Clarkson PLC Annual Report 2010

Everyday...

from offices in 17 countries on five continents, we play a vital role in the movement of the majority of commodities around the world. We are the world's leading shipping services group. We are Clarksons.

Group performance

Revenue

US$312.6m
(2009: US$277.2m)

Revenue (sterling equivalent)

£202.6m
(2009: £176.7m)

Profit before taxation

£32.4m
(2009: £22.5m)

Earnings per share

125.4p
(2009: 90.0p)

Dividend per share

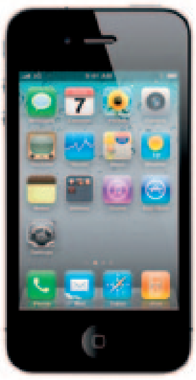
47p
(2009: 43p)

Divisional revenue

	2010	2009	Go to page
Broking	£169.6m	£139.1m	14 →
Financial	£11.2m	£14.9m	17 →
Support	£14.8m	£16.0m	18 →
Research	£7.0m	£6.7m	19 →

Everything

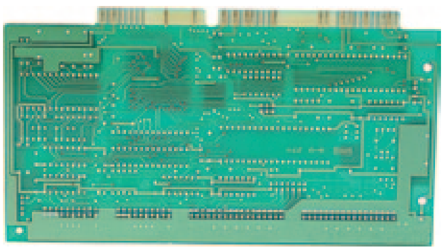
In 2010, more than 8 billion tonnes of goods were transported by sea. From coal to crude oil, liquefied gas to sugar, component parts to finished goods, we work side by side with shipowners, all leading commodity houses, exploration companies and traders.



Diversity of clients

We are privileged to work with clients who touch every aspect of global trade.






Singapore

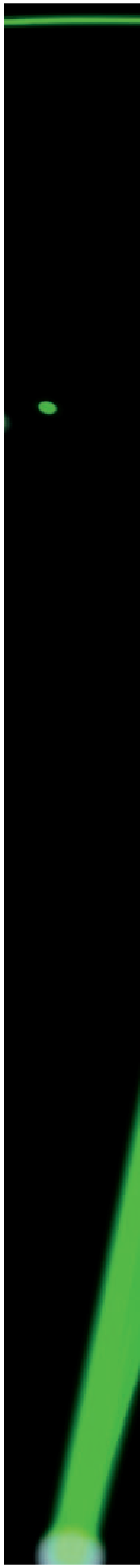
Singapore is the group's second largest office, providing a full broking service across all products. Working closely with our teams in Hong Kong and Shanghai, we provide an unrivalled service in the Far East.

Everywhere

Over 800 staff in 29 offices and 17 countries, meet both the local and global needs of our clients wherever they are and whatever their time zone.

Utilising knowledge

Our consultancy and execution style of business, delivered by our market-leading teams, ensures that clients are best placed to make the right decisions for their businesses.



Everydetail

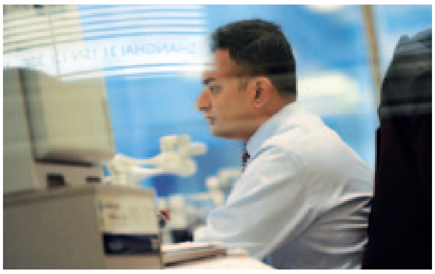
Our business is based on global knowledge. We are quite simply the largest commercially-led research business in our sector, covering 84,000 ships, 19,000 offshore structures, 3,600 oilfields and 24,000 timeseries.

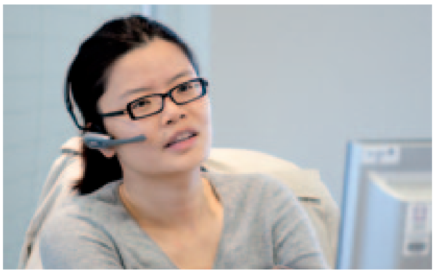
Tracking global trends

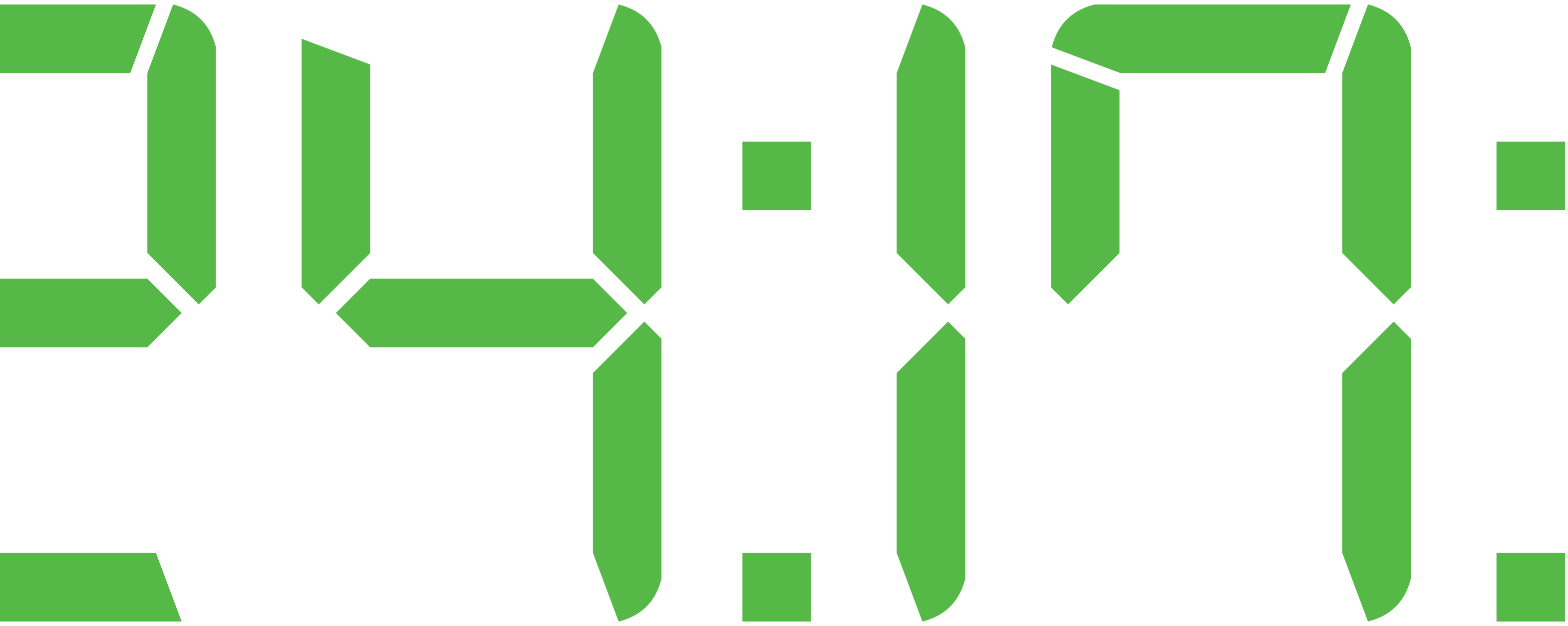
Our analysts review, interpret and summarise data and trends across all areas of global trade.

Technology

Shipping Intelligence Network (SIN) – one of our many technology platforms – is the leading online resource for our clients – ranging from owners and cargo operators to banks, insurers, governments and suppliers to the maritime world.







Everysecond

Accessing up-to-the minute global knowledge is key to our clients and our staff around the globe. Our investment in tools and technologies to ensure that the best information is always at the fingertips of our best in class teams leads the market. Real-time delivery of vital information is delivered seamlessly to our clients.

Chairman's review

"Our commitment to employing the best in class has ensured that our expanded teams across the world have continued to grow market share."


Bob Benton

Overview

The group has delivered an excellent performance over 2010. The slow but emerging recovery in global trade throughout the year led to some improvement in the markets, with Asian demand for commodities being the key driver behind growth during the year. Through the breadth of Clarksons' offer, with unparalleled research and analysis at its heart, we have continued to strive to be the leader in all of the markets in which we trade and remained the leading broker in the majority of shipping markets.

We have continued to leverage our experience and reach to further develop our products and services to maximise opportunities in both existing and new markets. Our global, integrated offering has allowed Clarksons to maintain its absolute focus on optimising the service it delivers to its clients and meet their evolving needs.

Our commitment to employing the best in class has ensured that our expanded teams across the world have continued to grow market share and through increased trading volumes have enabled the group to exceed financial expectations throughout the year.

Results

Revenue was up 14.7% to £202.6m (2009: £176.7m), reflecting the strong performance of our teams, particularly our broking division which benefited from continued improvement in the global shipping markets. Total administrative expenses increased by £14.3m to £160.1m, reflecting increased staff numbers and the profit-related bonus scheme. Operating profit was £34.5m (2009: £22.6m) and profit before tax was £32.4m (2009: £22.5m).

Dividends

The board is recommending a final dividend of 30p (2009: 27p). The interim dividend was 17p (2009: 16p) giving a total dividend of 47p (2009: 43p). This dividend is covered 2.7 times.

The dividend will be payable on 10 June 2011 to shareholders on the register as at 27 May 2011, subject to shareholder approval.

Colleagues

On behalf of the entire board I would like to thank all our employees, throughout the 17 countries in which Clarksons operate, for their continued hard work and commitment to meeting the needs of our growing number of clients.

The future

Whilst uncertainty remains over the pace of global economic recovery in 2011 we are confident that Clarksons is well positioned and structurally aligned to maximise opportunities in shipping and its related markets.

Our leading global market position and financial strength will allow us to continue to develop opportunities to further service clients and their needs and we therefore look to 2011 with confidence.

Bob Benton Chairman

Chief executive's strategic review

"During 2010, both the shipping and commodity markets have seen historic levels of volatility with a challenging freight environment impacting rates. However we have navigated through these conditions to our advantage, demonstrating the strengths of our strategy."

Andi Case

Over the last three years Clarksons has seen a significant evolution in its strategy. We have refocused our business around its core market-leading client service offering, building on our heritage and leveraging our strong global presence, leading technology and market research. Against an unprecedented and turbulent macro-economic backdrop we have continued to grow volume year-on-year and take market share, consolidating our position as leader in the vast majority of markets in which we operate. During 2010, both the shipping and commodity markets have seen historic levels of volatility with a challenging freight environment impacting rates. However we have navigated through these conditions to our advantage, demonstrating the strengths of our strategy.

Once again the dedication, commitment and professionalism of every one of the Clarksons' teams has been exceptional, matched only by their performance in terms of results achieved. I congratulate the whole team for their strong performance during 2010. Today, we are the leading broker in almost all key shipping markets across the world. The combination of our market expertise and local presence is vital to the best in class service we provide to our clients. Wherever they are, our clients and teams have access to our market-leading research which underpins everything we do and we have continued to make significant investment in our internal and external technology platforms over the course of the year to further strengthen and support our offer.

More of our brokers are now based abroad than in the UK, close to our diverse local client base and centred in all major shipping hubs, enabling a truly global service to our international clients, large or small. Given our focus on client relationships it is critical that we continue to attract, retain and develop the best people in the industry. Throughout the year our international offices have made a number of significant new hires and we have already started to see the benefit of these appointments.

Clarksons' leading position in the market creates an obligation for ongoing investment to ensure that the best, young talent available pursue successful careers within the maritime sector. We have significantly enhanced our internal and graduate recruitment schemes with great success during 2010, improving links with leading academic institutions around the world. We have also hired a dedicated training officer and launched an ongoing training programme underpinned by the Jon Marshall lectures.

The strength of Clarksons' balance sheet has improved dramatically over the past few years, giving us unparalleled resilience in the shipbroking sector, which can support the business in more challenging market conditions. This strong financial position is, in part, testament to the highly cash generative nature of our business but also to the success of the strategy we have in place. The year has seen us exit areas that do not support our client service focus including shipowning activities and logistics.

"We have focused on leveraging our position as the market leader in shipping services to broaden our core client offer."

Chief executive's strategic review continued

Additionally, since the year-end, we have withdrawn from our fund management activities of the shipping hedge funds due to the difficulty of raising assets under management in the current market conditions for specialist niche funds.

In turn, we have focused on leveraging our position as the market leader in shipping services to broaden our core client offer. We have built traction through innovative products launched around the group. Clarkson Securities has continued the development of container futures through the Container Freight Swap Agreement (CFSA), which allows clients to take positions in the shipping markets either to fulfil trading or risk management strategies. Important milestones during the year have included the execution of both the first bilateral and cleared CFSA contracts as well as the launch of an online pricing screen (www.clarksonboxclever.com) which is targeted at small- to medium-sized companies in the container sector. Clarkson Research has launched a major new range of products, led by Offshore Intelligence Monthly, the new leading source of information to the offshore sector, and is increasingly publishing data to clients using new technologies and applications. Clarkson Investment Services has also started to generate revenues. Since the year-end the team has already signed deals that, when finalised, should make a meaningful contribution to 2011 revenues.

Current trading and outlook

Since the year-end we have repaid all bank borrowings and redeemed the seed capital of £11.4m from the two hedge funds. We now enter 2011 with strong net funds and have negotiated a £25m committed but undrawn credit facility with our bankers to enable us to take advantage of opportunities quickly, when and where they arise.

Looking forward we are focusing all our efforts on strengthening and developing our best in class, client service offer. The relationship between economic recovery and each of the shipping markets is different today than in the past, as demand is improving but the demand/supply imbalance is often the key determinant of freight rates. In the past, vessel supply and utilisation was clear and predictable but in the aftermath of the financial crisis this is increasingly grey and evolves on a daily basis. Clarksons' ability to capture and interpret these changes is an important part of adding value to our clients. Recent unforeseeable events have shown the world to be uncertain and have led to increased volatility across markets but particularly in commodities. Rates in shipping and offshore markets have started to reflect this but the full effects will only be seen as the future unfolds.

