)	3.3
Actuarial gains on defined benefit obligations	5.1	2.7
Actuarial gains recognised in the statement of recognised income and expense	1.6	6.0
Movement in unrecognised asset	(0.4)	–
Deferred tax charge on actuarial gains and movement in unrecognised asset	(0.3)	(1.7)
Net actuarial gains on employee benefit obligations	0.9	4.3
Cumulative amount of actuarial gains recognised in the statement of recognised income and expense	7.5	5.9

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

Notes to the financial statements *continued***23 Employee benefits continued**

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

	Group and Company					
	Percentage of total 2007 %	Expected rate of return 2007 % pa	2007 £m	Percentage of total 2006 %	Expected rate of return 2006 % pa	2006 £m
Equities	47.0	7.75	62.4	46.9	7.50	63.1
Bonds	48.7	5.00	64.5	41.3	4.50	55.6
Property	2.3	6.75	3.1	3.6	6.50	4.9
Cash and other assets	2.0	6.00	2.6	8.2	5.25	11.1
Benefit asset	100.0		132.6	100.0		134.7

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

Changes in the fair value of plan assets are as follows

	Group and Company	
	2007 £m	2006 £m
Opening fair value of plan assets	134.7	112.4
Expected return on assets	7.4	7.2
Contributions	0.5	7.6
Benefits paid	(6.5)	(11.9)
Actuarial (losses)/gains	(3.5)	3.3
Increase in assets from acquisitions	–	16.1
Fair value of plan assets at 31 December	132.6	134.7

The group expects to contribute £0.5m to its defined benefit pension schemes in 2008 (2007: £0.6m)

The principal valuation assumptions are as follows

	Group and Company	
	2007 %	2006 %
Rate of increase in pensions in payment	3.20 – 3.40	3.00 – 3.10
Price inflation	3.40	3.10
Discount rate for scheme liabilities	5.80	5.10

Mortality assumptions

The mortality assumptions used to assess the defined benefit obligation at 31 December 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
	2007 Additional years
Post-retirement mortality life expectancy on retirement at age 65	
Pensioners retiring in 2007 – male	22.2
– female	24.2
Pensioners retiring in 2027 – male	24.6
– female	25.7

The mortality assumptions used to assess the defined benefit obligation at 31 December 2006 were based on the '92' series of tables published by the actuarial profession, adjusted for anticipated future improvements in life expectancy. The assumed life expectancy at age 65 for future retirees was 21.5 years (males) and 24.3 years (females), current pensioners had an assumed life expectancy at age 65 of 20.8 years (males) and 23.7 years (females).

Changes in the fair value of the defined benefit obligation

	Group and Company	
	2007 £m	2006 £m
Opening defined benefit obligation	127.6	112.8
Current service cost	–	0.5
Interest cost	6.3	6.1
Employee contributions	–	–
Actuarial gains	(5.1)	(2.7)
Benefits paid	(6.5)	(11.9)
Increase in liabilities from acquisitions	–	22.8
	122.3	127.6

Historical comparative information

	Group and Company			
	2007 £m	2006 £m	2005 £m	2004 £m
Fair value of plan assets	132.6	134.7	112.4	87.5
Defined benefit obligation	(122.3)	(127.6)	(112.8)	(95.4)
Unrecognised fair value of plan assets	(0.4)	–	–	–
Surplus/(deficit)	9.9	7.1	(0.4)	(7.9)
Experience adjustments on plan assets	(3.4)	3.0	11.0	3.4
Experience adjustments on plan liabilities	0.4	(0.2)	(14.7)	0.2

Notes to the financial statements *continued***24 Authorised and issued share capital**

Share capital

	Group and Company			
	2007 Number	2006 Number	2007 £m	2006 £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	18,180,529	17,055,478	4.5	4.3
Issued during the year	513,087	1,125,051	0.2	0.2
At 31 December	18,693,616	18,180,529	4.7	4.5

Shares issued during the year

	2007 Number	2006 Number	2007 £m	2006 £m
Acquisitions	274,673	454,286	2.7	3.9
Intangible additions	–	377,500	–	3.3
Deferred share consideration	92,848	–	0.9	–
ESOP shares	145,566	293,265	1.3	2.6
	513,087	1,125,051	4.9	9.8

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.

2006

During 2006 454,286 shares were issued for a total value of £3.9m to cover the Plowrights and Genchem acquisitions. In addition, 377,500 shares were issued for a total value of £3.3m to cover the element of the intangible asset additions payable in shares. Further details are included in note 12.

Also issued during 2006 were 293,265 shares for a total value of £2.6m. These shares are held by the Executive Share Purchase Trust to cover various incentive schemes.

There was no cash received by the group from the issue of the shares during 2006.