Nevertheless, Clarksons continues to gain from increased trading volumes against a backdrop of volatile freight rates in the first few weeks of 2011 and I firmly believe our business is now in excellent shape for the future.

Andi Case Chief executive

Business review

Clarksons is the world's leading shipping services group. From offices in 17 countries on five continents, we play a vital role in the movement of the majority of commodities around the world.

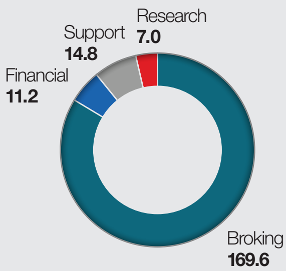
Divisional performance

We are the market leader in the majority of the broking markets in which we operate and over the course of the year our teams have worked hard to leverage this position by building transaction volumes and growing market share in our core broking markets. This has been achieved against a market backdrop which, whilst showing signs of recovery, continued to be uncertain with freight rates exhibiting volatility. The lack of broader market confidence was also evidenced by the continued prevalence of spot market trading.

However, the breadth of Clarksons' offer has enabled the group to benefit where freight rates have improved. Furthermore we have continued to grow our headcount through employing best in class individuals and increasing our physical presence in established and emerging shipping hubs throughout the world. Accordingly we have been able to maximise opportunities in certain territories and markets by meeting our client needs at every stage.

We continue to utilise both our knowledge and understanding of the shipping markets to broaden the services we can provide to our clients with our market-leading research underpinning everything we do. We have leveraged our expertise to assist shipowners worldwide through all stages of a vessel's life cycle from newbuild through to secondhand and demolition. Our growing financial services division continues to build traction in both futures broking and investment services ensuring that Clarksons remains the dominant leader in shipping and its related markets.

Revenue
£m



Total £202.6m

Segment results
£m

Broking	41.3
Financial	(4.3)
Support	0.5
Research	1.5

Total £39.0m

Broking

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

Revenue
US$m

2010	**261.7**
2009	218.2
2008	355.7
2007	271.5
2006	171.5

Financial

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

Revenue
US$m

2010	**17.3**
2009	23.4
2008	62.4
2007	40.7
2006	21.9

Support

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

Revenue
£m

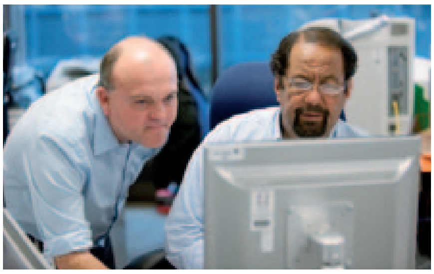
2010	**14.8**
2009	16.0
2008	17.0
2007	11.7
2006	7.2

Research

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

Revenue
£m

2010	**7.0**
2009	6.7
2008	6.1
2007	6.0
2006	5.2



Broking

Revenue

US$261.7m
(2009: US$218.2m)

Segment result

£41.3m
(2009: £26.7m)

Forward order book for 2011

US$92m*
(At 31 December 2009
for 2010: US$108m*)

*Directors' best estimates of deliverable FOB

Dry bulk

The recovery seen in the dry bulk markets in 2009 continued into 2010 with international dry bulk seaborne trade exceeding three billion tons over the course of the year. Chinese demand for raw materials continued to drive this growth, with a resurgence in demand for dry goods from the Western World further underpinning activity in the first half of the year. Coal trade was particularly strong with trade growth in excess of 13% or 110 mt year-on-year as Asian demand for coal far exceeded the reduced requirements of Western economies.

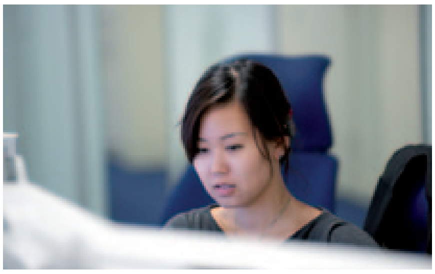
Regional consolidation in dry bulk markets has enabled us to further strengthen our global presence in key territories, particularly Europe, Africa, India and Asia. The market has continued its trend toward spot fixtures, which has benefited our 'cargo' based teams. Overall, period time charter and spot trip activity were not compromised in our effort to deliver year-on-year growth in performance.

We anticipate coal and iron ore to remain the major growth commodities in 2011, albeit capped by mining expansion capacity. Total dry bulk demand is forecast to grow by 6% in 2011. However port congestion, changing trade patterns and an imbalance in global trade means that the required vessel tonnage to move those volumes needs to increase at 8%. Inefficiencies in the fleet could also give rise to short-term positional and freight rate volatility. Fleet growth, which is currently forecast to exceed 16%, will dominate short-term sentiment and put increasing pressure on vessel rates.

Containers

The start of 2010 saw a period of unexpected activity across the container markets, primarily a result of improved cargo volumes as international trade continued to improve. Container trade growth resumed over the course of the year and is now close to the historical sector average of 12% p.a., having seen a 9% contraction in 2009.

There was strong interest in the secondhand market from new buyers and vessel values improved by as much as 60% during the year. Charter rates also improved and moved quickly off the historical lows of 2009. Consequently, owners were once again able to start covering their costs of operation after two difficult years, although there is still a long way to go before rate levels can be expected to reach previous highs. Whilst approximately 11% of the fleet was laid up in January 2010, most of this tonnage was reactivated throughout the year, such that now only approximately 3% of the fleet remains unemployed.




We firmly believe that over the medium-term the container market offers good opportunities for future growth. During the latter part of 2010, we strengthened the container broking team with the addition of several new experienced brokers and we have already seen the benefits of these hires as we continue to build market share. With the re-opening of the period market, Clarksons is well placed through both the strength of our teams and client relationships to benefit as the market improves further.

Deep sea

The crude market made a slight recovery in 2010 with average Very Large Crude Carrier (VLCC) rates increasing by 17%. Whilst earnings from Suezmaxes and Aframaxes rallied from the lows of 2009, the refined products market remained sluggish during 2010. Overall average earnings increased by 17%. Against this background, Clarksons' deep sea broking teams continue to grow market share and perform strongly.

Our undoubted global strength in both crude and refined products broking, together with our enhanced capability in market analysis, positions us well to overcome the challenging market conditions anticipated in 2011 and further grow our market share. The freight market remains susceptible to market spikes, particularly where there is disruption in the availability of vessels, and continued growth in China and India may also alleviate some of the downward pressure created by the delivery of new buildings in 2011. As the world economy recovers, and with it the demand for crude and refined oil products, we believe we are ideally placed to take full advantage.

Specialised products

During 2010 there was new found optimism in the specialised products market, though this was based more on sentiment than fundamentals, as freight markets saw little recovery throughout 2010. The oversupply of vessels in the market, as a result of the boom period from 2003 to 2008, presented a notable headwind to a full recovery. Key market players continued to seek a re-distribution of their order book via cancellations and renegotiations of new delivery contracts. Throughout the year a significant proportion of owners operated at a loss resulting from challenging trading conditions, high operating costs and an increase in bunker prices.

Clarksons' specialised products team, with its far reaching customer base and global structure was able to maintain growth across its broad areas of activity through 2010. Accessing an enviable clientele via our seven regional offices, we provided an unequalled level of service to all segments within the sector. Volume of new business concluded exceeded historical highs, providing a counter balance to the weakened freight trends. Our highly driven and active presence within the spot market, coupled with a long-term time charter and contract of affreightment portfolio has created encouraging foundations for future consolidation and growth. We deliver ever higher value to our clients and will work together with them to create new initiatives through the unique product range that only Clarksons can offer.

We do not envisage a sustained increase in freight rates throughout much of 2011 with the majority of contracts of affreightment already renegotiated at decreased freight levels. However, we anticipate a more optimistic and positive sentiment to return to the market thereafter.

Petrochemical gases and small LPG

Market conditions were generally weak across this part of the bulk shipping market until the middle of 2010. The resulting idle time and additional ballast legs accelerated scrapping and record levels of scrappage were witnessed in the early part of the year. However, trade levels recovered in the second half of 2010 as new production and downstream problems in the Middle East gave way to export opportunities. This provided welcome employment to the semi-refrigerated, pressure and ethylene tonnage which was followed by an upturn in freight rates.

Whilst the weaker market environment at the start of the year impacted period business and proved challenging in terms of new spot fixtures, Clarksons' client base and market share have grown during this period, gathering pace as the market recovered during the latter part of 2010. It is encouraging to see the improvement in market conditions has continued into 2011 with rates showing a sharp increase.

Gas

At the start of 2010 we were reasonably confident of a modest upturn in freight rates across the gas markets as LPG trade volumes finally started to edge upwards and ammonia trade recovered. Nevertheless, the improvement in freight levels was muted as the amount by which the surplus in ship supply shrank during 2010 did not reach the levels required.

Broking continued

The Clarksons gas broking team continued to strengthen with more consistent activity across the size categories of trades and the number of trades brokered. Brokerage in the trading market showed good results despite unprecedented difficulties in the market which saw some traders exit the business and others struggle for survival. Derivative brokerage expanded. The sale and purchase market was largely inactive; however some liquidity returned to the market in the second half of 2010 which allowed us to conclude newbuildings and secondhand sales. Using our strong emphasis on research and analysis the team has continued to diversify our gas-related activities, growing market share in all areas of the business and increasing the number of transactions over previous years.

In 2011 we expect freight rates to be stronger, at least for VLGCs. Term shipping business may be difficult however as, generally speaking, charterers are seeking to minimise their term exposure, making period business more difficult to write. With seaborne trade expected to expand generally we hope that commodity brokerage will increase. We also expect some liquidity to return on the derivative trades which should boost revenues. On the asset side we anticipate the market to be more active as older units are traded or scrapped and recent entrants to the business explore ways of consolidating or exiting the business.

Sale and purchase

Secondhand

Following the turmoil and difficulties of 2009, secondhand markets stabilised in 2010 and vessel values across all sectors recovered to varying degrees; average secondhand tanker values increased by 10% and bulkers by 6%. As a result the volume of business concluded returned to some sort of normality, enabling us to concentrate on continuing to grow our market share.

We were once again at the forefront of the market as larger corporate clients capable of very large capital transactions have recognised the depth of knowledge available to them from our team. Indeed, we were successful in concluding a number of transactions with gross values in excess of US$500m, illustrating the trust that our clients are willing to place with us.

Offshore

The dip in the offshore chartering market experienced in 2010 was the result of the lingering effects of the 2008 financial slump, coupled with the Macondo incident in the Gulf of Mexico. The latter had a significant impact on exploration and construction across all aspects of the offshore sector during the second half of 2010.

Even though the chartering market remained weak throughout 2010 the perception from owners is that they expect to see an upturn going into 2011 and 2012 and as such we have been able to take advantage of this in the newbuild market. Our rig team in Houston was particularly successful. On the supply vessel side, which is predominantly based in Aberdeen and Singapore, we had some success making in-roads into the chartering market and have been appointed as sole brokers for a number of oil companies. On the secondhand and newbuilding side of the supply boat market, 2010 was relatively quiet although we did manage to both order and sell a number of ships, between our London and Singapore desks. We are also active in the offshore wind industry.

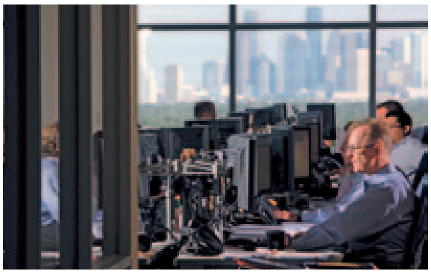
As a result of the Macondo incident, a number of projects in the Gulf of Mexico have experienced delays, although this work is expected to pick up once more in 2011 and into 2012. This has resulted in a high number of planned projects in the pipeline for 2011, particularly subsea based developments. While projected figures for offshore activity in 2011 are optimistic, we certainly expect 2011 to be a better year than 2010 in terms of chartering activity and in turn this should lead to further investment in new vessels and structures, especially as post-2011 is looking even stronger.

Newbuilding

2010 turned out much better in terms of newbuilding volumes than expected. Newbuilding costs, on average, were the lowest we have seen over the last five years, with an average newbuilding in 2010 costing in the region of US$45m compared to a high in 2007 of approximately US$70m per ship. European owners – with the exception of the Greeks – were relatively inactive in 2010, but more than 50% of the new orders came from Chinese owners into Chinese shipyards.

Total new business concluded by both our London and Shanghai teams had a gross value of US$2.7bn, excluding offshore. This was our best year ever in terms of total share of the newbuilding orderbook.

For 2011, we believe that buyers remain, but are very conscious of costs across all asset classes as charter rates are not there in the near term to support higher newbuilding pricing. An appreciating domestic currency against the dollar coupled with no positive movement on steel price, continues to limit the yards' ability to drive pricing down. With the yards having filled capacity in most cases through to 2013, there is also a lack of immediate pressure to force the market down.



Financial

Revenue

US$17.3m
(2009: US$23.4m)

Segment result

£4.3m loss
(2009: £0.5m loss)

Forward order book for 2011

US$3m*
(At 31 December 2009
for 2010: US$5m*)

*Directors' best estimates of deliverable FOB

Futures broking

In 2010 Clarkson Securities Ltd (CSL) once again had a profitable year and expanded its activities from dry bulk and wet freight into LPG, iron ore and container futures. All of these activities are logical additions to the core activity but are, for the most part, markets in their infancy. Container futures and the index they are settled on have been pioneered by CSL and 2010 saw CSL in the headlines regularly as milestones of 'first container swap' and 'first container cleared swap' were passed.

2011 shows signs of being a tough one in terms of dry bulk values but with some key hires and reorganisation, we expect to grow our market share. We anticipate slow but steady growth in the container sector where we currently have over 85% of the cleared market share, although we anticipate this percentage will diminish as the volume of container swaps trade grows. We have launched an online pricing screen (ClarksonBoxClever) which is targeted at the small- to medium-sized companies in the container sector. This will complement our existing offering on Bloomberg where we differentiate ourselves with the richest product offering in dry bulk, container and iron ore futures.

Fund management

Following a period of change in the hedge fund market, with the focus moving away from smaller niche specialist funds and the reduced influence of fund of funds as a source of capital, we decided to close the Clarkson Freight Fund and the Clarkson Shipping Hedge Fund after the year-end, and withdraw our £11.4m of seed capital from both hedge funds. Whilst we continue to seek suitable opportunities to enable us to re-enter this market, there will be no costs associated with this activity in the year ahead.

Financial services

Given the current inactivity of KG financing in Germany, the Clarkson Financial Services team has concentrated its activities on financial brokerage, bank advisory and the arrangement of structured finance.

To meet this new challenge, the team has been strengthened with the appointment of senior banking professionals with many years of experience in the shipping and offshore market.

As a result, the company has managed to secure a number of high-profile debt financing mandates which are expected to generate significant income in 2011.

Investment services

Clarkson Investment Services (CIS) is now regulated in Dubai, London and Houston. The team offers investment services around the globe and can now provide investment service advice and research to clients in the Middle East and the US. During the year CIS has started to generate revenues, including one completed project advising on a US$105m investment into a Middle East oilfield services business. The team continues to secure and work on a number of mandates.

Support

Revenue

£14.8m
(2009: £16.0m)

Segment result

£0.5m
(2009: £0.4m loss)

Port services

Clarkson Port Services, which comprises agency and stevedoring at English ports, short sea broking and support to the offshore wind energy sector, has delivered a record year.

The stevedoring business enjoyed record grain export volumes in 2010 mainly due to market conditions favouring the early export of much of the 2010 harvest exportable surplus. The extra tonnages also led to additional agency income and other volume related revenues. Coal imports remained weak through Liverpool where it was only at the very end of the year that monthly volumes returned to pre-recession levels. Supporting offshore wind energy projects provided a large increase in revenue, although this was in part offset by a bad debt from Subocean's passage into administration.

Property services

Also included within the support segment are the revenues and profits derived from property services. Clarkson PLC holds the head lease of St. Magnus House in Lower Thames Street, London EC3, with an unexpired term of four years. Clarksons occupies 30% of the available space, with the remainder sublet on full commercial rents. Clarkson PLC also owns the freehold of Hamilton Barr House in Godalming, which is also let on a full commercial rent.

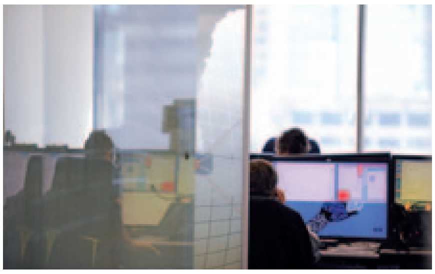
Technical services

Clarkson Technical Services (CTS) operates from London, Fujairah and Singapore. The business offers ship repairs, maintenance, project management skills and spare parts to vessel owners, managers and the offshore industry.

2010 was a difficult year for the ship repair market worldwide. Many owners were making losses during 2010 and accordingly reduced their repair spend to the minimum necessary. Reduced volumes and lower margins resulted in CTS generating a trading loss. The general outlook for the repairs and spares market for 2011 remains challenging.

Logistics

Logistics was non-core and during the period we were pleased to complete the sale of MT Hermien to Panre Agility Corporation for a total cash consideration of US$7.3m. In line with the previously outlined strategy, this sale represents the final stage in the exit of Clarksons from shipowning activities.



Research

Revenue

£7.0m
(2009: £6.7m)

Segment result

£1.5m
(2009: £1.1m)

Research remains at the very core of Clarksons and revenue increased further during 2010 to £7.0m (2009: £6.7m) reflecting the considerable importance our clients place on access to the best data and information in continually changing markets.

The Clarkson Research Services Ltd (CRSL) team of 72 across collection, validation, analysis and management of data, consultancy services and sales and marketing, is the largest within a commercial broking group. We continued to build analyst and sales teams in the Asian markets where we currently have 10 people already in place.

CRSL derives its income from the following principal sources of data and publications:

Ship register

These specialist reference books cover the full scope of the shipping and offshore markets.

Periodicals

CRSL publishes a number of weekly, monthly and quarterly publications which are available both in print and online. These are renowned throughout the market as the key source of data for anyone wishing to review changes in shipping markets as they happen. Shipping Intelligence Weekly remains the leading weekly source of data in shipping. We launched the World Fleet Register in the first half of 2010 which further enhanced our offering.

Customer services

A specialist team concentrates on bespoke research projects for banks, shipyards, engineering companies, insurers and other corporates. Revenues grew 34% in this area in 2010.

"We continue to utilise both our knowledge and understanding of the shipping markets to broaden the services we can provide to our clients with our market-leading research underpinning everything we do."

Digital sales

Sales in 2010 grew for the tenth consecutive year since the 2000 launch of CRSL's flagship database, Shipping Intelligence Network with revenues being 21% ahead of the previous year. A significantly upgraded product was fully launched during the first half of the year.

Offshore

Now that a full data integration process is complete, a number of updated offshore market-related products were released at the start of 2011 to enable the best decisions across the whole spectrum of shipping, oilfields and offshore. Revenues from other offshore publications were slightly ahead in 2010.

Valuations

Clarkson Valuations Ltd has a fully independent team providing services to clients ranging from banks and credit providers to owners and fleet operators. In 2010 we continued to provide bespoke detailed valuations for all our clients and increased the volume of business and revenues from valuations. This illustrates the importance the market places on informed, independent and high quality services in this area.

"The group remains strongly cash generative. All outstanding bank borrowings were repaid in full in 2011."

Jeff Woyda

Overview

The group remains strongly cash generative and there has been a substantial improvement in the quality of the balance sheet. Revenue increased by 14.7% during 2010, leading to an increase in profit before tax of 44.0% to £32.4m (2009: £22.5m). Total administrative expenses increased by £14.3m to £160.1m, reflecting the impact of exchange rates on costs incurred overseas, increased staff numbers and the results of bonus schemes being linked to profits. There was a one-off release of a £2.0m remuneration provision in our US business.

Amortisation and impairment of assets

A detailed review of our businesses has demonstrated no need for an impairment charge in 2010.

Taxation

The group's effective tax rate was 27.5% (2009: 24.9%). This overall effective tax rate is lower than the standard UK rate of tax, due to impact of profits generated in lower tax rate jurisdictions and reduced non-deductible losses. In 2009 the impact of releasing deferred tax provisions previously held against overseas retained profits, following the changes in UK legislation relating to the treatment of foreign dividends, resulted in a one-off reduction in the effective rate; this has not been repeated in 2010. The group continues to incur a significant level of disallowable trading expenses, in keeping with its peers, which increases the overall effective tax rate.

Earnings per share (EPS)

Basic EPS was 125.4p per share (2009: 90.0p per share).

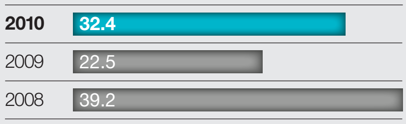
Dividends

The board is recommending a final dividend of 30p (2009: 27p). The interim dividend was 17p (2009: 16p) which, subject to shareholder approval, would give a total dividend of 47p (2009: 43p). In taking its decision, the board took into consideration the 2010 performance, the strength of the group's balance sheet and its ability to generate cash and the forward order book. The dividend is covered 2.7 times by basic EPS.

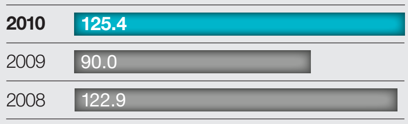
Cash and borrowings

The group remains strongly cash generative and ended the year with cash balances of £176.3m (2009: £143.2m) after reducing bank borrowings to £44.0m. After the year-end, cash payments will be made including the final dividend and performance-related bonuses. After deducting these items, net cash amounted to £100.8m (2009: £81.4m) which, after borrowings, left net available funds of £56.8m (2009: £33.1m). Due to the high levels of cash generation in the business over the past year, all outstanding bank borrowings were repaid in full in February 2011. We also reduced the multicurrency revolving credit facility from £50m to £25m, and renewed it for a term of three years. There are no current plans to draw down on this facility. Part of the funds used to repay the bank borrowings were derived from the redemption of the hedge fund investment.

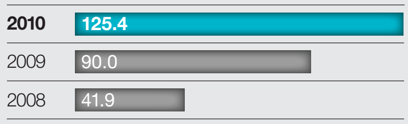
Profit before tax (before exceptional item)
£m



Basic EPS (before exceptional item)
Pence



Basic EPS (after exceptional item)
Pence



Balance sheet

Net assets at 31 December 2010 were £116.4m (2009: £96.8m). There has been a substantial improvement in the quality of the balance sheet whereby, before pension provisions and current asset investments, the group had £49.7m of net current assets less non-current liabilities as at the end of 2010 (2009: £28.9m). In addition, the group had invested seed capital in the Clarkson hedge funds of £11.4m (2009: £12.6m) which was redeemed after the year-end.

The group's pension schemes have, in the second half of 2010, shown a significant recovery in their funding position. At the time of our interim announcement, the balance sheet reflected a deficit of £12.8m. However, significant increases in pension investment returns more than offset the effects on the liabilities of reduced discount rates during the second half of the year and as at 31 December 2010 the combined deficit had reduced to £0.8m (2009: deficit £6.9m). Provisional triennial valuations for both schemes were prepared based on the position as at 31 March 2010; the combined results as at that date showed a deficit of £8.8m.

Risk management

Credit risk

The group has an extensive client base, across all regions of the world, and is exposed to credit-related losses from the non-payment of invoices by these clients. The group mitigates this risk by closely monitoring outstanding amounts, both locally and globally, and by adopting a conservative approach to accounting for bad debt. Uncertainty in freight markets continues to affect the amount of debt that may be irrecoverable.

Liquidity risk

The group's policy is to maintain facilities at such a level that they provide access to funds sufficient to meet all of its foreseeable requirements. The strong generation of cash flow in the business, combined with the available facilities and cash available in the balance sheet, means that the group is well placed to fund future developments of its global business.

Foreign exchange risk

The major trading currency of the group is the US dollar. Movements in the US dollar relative to other currencies, particularly sterling, have the potential to impact the results of the group both in terms of operating results and the revaluation of the balance sheet. Where there were borrowings taken that specifically relate to assets held in foreign currencies, the borrowings were taken in the same currency as the assets. The group assesses the rate of exchange and non-sterling balances held continually, and has predominantly sold in the spot market during 2010, though some forward cover for 2011 and 2012 has been taken.

Interest rate risk

The group's borrowings are, to the extent that they are drawn down, at variable rates of interest. Since the year-end, all drawn down facilities were repaid and consequently, there is at the date of this report no requirement to cover interest costs.

Reputational risk

The group has built an enviable reputation in the market over the past 159 years, and relies upon this to attract business from all major participants in its markets. Clarksons protects against reputational risks by promoting an ethical work environment and providing training programmes where appropriate; indeed training is now of such a focus, that during the year, a dedicated training officer has been appointed. The investment in compliance, quality assurance and legal functions also act to ensure that best practices are put in place throughout the group.

Operational risk

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

Jeff Woyda Finance director

Board of directors


Bob Benton


Andi Case


Jeff Woyda


Martin Stopford


Paul Wogan


Ed Warner


James Morley

Bob Benton Chairman (Non-executive)

Bob Benton, 53, was appointed a director of the company in May 2005 and became chairman in August 2008. He has spent the majority of his career in the City of London. He is currently managing director of Bob and Co Ltd (formerly Benton Media Ltd) which is a company consulting and investing in media content. He was recently non-executive chairman of Handmade PLC until its acquisition by Almorah Services Ltd. Prior to that he was a managing director and head of media at Canaccord Adams Ltd. He was previously chief executive of Ingenious Securities Ltd, prior to which he was chairman of Bridgewell Securities Ltd. He has also held the positions of chairman and chief executive of Charterhouse Securities Ltd, global head of sales at ABN AMRO, and managing director of HSBC James Capel Ltd.

Andi Case Chief executive

Andi Case, 44, was appointed chief executive in June 2008, having previously been chief operating officer of Clarksons. He joined Clarksons in 2006 as managing director of the group's shipbroking arm, H Clarkson & Company Ltd. He began his shipbroking career with C W Kellock and later Eggar Forrester. Prior to joining Clarksons he was with Braemar Seascope for 17 years, latterly as head of Sale & Purchase and Newbuildings.

Jeff Woyda Finance director

Jeff Woyda, 48, 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.

Martin Stopford Director

Martin Stopford, 63, is a graduate of Oxford University and has a PhD in International Economics from London University. Martin 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 board in September 2004 and is also head of Clarkson Research Services Ltd.

Paul Wogan Non-executive director

Paul Wogan, 48, has spent more than 20 years in the shipping industry. Initially he worked as an owner's broker with G P Livanos Group in London, but most recently was president of Teekay Tanker Services, part of one of the world's largest shipping companies with a fleet of nearly 180 vessels. Prior to that, he was chief executive of Seachem Tankers, the chemical tanker company. He left Teekay in March 2008 and was appointed to the Clarksons board in June 2008.

Ed Warner Non-executive director

Ed Warner, 47, is chairman of both investment bank Panmure Gordon and LMAX, which launched an innovative financial derivatives exchange in 2010. In 2006 he successfully sold IFX Group PLC, the financial trading and spread betting company, having been its chief executive for three years. Previously he was chief executive of Old Mutual Financial Services UK, Head of Pan European Equities at BT Alex Brown, and Head of Global Research at Dresdner Kleinwort Benson. He was a top ranked investment strategist in the leading surveys of institutional investors. In 2007 Ed was appointed chairman of UK Athletics, the sport's national governing body, with a mandate to lead it through to London 2012 and beyond. In September 2010 he became a non-executive director of Grant Thornton UK LLP, a leading accountancy practice. He is also a non-executive director of The Eastern European Trust, the Standard Life European Private Equity Trust and Tradition UK. Ed was appointed a director of the company in June 2008.