25 Reserves

Share premium

	Group and Company	
	2007 £m	2006 £m
At 1 January	20.7	11.1
Arising on the issue of new shares	4.7	9.6
At 31 December	25.4	20.7

Profit and loss reserve reconciliation

	Group		Company	
	2007 £m	2006 £m	2007 £m	2006 £m
Profit and loss reserve at 1 January	42.1	27.9	21.4	16.3
Profit for the year attributable to equity holders of the parent	18.2	14.8	5.0	6.8
Actuarial gain on employee benefit asset – net of tax	0.9	4.3	0.9	4.3
Dividend paid in year	(6.7)	(5.7)	(7.0)	(6.0)
Deferred share consideration	0.2	0.8	–	–
At 31 December	54.7	42.1	20.3	21.4

31 December 2007

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

Notes to the financial statements *continued***25 Reserves continued**

31 December 2006

	Group				
	Profit and loss £m	ESOP reserve £m	Deferred share consideration £m	Capital redemption reserve £m	Currency translation reserve £m
At 1 January 2006	27.9	(0.5)	1.9	2.0	1.1
Dividend paid	(5.7)	–	–	–	–
ESOP share movements	–	(3.2)	–	–	–
Deferred share consideration	0.8	–	(0.8)	–	–
Total recognised income and expense	19.1	–	–	–	(2.4)
At 31 December 2006	42.1	(3.7)	1.1	2.0	(1.3)

31 December 2007

	Company		
	Profit and loss £m	Employee benefits reserve £m	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

31 December 2006

	Company	
	Profit and loss £m	Capital redemption reserve £m
At 1 January 2006	16.3	2.0
Dividend paid	(6.0)	–
Total recognised income and expense	11.1	–
At 31 December 2006	21.4	2.0

Nature and purpose of other reserves**ESOP reserve – group**

The ESOP reserve in the group represents 484,147 shares (2006: 559,238 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 2007 was £4,938,299 (31 December 2006: £4,588,548). At 31 December 2007 none of these shares were under option (2006: none).

Deferred share consideration – group

Deferred share consideration represents 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	
	2007 £m	2006 £m	2007 £m	2006 £m
Within one year	4.9	5.0	4.3	4.3
After one year but not more than five years	18.3	18.0	17.2	17.2
After five years	12.9	17.5	12.9	17.2
	36.1	40.5	34.4	38.7

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 2007 is £28.1m (2006: £31.7m).

Contingencies

The group has given no financial commitments to suppliers (2006: none).

The group has given no guarantees (2006: none).

Two separate legal actions have been commenced against H Clarkson & Company Limited by the state owned Russian shipping companies, Sovcomflot and Novoship, together with their subsidiaries. The actions relate to the payment of third party commissions on business transacted during the period 2001–2004. The claims include both the third party commissions paid and payable, and the repayment of commissions received and receivable by Clarksons which together amount to US\$67m. H Clarkson & Company Limited acted throughout on the instructions of the clients' senior management at the time on which it relied. Clarksons has, during the year, submitted its defence and will continue to strongly defend its position in both cases.

The Board has reviewed, with its advisors, the litigation above. As a result of its considerations, the Board has decided, without any admission of liability, to make a provision against the claims of £6m, which is reflected in the results for the year.

The group has received notification of a further potential claim by Sovcomflot, relating to a routine year end valuation performed by H Clarkson & Company Limited as at 31 December 2003. The total amount which will potentially be claimed is US\$7.1m. The Board has reviewed all documentation available to it, and discussed the matter at length with its advisors. Consequently, it is the Board's strongly held view that this claim should not have been brought, is without foundation and should not succeed.

Accordingly, no provision has been made against this claim, which will be strongly defended in court.

Notes to the financial statements *continued*

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 has 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. It is, and has been throughout 2007 and 2006, 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 long-term debt obligations with floating interest rates.

Interest rate risk table

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

	Increase/ decrease in basis points	Effect on profit before tax £m
2007		
Sterling	+50	0.2
US dollars	+50	0.1
Australian dollars	+50	–
Sterling	–100	(0.5)
US dollars	–100	(0.2)
Australian dollars	–100	–
2006		
Sterling	+50	0.1
US dollars	+50	–
Euro	+50	–
Australian dollars	+50	–
Sterling	–100	(0.2)
US dollars	–100	(0.1)
Euro	–100	–
Australian dollars	–100	–

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 80% 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 spot and forward 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 group did not, however, enter into any forward currency contracts during the year.

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.

	Increase/ decrease in US dollar rate £m	Effect on profit before tax £m
2007	+5%	(1.1)
	-5%	1.1
2006	+5%	(0.9)
	-5%	0.9

Credit risk

The group seeks to trade only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the group's exposure to bad debts is not significant. 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 table below summarises the maturity profile of the group's financial liabilities at 31 December 2007 based on contractual undiscounted payments.

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	23.7	-	-	-	23.7
	23.7	0.3	0.8	56.9	81.7

Year ended 31 December 2006

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	60.2	61.3
Trade and other payables	15.7	-	-	-	15.7
	15.7	0.3	0.8	60.2	77.0

The company has undiscounted interest-bearing loans and borrowings totalling £54.4m (2006: £56.5m) which are payable in 1 to 5 years (2006: 1 to 5 years).

Notes to the financial statements *continued*

27 Financial risk management objectives and policies continued

Investment risk

The group and company holds an investment in the Clarkson Shipping Hedge Fund amounting to US\$27.1m (2006 US\$21.3m). These amounts are treated as a Fair Value through Profit or Loss investment. The valuation of the investment is based on the underlying net assets of the Fund. The group and company rebased seed capital back to the initial US\$20m, from the beginning of 2008.