James Morley Non-executive director

James Morley, 62, is a chartered accountant with more than 25 years of experience as an executive board member at both listed and private companies, primarily in the insurance sector. Most recently, he was chief operating officer at Primary Insurance Group and prior to this was group financial director at Cox Insurance Holdings, group finance director at ArjoWiggins Appleton PLC and group executive director (Finance) at Guardian Royal Exchange. James started his career at Arthur Andersen & Co and was both deputy chief executive and group finance director at AVIS Europe PLC. He is currently a non-executive director of Costain Group PLC, The Innovation Group PLC, Speedy Hire PLC and has recently been appointed to the board of BMS Associates Ltd whose principal business is a re-insurance broker. Previously he was a non-executive director of The Bankers Investment Trust PLC, W S Atkins PLC and Trade Indemnity Group PLC. James joined the Clarksons board in November 2008.

Report of the directors

The directors present their report and the group and company financial statements for the year ended 31 December 2010, which were approved by them on 9 March 2011.

Principal activities and business review

The principal activity of the company during the year was that of an investment holding company, whose subsidiaries were primarily involved in the provision of shipping related services. A review of the group's performance and likely future developments is contained in the chairman's review, the chief executive's strategic review, the business review and the financial review on pages 10 to 21.

Principal risks and uncertainties

The principal risks and uncertainties facing the group are credit, liquidity, foreign exchange, interest rate, reputational and operational. Narrative on these risks is included in the risk management section of the financial review on page 21.

Group results and dividends

The results of the group, giving details of the profit, dividends and retained earnings are shown on pages 38 to 40. An interim dividend of 17p (2009: 16p) was paid in October 2010. The directors are recommending a final dividend, if approved, of 30p (2009: 27p), payable on 10 June 2011 to shareholders registered at the close of business on 27 May 2011, making a total dividend for the year of 47p (2009: 43p) per share.

Share price

The closing market price of the shares at 31 December 2010 was £11.31 (31 December 2009: £7.40) and the range during 2010 was £7.40 to £11.31 (2009 range: £3.45 to £8.87).

Directors

The directors of the company as at the date of this report are shown on pages 22 to 23.

The following have been directors during the year ended 31 December 2010: Bob Benton, Andi Case, James Morley, Martin Stopford, Ed Warner, Paul Wogan and Jeff Woyda.

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.

Directors' indemnities, insurance and conflicts of interest

Section 236 of the Companies Act 2006 allows companies the power to extend indemnities to directors against liability to third parties (excluding criminal and regulatory penalties) and also to pay directors' legal costs in advance, provided that these are reimbursed to the company should the individual director be convicted or, in an action brought by the company, where judgement is given against the director. The company currently has a directors' and officers' insurance policy in place which provides this cover.

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 (AGM) each year. Paul Wogan and James Morley will retire by rotation, and being eligible, offer themselves for re-election in 2011. Each of these directors, following a full performance evaluation during the year, continues to be considered by the board to be effective and to demonstrate commitment to his respective role.

Substantial interests

The company has been notified of the following substantial interests in its issued share capital as at 4 March 2011 (being the latest practicable date prior to the approval of these accounts):

Employees and employee share trusts	22.9%
CMB Group	17.1%
Blackrock Inc	4.8%
Lloyds Banking Group	4.7%
CRE Capital LLC and CRE Fiduciary Services Inc	3.1%

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 4 March 2011, employees directly held 5.6% of the company's share capital and 17.3% was held by employee share trusts for use under the company's various incentive schemes.

Share capital and control

Details of the company's share capital and any movements during the year are shown in note 22 to the financial statements.

The holders of ordinary shares are entitled to receive dividends when declared, the company's report and financial statements, 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 or restrictions on share transfers or on voting rights.

Shares acquired through Clarksons' 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.

Upon change of control, all unvested awards under the Clarkson PLC Long Term Incentive Plan (LTIP) would vest unconditionally, subject to the extent that any performance condition attaching to the relevant award has been achieved.

Interests in voting rights

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

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

Employment policies

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.

Full and fair consideration is given to applications for employment by those with a disability. For those colleagues who become disabled whilst in employment of a group company, every effort is made to find continuing employment where possible.

Clarksons firmly believes in the benefits that a diverse workforce can bring; it helps Clarksons as a group to understand and adapt to the changing customer needs and offers new and different perspectives on the challenges faced in everyday business. Every employee is helping to build the business for tomorrow. This requires Clarksons to find the best people and then treat them in the right way. Everyone is given the chance to reach their full potential and is treated fairly, applying the principles of equality, diversity and regular communication.

The policy of communication with employees remains a high priority and consultation and participation continues on a regular basis. The Clarksons intranet is accessible by all employees and contains current news and other employee information. Information is also available on the group's corporate website: www.clarksons.com. Also, 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.

Employees are encouraged to become involved in the financial performance of the group through the operation of a restricted share plan and share option schemes. Employees holding restricted shares are entitled to dividends and voting rights.

Charitable and political donations

Clarksons is committed to making a positive difference to the communities in which it operates. The company supports many charitable organisations.

During the year, the group made various charitable donations amounting in aggregate to £103,000 (2009: £73,000).

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 deeds and rules. The pension schemes' auditors and actuaries are all independent of the company. Further details are provided in note 21 to the financial statements.

Going concern

The group's business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman's review, the chief executive's strategic review, the business review and the financial review on pages 10 to 21. The financial position of the group, its cash flows, liquidity position and borrowing facilities are also described in the financial review. The risk management section of the financial review and note 25 to the financial statements include a description of the group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The group has considerable financial resources available and a strong balance sheet, as explained in the financial review on page 20. As a result, the directors believe that the group is well placed to manage its business risks successfully despite the challenging market conditions.

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

Payment of liabilities

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

Financial instruments

The group's policies on financial instruments are set out in note 2 to the financial statements. The group's exposure to the risks arising from financial instruments is included in note 25 to the financial statements.

Annual general meeting

Resolutions will be proposed at the AGM 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 notice of meeting.

Auditors

PricewaterhouseCoopers LLP expressed their willingness to be re-appointed as auditors of the company. Upon the recommendation of the audit committee, resolutions to re-appoint them as auditors and to authorise the directors to determine their remuneration will be proposed at the AGM.

By order of the board

Steve Deasey Secretary

9 March 2011

Corporate governance statement

Clarkson PLC is committed to ensuring high standards of corporate governance as it recognises that good governance is crucial in helping the business to deliver its strategy and safeguarding shareholders' long-term interests. As required by the Listing Rules, this section on corporate governance, together with the directors' remuneration report on pages 29 to 34, details how the company has applied the principles set out in the Combined Code (the Code) as revised by the Financial Reporting Council in June 2008, for the year ended 31 December 2010. The directors consider that the company has complied with the Code throughout the year.

The board of directors

The company is headed by an experienced board of directors, comprising a non-executive chairman, chief executive, two further executive directors and three non-executive directors. The board meets at least four times a year and the directors' attendance at the meetings is shown in the table under Board and committees. Biographical details are shown on page 23.

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 non-executive directors bring a wide range of skills and experience, as well as independent judgement on strategy, risk and performance to the company. The board is satisfied that the independence of the directors who have executive or non-executive roles with other companies is not compromised and that they all have sufficient time available to devote to the company.

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 board regularly considers strategic issues, key projects and major investments and approves the annual budget. Its objective is to create maximum value for shareholders over the long-term.

The board has appointed Paul Wogan, a non-executive director, to act as senior independent director. The senior independent director is available to shareholders to assist in resolving concerns, should the alternative channels be inappropriate.

Board performance evaluation

The performance of the board is a fundamental component of the group's success. During the year ended 31 December 2010, the board assessed its own performance. This assessment was directed by the chairman and co-ordinated by the company secretary.

The chairman met with the non-executive directors during the year without the executive directors present. The senior independent director evaluated the chairman's performance with each of the other directors.

All non-executive directors are appointed for a specific term. The composition of the board as between executive and non-executive directors complies with the Code's requirements.

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

On appointment, all directors are provided with induction training relating to the company's business. In addition, individual directors may seek professional advice on any matter concerning them in the furtherance of their duties at the expense of the company. All directors have access to the advice and services of the company secretary. It is expected that all directors attend board and relevant committee meetings, unless they are prevented from doing so by prior commitments.

Where directors are unable to attend meetings due to conflicts in their schedules, they receive the papers scheduled for discussion in the relevant meetings, giving them the opportunity to relay any comments to the chairman in advance of the meeting. Directors leave the meeting where matters relating to them or which may constitute a conflict of interest to them, are being discussed.

Board and committees

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

	Board	Strategy meeting	Audit committee	Remuneration committee
Total number of meetings	6	1	3	2
Bob Benton	6	1	–	2
Andi Case	6	1	–	–
James Morley	6	1	3	2
Martin Stopford	6	1	–	–
Ed Warner	6	1	3	2
Paul Wogan	6	1	3	1
Jeff Woyda	6	1	–	–

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, excluding the chairman and chief executive, retire annually by rotation, and where eligible, seek re-election.

The remuneration committee advises on remuneration and incentive schemes for senior staff, and makes recommendations for the operation of the company's performance-related schemes. Further details of the work of this committee are contained within the directors' remuneration report on pages 29 to 34.

The nomination committee recommends to the board appointments for the role of chairman, chief executive, finance director, executive and non-executive directors. The committee comprises the chairman and the non-executive directors and is chaired by Paul Wogan. It should be noted that there was no requirement for the nomination committee to meet during the year.

The audit committee comprises the independent non-executive directors, James Morley, Ed Warner and Paul Wogan. James Morley chairs the committee. The main role and responsibilities of the audit committee are to consider the group's risk assessment, internal control procedures, and the use of external auditors and review of the half-yearly and annual financial statements. The audit committee undertakes an annual review of the group's internal controls, including financial, operational, compliance and risk management. 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. These terms of reference are available on request from the company secretary.

The company has an ongoing process to review risk procedure and controls and continually strives to improve and update existing procedures and to introduce new controls where necessary. The executive continues to oversee the development of the internal control procedures which provide assurance to the committee that the controls which exist in the group are effective and sufficient to mitigate the risks to which it is exposed.

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 committee meets privately on a regular basis with the external auditors in the absence of management.

The board and the audit committee review the need for an internal audit function annually and after taking into account the size and structure of the group have concluded that there is presently no such requirement.

On occasion it may be necessary to employ the company's external auditors for certain non-audit work. During the year they also provided tax advisory and compliance services and other assurance and advisory services with fees of £0.2m and £0.2m respectively. All non-audit services are agreed in advance with the audit committee which has satisfied itself that these services do not affect the auditors' objectivity and independence.

Procedure to deal with directors' conflicts of interest

The company has procedures in place to deal with a situation where a director has a conflict of interest. As part of these procedures the board are required to:

- review each conflict situation separately and look at the particular facts involved;
- review the conflict situation in conjunction with the rest of their duties under the Companies Act 2006;
- record details of any conflict raised and the measures taken to deal with it in the board minutes.

Shareholder relations

The company is committed to maintaining good communications with investors. This includes meetings on a regular basis between the executive directors and institutional 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 AGM, at which the chairman takes any questions on the previous year's results and gives an update on current year trading.

Internal control

The board is responsible for the establishment and ongoing implementation of the group's internal control mechanisms, and for reviewing their effectiveness. By their very nature, these controls can provide reasonable but not absolute assurance against material misstatement or loss. The directors acknowledge the requirements of the Code and seek to review all aspects of risk management in relation to each part of the group.

The risks faced are constantly changing. The company continually reviews its policies and risk management procedures to ensure they are effective and that they continue to protect its stakeholders.

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

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

The board confirms that, through the audit committee, it has reviewed the effectiveness of the system of internal control 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. Where any significant control weaknesses were identified during the year, necessary actions have been taken and monitored to remedy them. The system was in place throughout the year and up to the date of approval of the Annual Report 2010.

Employment and human rights

Clarksons employ over 800 people throughout its global network of offices across five continents. Clarksons' people are crucial to its success. The group takes the issue of diversity and equality seriously and is committed to the provision of equal employment and development opportunities for all employees.

Clarksons has proved its ability to attract the best talent to strengthen its management team in key areas. The company has a strong focus on recruiting and nurturing talent so that it can build a strong team to deliver its clients the best possible service. Employees feel more committed when they know they can grow with the company, helping it to retain a skilled workforce. Despite the company's growth and expansion, it maintains a 'family' culture but with all the resources and professionalism expected of a high performing future-focused global business.

The company is an equal opportunities employer and is committed to treating its employees and customers with dignity and respect. There are policies in place within the group 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.

Corporate governance statement continued

The company communicates with employees in a variety of ways which includes communicating and sharing information with employees through briefings, discussions, email or the company's intranet and in-house publications.

Health and safety

The company is committed to the well-being of all employees and any other parties involved in the conduct of its business operations. It aims to meet or exceed all legal and industry requirements and to have systems to define and eliminate health and safety risks.

Corporate social responsibility

The company's approach to corporate social responsibility aligns responsible business practices and social investment to create long-term value for its business.

As an international business, Clarksons aim to develop a workforce equipped for a globally integrated company and is committed to good corporate governance and risk management. The company engages with stakeholders on a regular basis in order to understand their expectations on the issues most important to them and to communicate regularly on its progress.

Clarksons is committed to conducting business ethically and honestly everywhere it operates. That commitment helps the company attract and retain customers, business partners and employees and helps maintain its good reputation among regulators, government bodies and investors.

The company aims to be a responsible employer and adopt standards and values designed to help guide its staff in their conduct and business relationships. Clarksons provides a working environment in which everyone is treated fairly and with respect. It fosters every individual's awareness and develops their skills to enhance the corporate ethos that every act of every employee should be capable of scrutiny and all should strive to maintain best practice procedures in everything that they do.

As part of the company's ongoing commitment to training and development, the Corporate Trainee Scheme has been established as a graduate programme which aims to recruit the highest calibre candidates who demonstrate the potential to be future leaders of Clarksons. This scheme, together with the broader trainee recruitment, aims to meet the diverse needs of the business and provide an excellent platform for training and growth.

In 2010, 56 work experience students were placed in the London office alone. The company has relationships with a number of inner London and Home Counties schools and supports their work experience initiatives. Wherever it can, it also offers work experience to school leavers, university students and graduates who apply individually.

Clarksons offer a select number of paid internships to students on an annual basis, this tends to be for a longer period (up to three months) and typically take place in the Research and Broking divisions.

The company contributes to charities operating across a number of areas, where a key objective is the encouragement of maritime awareness. Clarksons donates on an annual basis to a number of national and local maritime causes. Two other areas that are targeted for regular charitable support are health and young people.

Clarksons seeks to encourage corporate social responsibility across the group and among its employees. This takes many forms. A number of Clarksons employees give their time on a voluntary basis, lecturing at different colleges and schools. Some individuals serve as governors on school or academy boards and others from across the group serve on NGOs, industry organisations and forums.

Environment

Clarksons is committed to reducing its environmental footprint throughout its global operations. Strong environmental performance is important to Clarksons and benefits the business as it ultimately improves efficiency and leads to cost savings. The company's most critical environmental and sustainability impact areas include carbon emissions linked to energy use and travel.

Clarksons is an expanding international business and aims to minimise its impact on the environment. Continual improvements are being made in energy management in order to do this.

Clarksons recognises the importance of ensuring that its businesses are conducted with respect and care for the environment to make sure that any impact on the environment is kept to a minimum.

Following the installations of a video conferencing facility in 2008 there has been a substantial reduction in executive travel, resulting in the reduction of Clarksons' carbon footprint and the company continues to strive to reduce this even further.

Clarkson PLC is committed to reducing its environmental impact through reducing its energy consumption and recycling. As part of this commitment, Clarkson PLC has registered under the CRC Energy Efficiency Scheme operated by the Environment Agency in 2010.

Clarkson PLC has obtained an Energy Performance Certificate for St Magnus House which, on a scale of A – G, records the building's efficiency as D (94) in contrast to a new building which would be graded C (52) and E (118) for office buildings of similar age and stock. Given the age of St Magnus House (1980) the company consider this bears testimony to the many energy efficiency measures that it has implemented in the building. Obsolete plant is replaced by more energy efficient equipment, and energy consumption is carefully monitored.

As part of the campaign to reduce the company's environmental impact, recycling of paper and cardboard now takes place and in the last year the company implemented a ride-to-work scheme which, combined with the provision of a secure bike store and shower facilities encourages staff to use bicycles. One further environmental change introduced in 2010 was the installation of in-house water filtration, eliminating the need to use bottled drinking water.

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 2006 and the applicable Listing Rules.

Remuneration committee

The remuneration committee comprises all the independent non-executive directors – Bob Benton, Ed Warner, Paul Wogan and James Morley, and is chaired by Ed Warner. 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 26. The committee also held informal discussions as required.

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

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

The board has considered carefully the remuneration committee's terms of reference and is satisfied that it complies with the recommendations in recent FSA Guidance (in the context of promoting effective risk management).

In particular the board is satisfied that the committee has the range of skills and relevant business experience to reach an independent judgement on the suitability of the remuneration policy. The committee's remit already covers remuneration arrangements for all employees (where the committee reviews bonus payments for all employees in the business) and consideration of risk is key in the committee's deliberations.

Hewitt New Bridge Street (HNBS) 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. Neither HNBS nor its parent company, Aon Corporation, has any other connection with the company.

Remuneration policy

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

There are few comparable UK public companies involved solely in the business of providing shipping and related wholesale financial services. Comparisons are therefore made with City-based companies 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 where business is based around personal client relationships, 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 within an appropriate risk framework.

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 Clarksons' 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. The performance-related element of the executive directors' remuneration for the past two years is shown below:

	Performance-related	
	2010	2009
Andi Case	**89%**	82%
Martin Stopford	**67%**	54%
Jeff Woyda	**78%**	68%

The remuneration committee has reviewed the structure of performance-linked incentives in light of recent FSA Guidance. In particular the committee has considered carefully whether there is any element of the incentive structure which could encourage inappropriate risk taking and has concluded that the current remuneration policy for senior executives remains appropriate, noting that:

- base salary levels are not set at an artificially low level so that individuals rely on receiving a bonus to cover their essential living costs;
- at a 'target' level of performance more than half of the package is linked to performance, determined by robust and objectively measurable performance criteria;

Directors' remuneration report continued

- the bonus is based largely on the annual profitability of the company. Annual bonuses are determined on the basis of a profit pool, which is carefully calibrated so as to ensure that there is an appropriate split between profit retained by the company, profit distributed to shareholders by way of dividend and profit available for the bonus pool;
- in many financial institutions a significant element of the reported profit is based on the annual revaluation of financial instruments (on a mark-to-market basis). This contrasts to the profit declared by Clarksons, which is much higher quality, being based on cash brokerage fees in the main. Accordingly the profitability declared is a good proxy for the cash generated by the business that year. The committee is comfortable that this reduces the risk profile of the bonus plan significantly and obviates the need for features such as significant bonus deferral;
- awards of long-term incentives are granted on an annual basis. This ensures that each financial year-end is a base point or end point for performance measurement purposes, reducing any incentive to maximise returns in a particular financial period on an unsustainable basis;
- performance criteria for long-term incentives are based on a blend of financial performance criteria (Earnings per Share) and relative Total Shareholder Return (compared to other FTSE SmallCap companies) providing a more balanced assessment of long-term performance than if a single measure is used; and
- the Earnings per Share (EPS) target range is reviewed each year to ensure that targets are appropriately stretching and not so unattainable as to encourage inappropriate risk-taking.

Non-executive directors' remuneration is set by the chairman, chief executive and finance director with market practice data provided by HNBS.

Base salary

Base salary is reviewed annually and is determined by reference to individual responsibilities, performance and external market data. Therefore it is set to reflect the experience, responsibility, effectiveness and market value of the executive. Pay and conditions in the workforce are taken into account when determining executive directors' salary levels.

Base salaries have remained unchanged since 2006 for the executive positions.

Benefits

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

Andi Case and Jeff Woyda participated in a company defined contribution pension scheme during the year; the employer contributions were £82,500 and £37,500 respectively being 15% of base salary.

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 performance-related rewards, but only if significant value has been delivered to shareholders. It is therefore considered that, in terms of providing motivation to the executive directors to deliver improved shareholder value, the performance-related elements of the directors' packages are critical.

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

The committee designs the incentive structure to:

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

Annual bonus

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

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

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

The bonus plan for 2011 will be similar to the 2010 plan, based on a profit pool, with carefully calibrated profit thresholds.

Long Term Incentive Plan

The plan comprises a HMRC approved part and an unapproved part and allows senior executives to be granted options and/or performance share awards. There is an annual limit of 150% of basic salary for performance share awards or 450% of basic salary for options.

For awards granted in 2011 the vesting of the awards will be based on the following two performance criteria (as to 50% each):

EPS (normalised EPS) – *to reward financial performance of the company.* Awards under the EPS criteria will vest after three years based on a range of EPS targets for the financial year ended 31 December 2013. Awards will vest 100% if EPS for this financial year exceeds 140.0p, and 25% should EPS exceed 108.5p. There will be straight-line vesting between these two points.

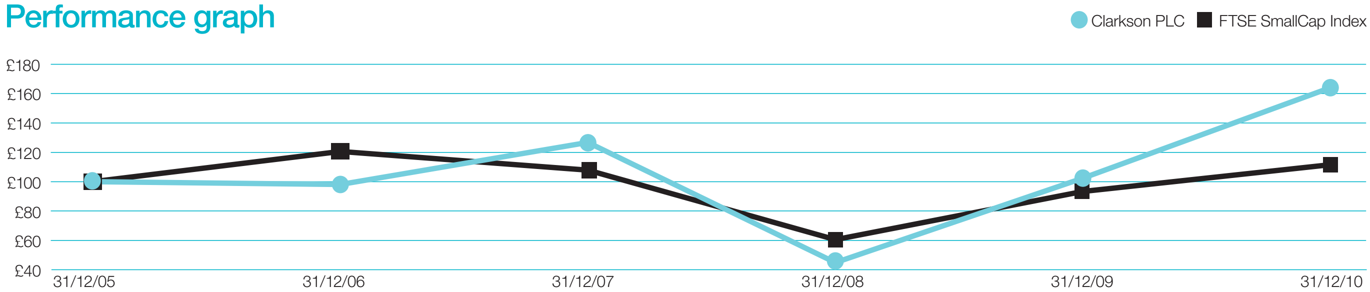
TSR – *to reward performance relative to the stock market.* Awards under this element will vest 100% on a three year basis should total shareholder return achieve the top quartile of the FTSE SmallCap Index, and 25% should TSR equal the median of the FTSE SmallCap Index. Awards will vest pro rata between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

Share awards will be made 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.

Total shareholder return

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

Performance graph



This graph shows the value, by 31 December 2010, of £100 invested in Clarkson PLC on 31 December 2005 compared with the value of £100 invested in the FTSE SmallCap Index. The other points plotted are the values at intervening financial year-ends.

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 general the company seeks to apply the principles of mitigation, although 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 remuneration committee recognises that it is unusual to pay an amount in lieu of annual bonus for the notice period but considers that the policy is appropriate for the following reasons:

- bonus forms a higher proportion of remuneration than in most other UK companies;
- typically in the shipbroking industry, income from business conducted is received over a number of years in arrears (which means that for a departing executive they would receive rewards for performance in previous periods);
- bonuses are only payable if group profit thresholds and targets are achieved, i.e. there is no automatic entitlement to a bonus.

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' remuneration report continued

Directors' service contracts and appointment terms

	Date of contract	Unexpired term at 31.12.10	Notice period
Details of the current executive directors' service contracts are as follows:			
Andi Case	17.06.08	12 months	12 months
Martin Stopford	01.09.04	12 months	12 months
Jeff Woyda	03.10.06	12 months	12 months
Details of the non-executive directors' appointment terms are as follows:			
Bob Benton	27.08.08	8 months	3 months
James Morley	05.11.08	10 months	3 months
Ed Warner	27.06.08	6 months	3 months
Paul Wogan	27.06.08	6 months	3 months

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

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

Directors' emoluments and compensation (Audited)

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

	Basic salary and fees £000	Benefits £000	Performance-related bonuses £000	Total 2010 £000	Total 2009 £000
Executive directors					
Andi Case	550	19	4,422	4,991	3,104
Martin Stopford	225	39	531	795	568
Jeff Woyda	250	11	943	1,204	802
Non-executive directors					
Bob Benton	114	–	–	114	110
James Morley	62	–	–	62	60
Ed Warner	62	–	–	62	60
Paul Wogan	62	–	–	62	60
	1,325	69	5,896	7,290	4,764

In 2010 executive directors participated in a bonus scheme which was linked principally to the achievement of group profit targets with the balance based on personal objectives.

Included in the performance-related bonuses above are the total bonuses payable to executive directors. In line with higher earning employees up to 10% will be paid in the form of restricted shares which vest after four years.

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

Directors' share incentives (Audited)

The following share awards have been granted under the Long Term Incentive Plan, 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 31.

	Interests under plan at 1 January 2010	Awards granted in year	Awards vested in year	Awards lapsed in year	**Interests under plan at 31 December 2010**	Vesting date
Andi Case	85,139[1]	–	–	(45,379)	**39,760**	27 Aug 2011
	100,979[2]	–	–	–	**100,979**	15 Dec 2012
	–	77,175[5]	–	–	**77,175**	23 Dec 2013
Martin Stopford	18,067[3]	–	(18,067)	–	**–**	–
	35,047[4]	–	–	(19,626)	**15,421**	29 Jun 2011
	41,310[2]	–	–	–	**41,310**	15 Dec 2012
	–	31,572[5]	–	–	**31,572**	23 Dec 2013
Jeff Woyda	20,075[3]	–	(20,075)	–	**–**	–
	38,941[4]	–	–	(21,807)	**17,134**	29 Jun 2011
	45,900[2]	–	–	–	**45,900**	15 Dec 2012
	–	35,080[5]	–	–	**35,080**	23 Dec 2013

1 The share price on the date of the award was £9.69.
2 The share price on the date of the award was £8.06.
3 The share price on the date of the award was £9.34.
4 The share price on the date of the award was £9.63.
5 The share price on the date of the award was £11.22.

For awards granted in 2008 the vesting of the awards is based on the following two performance criteria (as to 50% each):

- EPS (normalised EPS) – *to reflect financial performance of the company*. Awards under this element would have vested on a three year basis and would have been measured against the Retail Price Index (RPI). Awards would have vested 100% if EPS growth had exceeded RPI plus 8% per annum, and 25% if EPS growth had exceeded RPI 4% per annum. Based on 2010 EPS the base threshold was not achieved.

- TSR – *to reflect performance relative to the Stock Market*. Awards under this element would have vested 100% on a three year basis if TSR had achieved the top quartile of the FTSE SmallCap Index and 25% if TSR had equalled the median of the FTSE SmallCap Index. TSR performance was close to the top end of the range such that awards will vest 44.0% for Jeff Woyda and Martin Stopford and 46.7% for Andi Case.