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 2007 and 31 December 2006.

The group monitors capital using a gearing ratio, which is 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.

	2007 £m	2006 £m
Interest bearing loans and borrowings	(51.8)	(51.8)
Cash and short-term deposits	115.3	74.8
Net funds	63.5	23.0
Gearing ratio	-%	-%

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

	2007		2006	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial assets				
Cash	115.3	115.3	74.8	74.8
Fair value through profit or loss investments	13.6	13.6	10.9	10.9
Financial liabilities				
Interest-bearing loans and borrowings				
Floating rate borrowings	48.6	48.6	47.7	47.7
Fixed rate borrowings	3.2	3.2	4.1	4.1

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 have been calculated using market rates.

Hedging activities

The group undertook no hedging activities during 2007 (2006: none)

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	
	Joint ventures 2007 £m	Joint ventures 2006 £m
Amounts owed by related party	0.2	0.2

	Company	
	Subsidiaries 2007 £m	Subsidiaries 2006 £m
Management fees charged by related party	0.7	1.1
Management fees charged to related party	1.2	1.0
Interest received from related party	0.3	0.2
Amounts owed by related party	26.3	34.3
Amounts owed to related party	15.1	13.9

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 34. Share-based payments relating to the Clarkson PLC directors amounted to £0.4m (2006: Nil).

Notes to the financial statements *continued***30 Subsidiaries, associates and joint ventures****Principal subsidiaries**

Country of incorporation and operation	Company	Percentage of equity shares
UK	H Clarkson & Company Limited	100
	Channel Freight Ferries Limited*	100†
	Clarkson Brothers Limited	100
	Clarkson Capital Limited	100†
	Clarkson Ferries Limited	100
	Clarkson Financial Services Limited	100
	Clarkson Fund Management Limited	100†
	Clarkson Investment 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†
	Genchem Holdings Limited	100†
	LevelSeas Limited	100
	LNG Shipping Solutions Limited	100
	Oilfield Publications Limited	100
	O PS (Holdings) Limited	100†

*Not audited by Ernst & Young LLP and associates

†Held by Clarkson PLC

Principal subsidiaries

Country of incorporation and operation	Company	Percentage of equity shares
Australia	Clarkson Australia (Pty) Limited*	100
	Clarkson Melbourne (Pty) Limited*	100
	Geelong Shipping Services (Pty) Limited*	100
Bermuda	Clarkson Pacific Limited*	100
China	Bonus Plus Investments Limited*	100
	Clarkson Asia Limited*	100
	Clarkson Logistics (HK) Limited*	100
	Diligent Challenger Limited*	100
Dubai	Clarkson*	100
France	Cofimar SA*	100
Greece	Clarkson (Hellas) 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
USA	Clarkson Shipping Services USA, Inc *	100
Associates		
UK	C I F Trading Limited*	33
	H C Shipping & Chartering Limited*	25
Libera	Panasia Marine Limited	25
USA	Overseas Wiborg Chartering Co (Partnership)	50
Joint ventures		
UK	Global Slot Network Limited	50
Bermuda	Blue Seas Shipping Limited	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
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

The above glossary is intended to assist the general reader of these financial statements and is not definitive

Five year financial summary

Income statement

	Under IFRSs				UK GAAP
	2007*	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Revenue – continuing operations	173 4	116 6	115 6	82 4	56 8
Cost of sales	(3 3)	–	–	–	–
Trading profit	170 1	116 6	115 6	82 4	56 8
Administrative expenses	(143 7)	(98 6)	(91 9)	(62 2)	(45 5)
Operating profit – continuing operations	26 4	18 0	23 7	20 2	11 3
Profit before taxation – continuing operations	31 6	22 1	26 8	23 1	11 0
Taxation	(10 2)	(7 2)	(8 9)	(7 4)	(4 1)
Profit for the year – continuing operations	21 4	14 9	17 9	15 7	6 9

Cash flow

	Under IFRSs				UK GAAP
	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Net cash inflow from operating activities	49 2	8 4	30 4	19 0	22 4

Balance sheet

	Under IFRSs				UK GAAP
	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Non-current assets	98 9	90 7	46 3	17 1	10 2
Trade and other receivables (including income tax receivable)	44 2	31 1	25 7	17 0	10 0
Cash and short-term deposits	115 3	74 8	55 1	44 1	32 0
Current liabilities	(106 3)	(70 1)	(67 7)	(40 7)	(28 1)
Non-current liabilities	(68 1)	(61 1)	(11 6)	(9 4)	(2 3)
	84 0	65 4	47 8	28 1	21 8

Statistics

	Under IFRSs				UK GAAP
	2007	2006	2005	2004	2003
	£m	£m	£m	£m	£m
Earnings per share – basic	101 9p	86 6p	116 8p	86 0p	46 9p
Dividends per share	40 0p	36 0p	32 0p	25 0p	17 5p

The information for 2004 to 2007 is prepared under IFRSs but that for 2003 was prepared under UK GAAP

* Before exceptional item

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