For awards granted in 2009 and 2010 the vesting of the awards will be based on the following two performance criteria (as to 50% each):

- EPS (normalised EPS) – *to reflect financial performance of the company*. Awards under this element will vest on a three year basis and will be based on a range of EPS targets for the years ending 31 December 2011 and 2012. 2009 awards will vest 100% if EPS is at least 123p, and 25% if EPS is at least 87p. Awards will vest pro rata between these two levels. 2010 awards will vest 100% if EPS is at least 123p, and 25% if EPS is at least 95p. Awards will vest pro rata between these two levels.

- TSR – *to reflect performance relative to the Stock Market*. Awards under this element will vest 100% on a three year basis should TSR achieve the upper quartile of the FTSE SmallCap Index and 25% should TSR equal the median of the FTSE SmallCap Index. Awards will vest pro rata between these two levels.

Directors' remuneration report continued

Directors' interests in share options (Audited)

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

	Options held at 1 January 2010	Options granted during the year	Options exercised during the year	Options lapsed during the year	Options held at 31 December 2010	Exercise Price £	Dates from which exercisable	Expiry date
Andi Case	25,000	–	–	–	25,000	9.91	Oct 2010	Oct 2017

The above options were granted for nil consideration.

These options are exercisable from the date stated above.

Directors' interests in shares

The beneficial interests of the directors in the share capital of the company at 31 December 2010 are as follows:

	Number of ordinary shares 2010	2009
Bob Benton	–	–
Andi Case	552,527[1]	552,527[1]
James Morley	2,500	2,500
Martin Stopford	37,310[2]	19,243[2]
Ed Warner	15,000	15,000
Paul Wogan	10,000	10,000
Jeff Woyda	39,012[3]	18,937[3]

1 Includes 210,000 restricted shares granted prior to Andi Case's appointment as a director based on performance at that time which are due to vest in July 2011, and 57,233 restricted shares granted as part of 2008 bonus due to vest in April 2013. These shares are held by Praxis Trustees Limited but Andi Case receives dividends and holds voting rights. The entitlement to these shares may be lost if Andi Case leaves the company.
2 Includes 5,469 restricted shares granted as part of 2008 bonus due to vest in April 2013. These shares are held by Praxis Trustees Limited but Martin Stopford receives dividends and holds voting rights. The entitlement to these shares may be lost if Martin Stopford leaves the company.
3 Includes 18,937 restricted shares granted as part of 2008 bonus due to vest in April 2013. These shares are held by Praxis Trustees Limited but Jeff Woyda receives dividends and holds voting rights. The entitlement to these shares may be lost if Jeff Woyda leaves the company.

On 7 January 2011 restricted share awards were made as follows in respect of the directors' 2009 bonus as disclosed in the 2009 Annual Awards:

	Number of ordinary shares
Andi Case	26,689
Martin Stopford	3,203
Jeff Woyda	5,694

Further restricted share awards will be made in 2011 in respect of up to 10% of the directors' 2010 bonus.

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

Pensions (Audited)

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

As previously reported the existing defined benefit section of the Clarkson PLC 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, Martin Stopford chose not to join the defined contribution scheme and exercised his right to receive an allowance equivalent to the company contribution net of National Insurance. Martin Stopford also exercised his right to transfer his benefits from the Clarkson PLC pension scheme.

No directors held any entitlement to benefits under the defined benefit scheme.

Approval by shareholders

At the AGM of the company to be held on 11 May 2011 a resolution approving this report is to be proposed as an ordinary resolution.

This report was approved by the board on 9 March 2011 and signed on its behalf by:

Ed Warner Remuneration committee chairman

9 March 2011

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 2006 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 2010 are included in the Annual Report 2010, which is published in hard copy printed form and made available on the group's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

Directors' responsibility statement

The directors, the names of whom are set out in the corporate governance statement on page 26 of this Annual Report, confirm to the best of their knowledge:

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

On behalf of the board

Bob Benton Chairman

9 March 2011

Independent auditors' report to the members of Clarkson PLC

We have audited the financial statements of Clarkson PLC for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated and parent company statements of comprehensive income, the consolidated and parent company balance sheets, the consolidated and parent company statements of changes in equity, the consolidated and parent company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2010 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the corporate governance statement set out on page 27 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the parent company.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 25, in relation to going concern;
- the parts of the corporate governance statement relating to the company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the board on directors' remuneration.

Andrew Paynter (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

9 March 2011

Consolidated income statement

For the year ended 31 December

Continuing operations	Notes	2010 £m	2009 £m
Revenue	3, 4	**202.6**	176.7
Cost of sales		**(8.0)**	(8.3)
Trading profit		**194.6**	168.4
Administrative expenses		**(160.1)**	(145.8)
Operating profit	3, 4	**34.5**	22.6
Finance revenue	3	**0.8**	1.6
Finance costs	3	**(3.3)**	(1.8)
Other finance revenue – pensions	3, 21	**0.4**	0.1
Profit before taxation		**32.4**	22.5
Taxation	5	**(8.9)**	(5.6)
Profit for the year		**23.5**	16.9
Attributable to:			
Equity holders of the parent		**23.5**	16.9
Earnings per share			
Basic	6	**125.4p**	90.0p
Diluted	6	**124.7p**	88.9p

Consolidated and parent company statements of comprehensive income

For the year ended 31 December

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Profit for the year		**23.5**	16.9	**8.3**	36.1
Actuarial gain/(loss) on employee benefits – net of tax	21	**2.9**	(11.6)	**2.9**	(11.6)
Foreign exchange differences on retranslation of foreign operations	23	**0.3**	(5.0)	**–**	–
Foreign currency hedge – net of tax	23	**(1.1)**	1.4	**–**	–
Total comprehensive income for the year		**25.6**	1.7	**11.2**	24.5
Total comprehensive income attributable to:					
Equity holders of the parent		**25.6**	1.7	**11.2**	24.5

Consolidated and parent company balance sheets

As at 31 December

	Notes	Group 2010 £m	Group 2009 £m	Company 2010 £m	Company 2009 £m
Non-current assets					
Property, plant and equipment	8	**8.7**	14.6	**4.3**	4.9
Investment property	9	**0.4**	0.4	**0.4**	0.4
Intangible assets	10	**32.7**	32.5	**–**	–
Investments in associates and joint ventures	12	**–**	0.2	**–**	–
Trade and other receivables	13	**0.5**	0.6	**0.2**	0.2
Investments	14	**1.8**	14.9	**0.2**	12.7
Investments in subsidiaries	15	**–**	–	**54.4**	53.7
Deferred tax asset	5	**12.0**	11.6	**2.7**	3.6
		56.1	74.8	**62.2**	75.5
Current assets					
Trade and other receivables	13	**28.4**	29.7	**11.9**	45.0
Income tax receivable		**0.5**	0.9	**2.0**	1.4
Investments	14	**11.4**	–	**11.4**	–
Cash and short-term deposits	16	**176.3**	143.2	**46.1**	22.3
		216.6	173.8	**71.4**	68.7
Current liabilities					
Interest-bearing loans and borrowings	17	**(44.0)**	–	**(44.0)**	–
Trade and other payables	18	**(100.3)**	(86.9)	**(15.2)**	(17.2)
Income tax payable		**(5.3)**	(3.3)	**–**	–
Provisions	19	**(0.3)**	(0.3)	**–**	–
		(149.9)	(90.5)	**(59.2)**	(17.2)
Net current assets		**66.7**	83.3	**12.2**	51.5
Non-current liabilities					
Interest-bearing loans and borrowings	17	**–**	(48.3)	**–**	(48.3)
Trade and other payables	18	**(1.1)**	(1.0)	**–**	–
Provisions	19	**(1.4)**	(1.1)	**(1.4)**	(1.1)
Employee benefits	21	**(0.8)**	(6.9)	**(0.8)**	(6.9)
Deferred tax liability	5	**(3.1)**	(4.0)	**(1.1)**	(1.5)
		(6.4)	(61.3)	**(3.3)**	(57.8)
Net assets		**116.4**	96.8	**71.1**	69.2
Capital and reserves					
Share capital	22	**4.7**	4.7	**4.7**	4.7
Other reserves	23	**40.0**	40.6	**31.3**	32.5
Profit and loss		**71.7**	51.5	**35.1**	32.0
Clarkson PLC group shareholders' equity		**116.4**	96.8	**71.1**	69.2

Approved by the board on 9 March 2011, and signed on its behalf by:

Bob Benton Chairman

Jeff Woyda Finance director

Consolidated statement of changes in equity

For the year ended 31 December

	Notes	Group Attributable to equity holders of the parent Share capital £m	Other reserves £m	Profit and loss £m	Total equity £m
Balance at 1 January 2010		**4.7**	**40.6**	**51.5**	**96.8**
Profit for the year		**–**	**–**	**23.5**	**23.5**
Other comprehensive income:					
Actuarial gain on employee benefit schemes – net of tax	21	**–**	**–**	**2.9**	**2.9**
Foreign exchange differences on retranslation of foreign operations	23	**–**	**0.3**	**–**	**0.3**
Foreign currency hedge – net of tax	23	**–**	**(1.1)**	**–**	**(1.1)**
Total comprehensive (expense)/income for the year		**–**	**(0.8)**	**26.4**	**25.6**
Transactions with owners:					
ESOP shares utilised	23	**–**	**1.4**	**–**	**1.4**
Share-based payments	23	**–**	**(1.2)**	**(0.1)**	**(1.3)**
Tax on other employee benefits	5	**–**	**–**	**2.2**	**2.2**
Dividend paid	7	**–**	**–**	**(8.3)**	**(8.3)**
		–	**0.2**	**(6.2)**	**(6.0)**
Balance at 31 December 2010		**4.7**	**40.0**	**71.7**	**116.4**

	Notes	Group Attributable to equity holders of the parent Share capital £m	Other reserves £m	Profit and loss £m	Total equity £m
Balance at 1 January 2009		4.7	43.7	54.0	102.4
Profit for the year		–	–	16.9	16.9
Other comprehensive income:					
Actuarial loss on employee benefit schemes – net of tax	21	–	–	(11.6)	(11.6)
Transfer of currency translation reserves on closure of company	23	–	0.1	(0.1)	–
Foreign exchange differences on retranslation of foreign operations	23	–	(5.0)	–	(5.0)
Foreign currency hedge – net of tax	23	–	1.4	–	1.4
Total comprehensive (expense)/income for the year		–	(3.5)	5.2	1.7
Transactions with owners:					
ESOP shares acquired	23	–	(1.2)	–	(1.2)
Shares issued	22/23	–	0.7	–	0.7
Share-based payments	23	–	0.9	0.2	1.1
Dividend paid	7	–	–	(7.9)	(7.9)
		–	0.4	(7.7)	(7.3)
Balance at 31 December 2009		4.7	40.6	51.5	96.8

Parent company statement of changes in equity

For the year ended 31 December

	Notes	Share capital £m	Other reserves £m	Profit and loss £m	Total equity £m
		Company Attributable to equity holders of the parent			
Balance at 1 January 2010		**4.7**	**32.5**	**32.0**	**69.2**
Profit for the year		–	–	8.3	8.3
Other comprehensive income:					
Actuarial gain on employee benefit schemes – net of tax	21	–	–	2.9	2.9
Total comprehensive income for the year		**–**	**–**	**11.2**	**11.2**
Transactions with owners:					
Share-based payments	23	–	(1.2)	(0.1)	(1.3)
Tax on other employee benefits		–	–	0.3	0.3
Dividend paid	7	–	–	(8.3)	(8.3)
		–	(1.2)	(8.1)	(9.3)
Balance at 31 December 2010		**4.7**	**31.3**	**35.1**	**71.1**

	Notes	Share capital £m	Other reserves £m	Profit and loss £m	Total equity £m
		Company Attributable to equity holders of the parent			
Balance at 1 January 2009		4.7	30.9	15.2	50.8
Profit for the year		–	–	36.1	36.1
Other comprehensive income:					
Actuarial loss on employee benefit schemes – net of tax	21	–	–	(11.6)	(11.6)
Total comprehensive income for the year		–	–	24.5	24.5
Transactions with owners:					
Shares issued	22/23	–	0.7	–	0.7
Share-based payments	23	–	0.9	0.2	1.1
Dividend paid	7	–	–	(7.9)	(7.9)
		–	1.6	(7.7)	(6.1)
Balance at 31 December 2009		4.7	32.5	32.0	69.2

Consolidated and parent company cash flow statements

For the year ended 31 December

		Group		Company	
	Notes	2010 £m	2009 £m	2010 £m	2009 £m
Cash flows from operating activities					
Profit before tax		**32.4**	22.5	**5.0**	33.9
Adjustments for:					
Foreign exchange differences	3	**(1.5)**	0.6	**(0.7)**	2.0
Depreciation and impairment of property, plant and equipment	3,8	**2.9**	3.7	**0.6**	0.9
Share-based payment expense	20	**1.2**	0.9	**1.2**	1.4
Loss on sale of investments		**–**	0.2	**–**	–
Impairment of investments		**0.6**	0.2	**–**	0.2
Difference between ordinary pension contributions paid and amount recognised in the income statement		**(1.6)**	(0.6)	**(1.6)**	(0.6)
Finance revenue	3	**(0.8)**	(1.6)	**(16.8)**	(50.4)
Finance costs	3	**3.3**	1.8	**3.3**	1.7
Other finance revenue – pensions	3	**(0.4)**	(0.1)	**(0.4)**	(0.1)
Decrease/(increase) in trade and other receivables		**0.3**	23.8	**33.5**	(12.0)
Increase/(decrease) in bonus accrual		**13.6**	(38.7)	**1.7**	(1.0)
Decrease in trade and other payables		**(1.9)**	(17.6)	**(6.2)**	(18.3)
Increase in provisions	19	**0.3**	0.2	**0.3**	0.2
Cash generated/(utilised) from operations		**48.4**	(4.7)	**19.9**	(42.1)
Income tax (paid)/received		**(6.1)**	(13.3)	**2.3**	1.4
Net cash flow from operating activities		**42.3**	(18.0)	**22.2**	(40.7)
Cash flows from investing activities					
Interest received	3	**0.4**	0.6	**0.3**	0.2
Purchase of property, plant and equipment	8	**(1.3)**	(1.5)	**–**	–
Proceeds from sale of property, plant and equipment		**4.6**	0.1	**–**	–
Disposal of associates and joint ventures		**–**	0.2	**–**	–
Acquisition of subsidiaries and businesses, including deferred consideration		**–**	(0.6)	**(0.7)**	(10.0)
Dividends received from associates and joint ventures		**0.1**	–	**–**	–
Dividends received from investments	3	**0.4**	0.2	**16.5**	49.4
Net cash flow from investing activities		**4.2**	(1.0)	**16.1**	39.6
Cash flows from financing activities					
Interest paid	3	**(1.6)**	(1.8)	**(1.6)**	(1.7)
Dividends paid	7	**(8.3)**	(7.9)	**(8.3)**	(7.9)
Repayments of borrowings		**(4.7)**	(4.5)	**(4.7)**	(1.5)
Net cash flow from financing activities		**(14.6)**	(14.2)	**(14.6)**	(11.1)
Net increase/(decrease) in cash and cash equivalents		**31.9**	(33.2)	**23.7**	(12.2)
Cash and cash equivalents at 1 January		**143.2**	184.4	**22.3**	35.4
Net foreign exchange differences		**1.2**	(8.0)	**0.1**	(0.9)
Cash and cash equivalents at 31 December	16	**176.3**	143.2	**46.1**	22.3

Notes to the financial statements

1 Corporate information

The group and parent company financial statements of Clarkson PLC for the year ended 31 December 2010 were authorised for issue in accordance with a resolution of the directors on 9 March 2011. Clarkson PLC is a Public Limited Company, listed on the London Stock Exchange, registered in England and Wales and domiciled in the UK.

The term 'company' refers to Clarkson PLC and 'group' refers to the company, its consolidated subsidiaries and the relevant assets and liabilities of the share purchase trusts.

Copies of the Annual Report will be circulated to all shareholders and will also be available from the registered office of the company at St. Magnus House, 3 Lower Thames Street, London EC3R 6HE.

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 2010.

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.

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, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement.

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

Basis of consolidation

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

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

New, amended and revised standards and interpretations adopted by the group

The group has adopted the following new and amended standards as of 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', effective from 1 July 2009. This standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the effective date.

- IFRS 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes. For example, acquisition-related expenses and any revisions to contingent cash consideration in the period following the acquisition will be recorded in the income statement.

- IAS 27 (revised), 'Consolidated and separate financial statements' – effective from 1 July 2009. This standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions will no longer result in either goodwill or in a gain or a loss being recognised. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statement.

- IAS 36 (amended) 'Impairment of assets' – effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined in IFRS 8.

- None of the above standards had a material impact on the group's financial statements.

Notes to the financial statements continued

2 Statement of accounting policies continued

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for, nor have an impact on, the group.

- IFRS 1 (amended), 'Additional exemptions for first-time adopters' – effective from 1 January 2010.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions' – effective from 1 January 2010.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' – effective from 1 July 2009.
- IAS 38 (amendment), 'Intangible assets' – effective from 1 July 2009.
- IAS 39 (amended), 'Financial instruments: Recognition and measurement – eligible hedged items' – effective from 1 July 2009.
- IAS 39 (amended), 'Financial instruments: Recognition and measurement' – effective from 30 June 2009.
- IFRIC 9 (amended), 'Reassessment of embedded derivatives' – effective from 30 June 2009.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' – effective from 1 July 2009.
- IFRIC 17, 'Distributions of non-cash assets to owners' – effective from 1 July 2009.
- IFRIC 18, 'Transfers of assets from customers' – effective from 1 July 2009.
- Improvements to International Financial Reporting Standards 2009.

Standards, revisions, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group

We are currently assessing the impact of the following revised standards or interpretations. These changes are not currently expected to have a material impact on the group's results of operations, financial position or disclosures.

- IFRS 1 (amended), 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' – effective from 1 July 2010.
- IFRS 9, 'Financial Instruments' – effective from 1 January 2013. This standard establishes the principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.
- IAS 24 (revised), 'Related Party Disclosures' – effective from 1 January 2011.
- IAS 32 (amendment), 'Financial Instruments: Presentation – Classification of Rights Issues' – effective from 1 February 2010.
- IFRIC 14 (amended), 'Prepayments of a Minimum Funding requirement' – effective from 1 January 2011.
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' – effective from 1 July 2010.
- Improvements to International Financial Reporting Standards 2010.

The group is yet to assess the full impact of IFRS 9, and has not yet decided when to adopt this standard, which is not mandatory until January 2013. The directors anticipate that the future adoption of all the other standards, interpretations and amendments listed above will not have a material impact on the group's financial statements.

2.3 Accounting judgements and estimates

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

Impairment of non-financial assets

The group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 11.

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.

Pensions

The cost of defined benefit pension plans is determined using actuarial valuations. Actuarial valuations involve making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in note 21.

Trade receivables

The provision for impairment of receivables represents management's best estimate at the balance sheet date.

2.4 Property, plant and equipment

Land held for use in the production or supply of goods or services, or for administrative purposes, is stated on 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.

Land is not depreciated. Depreciation on other assets 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
Freehold and long leasehold properties	60 years
Leasehold improvements	Over the period of the lease
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.

2.5 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

2.6 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.

All transaction costs related to business combinations are expensed in the income statement.

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.

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 UK GAAP prior to transition has not been reinstated and will not be included in determining any subsequent profit or loss on disposal.

2.7 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the 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 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 are 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 are 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.

2.8 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.

Notes to the financial statements continued

2 Statement of accounting policies continued

Investments in joint ventures 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 on 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 post-tax 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 comprehensive income. 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.

2.9 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.

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.

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

Associates and joint ventures

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

2.10 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 in relation to distributions received.

2.11 Investments and other financial assets

Classification

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.

Recognition and measurement
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.

2.12 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 uncollectable.

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.

2.13 Trade and other receivables
Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

2.14 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.

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

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

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

Notes to the financial statements continued

2 Statement of accounting policies continued

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

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

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

2.16 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.

2.17 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.

2.18 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 comprehensive income.

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.

2.19 Share-based payment transactions

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

Equity-settled transactions

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in note 6).

2.20 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.

Broking

Revenue consists of commission receivable from broking and is recognised by reference to the stage of completion. Stage of completion is measured by reference to the underlying commercial contract.

Financial

Futures broking commissions are recognised when the services have been performed. Fund management fees, based on the assets under management, and performance fees are recognised on a monthly basis. Fees relating to our financial and investment services businesses are recognised as services are performed.

Support

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 revenue consists of charter hire income and is recognised by reference to the underlying contract. Technical services revenue is recognised when work is performed. Rental income arising from operating leases on properties is accounted for on a straight-line basis over the lease term.

Research

Revenue comprises fees, which are recognised as and when services are performed, and sales of shipping publications and other information, which is recognised when products are delivered.

Interest income

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

2.21 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 currency translation reserve. Such translation differences are recognised as income or expense in the period in which an 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.

2.22 Taxation

Current income tax

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

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

Deferred income tax

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

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

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

Notes to the financial statements continued

2 Statement of accounting policies continued

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.

2.23 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.

3 Revenues and expenses

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

	2010 £m	2009 £m
Rendering of services	**193.2**	167.2
Rental income	**3.8**	4.1
Sale of goods	**5.6**	5.4
	202.6	176.7
Finance revenue		
Bank interest receivable	**0.4**	0.6
Income from available-for-sale financial assets	**0.4**	0.2
Gain on revaluation of fair value through profit or loss investments	**–**	0.8
	0.8	1.6
Finance costs		
Interest-bearing loans and borrowings	**(1.6)**	(1.8)
Loss on revaluation of fair value through profit or loss investments	**(1.7)**	–
	(3.3)	(1.8)
Other finance revenue – pensions		
Expected return on plan assets	**7.6**	6.4
Interest cost on benefit obligation	**(7.2)**	(6.3)
	0.4	0.1

Operating profit

Operating profit from continuing operations represents the results from operations before finance revenues and finance costs. This is stated after charging/(crediting):

	2010 £m	2009 £m
Included in administrative expenses		
Depreciation	**2.9**	3.7
Operating leases – land and buildings	**5.1**	5.2
Net foreign exchange (gains)/losses	**(1.5)**	0.6

Notes to the financial statements continued

3 Revenues and expenses continued

	2010 £000	2009 £000
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the company's accounts	82	80
Fees payable to the company's auditor and its subsidiaries for other services:		
The auditing of accounts of subsidiaries of the company pursuant to legislation	209	205
Other services pursuant to legislation	30	30
Taxation services	254	288
All other services	145	–
	720	603

	2010 £m	2009 £m
Employee compensation and benefits expense		
Wages and salaries	104.1	97.9
Social security costs	11.6	9.6
Expense of share-based payments	1.2	0.9
Pension costs – defined contribution plans	2.9	3.4
	119.8	111.8

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 32.

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

	2010 Number	2009 Number
Broking	609	562
Financial	60	61
Support	60	77
Research	66	57
	795	757

4 Segmental information

The group's segmental analysis is based on the classes of business it provides. This is consistent with the way the group manages itself and with the format of the group's internal financial reporting.

Clarksons' broking division represents shipowners and charterers in the transportation by sea of a wide range of cargoes.

The financial division includes a futures broking operation which arranges principal-to-principal cash settled contracts for differences based upon standardised freight contracts, a fund management division and a financial and investment services division representing the provision of advice to clients on the financial aspects of a range of shipping-related transactions.

Support includes port and agency services representing ship agency services provided throughout the UK, property services regarding the provision of accommodation, technical services and the now terminated logistics operation.

Research services encompass the provision of shipping-related information and publications.

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.

Business segments

Continuing operations	Revenue 2010 £m	Revenue 2009 £m	Results 2010 £m	Results 2009 £m
Broking	169.6	139.1	41.3	26.7
Financial	11.2	14.9	(4.3)	(0.5)
Support	18.0	18.8	0.5	(0.4)
Research	7.0	6.7	1.5	1.1
	205.8	179.5		
Less property services revenue arising within the group, included under Support	(3.2)	(2.8)		
Segment revenue/results	202.6	176.7	39.0	26.9
Head office costs			(4.5)	(4.3)
Operating profit			34.5	22.6
Finance revenue			0.8	1.6
Finance costs			(3.3)	(1.8)
Other finance revenue – pensions			0.4	0.1
Profit before taxation			32.4	22.5
Taxation			(8.9)	(5.6)
Profit after taxation			23.5	16.9

Business segments

	Assets 2010 £m	Assets 2009 £m	Liabilities 2010 £m	Liabilities 2009 £m
Broking	170.6	153.9	76.3	66.7
Financial	23.1	32.6	4.6	7.2
Support	13.7	20.6	3.9	4.5
Research	6.5	6.7	3.2	2.5
Segment assets/liabilities	213.9	213.8	88.0	80.9
Unallocated assets/liabilities	58.8	34.8	68.3	70.9
	272.7	248.6	156.3	151.8

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

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

	2010 £m	2009 £m
Broking	–	0.2

Notes to the financial statements continued

4 Segmental information continued

Business segments

	Capital expenditure		Depreciation	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Broking	**0.6**	0.5	**0.8**	0.7
Financial	**0.1**	0.4	**0.2**	0.2
Support	**0.6**	0.6	**1.9**	2.8
	1.3	1.5	**2.9**	3.7

Geographical segments – by origin of invoice

	Revenue	
Continuing operations	**2010 £m**	2009 £m
Europe, Middle East and Africa	**151.4**	136.7
Americas	**14.0**	11.8
Asia Pacific	**37.2**	28.2
	202.6	176.7

Geographical segments – by location of assets

	Non-current assets*	
	2010 £m	2009 £m
Europe, Middle East and Africa	**40.5**	51.2
Americas	**2.1**	2.0
Asia Pacific	**1.5**	10.0
	44.1	63.2

*Non-current assets exclude deferred tax assets.

5 Taxation

Tax charged in the group income statement is as follows:

Continuing operations	2010 £m	2009 £m
Current income tax		
UK corporation tax	**6.9**	6.0
Foreign tax	**1.4**	1.0
Total current income tax	**8.3**	7.0
Deferred tax		
Origination and reversal of temporary differences	**0.6**	(1.4)
Total tax charge in the income statement	**8.9**	5.6

Tax relating to items charged or credited to equity is as follows:

	2010 £m	2009 £m
Deferred tax charge/(credit): Actuarial gains/losses on pension schemes (see note 21)	**1.2**	(4.5)
Deferred tax (credit)/charge: Foreign currency hedge	**(0.5)**	0.6
Deferred tax credit: Other employee benefits	**(2.2)**	–
Total tax credit in the statement of comprehensive income	**(1.5)**	(3.9)

Reconciliation of tax charge

The tax expense in the income statement for the year is lower (2009: lower) than the average standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are reconciled below:

	2010 £m	2009 £m
Accounting profit before income tax	**32.4**	22.5
Accounting profit at UK average standard rate of corporation tax of 28% (2009: 28%)	**9.1**	6.3
Effects of:		
Expenses not deductible for tax purposes	**1.6**	3.2
Non-taxable income	**(0.2)**	(0.1)
Lower tax rates on overseas earnings	**(0.7)**	(0.6)
Adjustments relating to prior year	**(0.8)**	(1.9)
Tax losses not available for group relief	**–**	0.3
Tax on unremitted earnings of overseas operations	**–**	(1.6)
Adjustments relating to changes in tax rates	**0.2**	–
Other adjustments	**(0.3)**	–
Total tax charge reported in the income statement	**8.9**	5.6

Notes to the financial statements continued

5 Taxation continued

Deferred tax

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

	2010 £m	2009 £m
Employee benefits – on special pension contributions	–	0.5
– on pension benefit liability	0.5	0.2
– other employee benefits	0.7	(1.2)
Foreign currency contracts	–	0.4
(Losses)/gains on fair value through profit or loss investments	(0.4)	0.5
Unremitted earnings of overseas subsidiaries	–	(1.6)
Other temporary differences	(0.2)	(0.2)
Deferred tax charge/(credit) in the income statement	**0.6**	(1.4)

Deferred tax included in the balance sheet is as follows:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Deferred tax asset				
Employee benefits – on pension benefit liability	0.2	1.9	0.2	1.9
– other employee benefits	9.7	8.4	1.9	1.5
Other temporary differences	2.1	1.3	0.6	0.2
Deferred tax asset	**12.0**	11.6	**2.7**	3.6
Deferred tax liability				
Unremitted earnings of overseas subsidiaries	(1.6)	(1.6)	–	–
Gains on fair value through profit or loss investments	(1.0)	(1.4)	(1.0)	(1.4)
Foreign currency contracts	(0.1)	(0.6)	–	–
Other temporary differences	(0.4)	(0.4)	(0.1)	(0.1)
Deferred tax liability	**(3.1)**	(4.0)	**(1.1)**	(1.5)

All deferred tax movements arise from the origination and reversal of temporary differences.

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

6 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:

	2010 £m	2009 £m
Net profit attributable to ordinary equity holders of the parent	23.5	16.9

	2010 Number	2009 Number
Weighted average number of ordinary shares (excluding share purchase trusts' shares) for basic earnings per share	18,697,835	18,727,640
Dilutive effect of shares contingently payable on business combinations	–	226,357
Dilutive effect of share options	40,000	–
Dilutive effect of performance share awards	72,317	–
Weighted average number of ordinary shares (excluding share purchase trusts' shares) adjusted for the effect of dilution	18,810,152	18,953,997

The share awards relating to directors, where the performance conditions have not yet been met at the balance sheet date, are not included in the above numbers. The weighted average number of these shares were 332,016 (2009: 360,786).

7 Dividends

	2010 £m	2009 £m
Declared and paid during the year:		
Final dividend for 2009 of 27p per share (2008: 26p per share)	5.1	4.9
Interim dividend for 2010 of 17p per share (2009: 16p per share)	3.2	3.0
Dividend paid	8.3	7.9
Proposed for approval at AGM (not recognised as a liability at 31 December):		
Final dividend for 2010 proposed of 30p per share (2009: 27p per share)	5.7	5.1

Notes to the financial statements continued

8 Property, plant and equipment

31 December 2010

	Fleet interests £m	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
						Group
Original cost						
At 1 January 2010	8.8	3.7	0.9	15.4	1.2	30.0
Additions	–	–	0.2	0.9	0.2	1.3
Disposals	(9.2)	–	(0.1)	(1.0)	(0.2)	(10.5)
Foreign exchange differences	0.4	0.1	–	–	0.2	0.7
At 31 December 2010	–	3.8	1.0	15.3	1.4	21.5
Depreciation						
At 1 January 2010	4.2	0.6	0.5	9.7	0.4	15.4
Charged during the year	0.3	0.3	0.2	1.9	0.2	2.9
Disposals	(4.7)	–	(0.1)	(0.9)	(0.1)	(5.8)
Foreign exchange differences	0.2	–	–	–	0.1	0.3
At 31 December 2010	–	0.9	0.6	10.7	0.6	12.8
Net book value at 31 December 2010	–	2.9	0.4	4.6	0.8	8.7

31 December 2009

	Fleet interests £m	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
						Group
Original cost						
At 1 January 2009	9.9	3.8	0.7	14.7	1.0	30.1
Additions	–	–	0.1	1.1	0.3	1.5
Reclassifications	–	–	0.2	(0.2)	–	–
Disposals	–	–	–	(0.1)	(0.2)	(0.3)
Foreign exchange differences	(1.1)	(0.1)	(0.1)	(0.1)	0.1	(1.3)
At 31 December 2009	8.8	3.7	0.9	15.4	1.2	30.0
Depreciation						
At 1 January 2009	3.6	0.5	0.3	7.7	0.3	12.4
Charged during the year	1.0	0.1	0.1	2.3	0.2	3.7
Disposals	–	–	–	–	(0.1)	(0.1)
Reclassifications	–	–	0.1	(0.1)	–	–
Foreign exchange differences	(0.4)	–	–	(0.2)	–	(0.6)
At 31 December 2009	4.2	0.6	0.5	9.7	0.4	15.4
Net book value at 31 December 2009	4.6	3.1	0.4	5.7	0.8	14.6

31 December 2010

				Company
	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January and 31 December 2010	**1.9**	**0.5**	**6.5**	**8.9**
Depreciation				
At 1 January 2010	**0.2**	**0.2**	**3.6**	**4.0**
Charged during the year	**–**	**0.1**	**0.5**	**0.6**
At 31 December 2010	**0.2**	**0.3**	**4.1**	**4.6**
Net book value at 31 December 2010	**1.7**	**0.2**	**2.4**	**4.3**

31 December 2009

				Company
	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Total £m
Original cost				
At 1 January 2009 and 31 December 2009	1.9	0.5	6.5	8.9
Depreciation				
At 1 January 2009	0.2	0.2	2.7	3.1
Charged during the year	–	–	0.9	0.9
At 31 December 2009	0.2	0.2	3.6	4.0
Net book value at 31 December 2009	1.7	0.3	2.9	4.9

Notes to the financial statements continued

9 Investment property

31 December 2010

	Group and company £m
Cost	
At 1 January and 31 December 2010	**0.6**
Depreciation	
At 1 January and 31 December 2010	**0.2**
Net book value at 31 December 2010	**0.4**

The fair value of the investment property at 31 December 2010 was £0.7m (2009: £0.6m). This valuation was carried out by an independent valuer.

31 December 2009

	Group and company £m
Cost	
At 1 January and 31 December 2009	0.6
Depreciation	
At 1 January and 31 December 2009	0.2
Net book value at 31 December 2009	0.4

10 Intangible assets

31 December 2010

	Intangibles £m	Goodwill £m	Total £m
Cost			
At 1 January 2010	**6.8**	**43.6**	**50.4**
Foreign exchange differences	**–**	**1.4**	**1.4**
At 31 December 2010	**6.8**	**45.0**	**51.8**
Amortisation and impairment			
At 1 January 2010	**6.8**	**11.1**	**17.9**
Foreign exchange differences	**–**	**1.2**	**1.2**
At 31 December 2010	**6.8**	**12.3**	**19.1**
Net book value at 31 December 2010	**–**	**32.7**	**32.7**

31 December 2009

	Intangibles £m	Goodwill £m	Total £m
Cost			
At 1 January 2009	6.8	42.9	49.7
Foreign exchange differences	–	0.7	0.7
At 31 December 2009	6.8	43.6	50.4
Amortisation and impairment			
At 1 January 2009	6.8	10.6	17.4
Foreign exchange differences	–	0.5	0.5
At 31 December 2009	6.8	11.1	17.9
Net book value at 31 December 2009	–	32.5	32.5

11 Impairment testing of goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to operating segment.

Goodwill acquired through business combinations has been allocated for impairment testing purposes to the attributable CGUs for impairment testing as follows:

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

The carrying amount of goodwill allocated to each CGU is as follows:

	2010 £m	2009 £m
Dry bulk chartering	**12.3**	12.1
Specialised products chartering	**12.2**	12.2
Gas chartering	**2.7**	2.7
Sale and purchase broking	**1.8**	1.8
Port and agency services	**0.4**	0.4
Research services	**3.3**	3.3
	32.7	32.5

The movement in the aggregate carrying value is analysed in more detail in note 10.

Goodwill is allocated to CGUs which are tested for impairment at least annually. The goodwill arising in each CGU is similar in nature and thus the testing for impairment uses the same approach. It is considered that the cost of capital for each CGU is not materially different.

The recoverable amounts of the CGUs are assessed using a value-in-use model. Value-in-use is calculated as the net present value of the projected risk-adjusted cash flows of the CGU to which the goodwill is allocated. The groups of CGUs for which the carrying amount of goodwill is deemed significant are dry bulk chartering and specialised products chartering. The key assumptions used for value-in-use calculations are as follows:

- the pre-tax discount rate used is based on the group's WACC and adjusted for risks within each CGU. As all CGUs have operations around the world and similar risk profiles, the same pre-tax discount rate was applied to each unit. The group pre-tax discount rate is 12% (2009: 12%);
- the cash flow predictions are based on financial budgets and strategic plans approved by the board extrapolated over a five year period. These are based on both past performance and expectations for future market development;
- key drivers in the plans are revenue growth, margin and operating profit percentage; and
- cash flows beyond this five year period are calculated using a long-term growth rate which does not exceed the long-term average growth rate for businesses operating in the same segment as the CGUs.

Notes to the financial statements continued

12 Investments in associates and joint ventures

There were no significant investments in associates and joint ventures as at 31 December 2010 (2009: £0.2m).

13 Trade and other receivables

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Non-current				
Other receivables	0.3	0.4	–	–
Prepayments and accrued income	0.2	0.2	0.2	0.2
	0.5	0.6	0.2	0.2
Current				
Trade receivables	21.3	22.1	–	–
Foreign currency contracts	0.4	2.0	–	–
Other receivables	2.8	2.7	0.1	0.1
Prepayments and accrued income	3.9	2.9	–	–
Owed by group companies	–	–	11.8	44.9
	28.4	29.7	11.9	45.0

Further details of related party receivables are included in note 27.

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

As at 31 December 2010, group trade receivables at nominal value of £14.4m (2009: £12.3m) were impaired and fully provided for. The amount of the provision equates to the total amount of impaired debt. The provision is based on ongoing market information about the credit-worthiness of counterparties. The company has no trade receivables (2009: none).

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

	Individually impaired	
	2010 £m	2009 £m
At 1 January 2010	12.3	10.2
Charge for the year	2.1	2.1
At 31 December 2010	14.4	12.3

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

	Total £m	Neither past due nor impaired £m	Past due not impaired > 90 days £m
2010	21.3	19.2	2.1
2009	22.1	20.5	1.6

The other classes within trade and other receivables do not include any impaired items.

14 Investments

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Non-current				
Available-for-sale financial assets	**1.8**	2.3	**0.2**	0.1
Fair value through profit or loss investments	**–**	12.6	**–**	12.6
	1.8	14.9	**0.2**	12.7
Current				
Fair value through profit or loss investments	**11.4**	–	**11.4**	–

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

Fair value through profit or loss investments represents an investment in the Clarkson Shipping Hedge Fund of £8.5m (2009: £9.3m) and the Clarkson Freight Fund of £2.9m (2009: £3.3m). After the year-end, the company redeemed both investments.

15 Investments in subsidiaries

	Company	
	2010 £m	2009 £m
Cost at 1 January	**53.7**	44.3
Additions	**–**	8.6
Recapitalisation of existing subsidiary	**0.7**	1.3
Capital contribution adjustment	**–**	(0.5)
At 31 December	**54.4**	53.7

2010
During the year the company subscribed for an additional £0.5m of share capital in Clarkson Fund Management Limited and an additional £0.2m of share capital in Clarkson Investment Services Limited.

2009
During the year the company acquired 100% of the share capital of Clarkson Securities Limited and Clarkson Research Services Limited from certain subsidiaries for £8.6m which were previously held indirectly. Details of subsidiaries held directly are shown in note 28.

The company also subscribed for an additional £1.3m of share capital in Clarkson Investment Services Limited.

The capital contribution adjustment relates to share-based payments of a subsidiary.

Notes to the financial statements continued

16 Cash and short-term deposits

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Cash at bank and in hand	**121.9**	61.2	**24.9**	15.3
Short-term deposits	**54.4**	82.0	**21.2**	7.0
	176.3	143.2	**46.1**	22.3

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 £176.3m (2009: £143.2m).

17 Interest-bearing loans and borrowings

Financial liabilities measured at amortised cost

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Current				
US$18,000,000 bank loan	**11.5**	–	**11.5**	–
£32,485,000 bank loan	**32.5**	–	**32.5**	–
	44.0	–	**44.0**	–
Non-current				
US$18,000,000 bank loan	**–**	11.1	**–**	11.1
Aus$5,000,000 bank loan	**–**	2.8	**–**	2.8
£34,400,000 bank loan	**–**	34.4	**–**	34.4
	–	48.3	**–**	48.3

The fair value of loans equals their carrying amount. The 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. These loans bear interest at LIBOR plus a margin and mandatory costs. The margin varies between 0.5% per annum and 1.9% per annum depending on cash cover and are subject to a cross-guarantee between certain group companies. Due to high levels of cash generation in the business over the past year, all outstanding bank borrowings were repaid in full in February 2011. We also reduced the multicurrency revolving credit facility from £50m to £25m, and renewed it for a term of three years. There are no current plans to draw down on this facility.

18 Trade and other payables

	Group		Company	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Current				
Trade payables	**10.5**	9.0	**–**	–
Other payables	**1.0**	1.3	**0.2**	0.1
Amounts owed to associates and joint ventures	**–**	0.3	**–**	–
Accruals and deferred income	**86.8**	73.8	**13.5**	7.1
Other tax and social security	**2.0**	2.5	**–**	–
Owed to group companies	**–**	–	**1.5**	10.0
	100.3	86.9	**15.2**	17.2
Non-current				
Other payables	**1.1**	1.0	**–**	–
	1.1	1.0	**–**	–

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; and
- further details of related party payables are included in note 27.

19 Provisions

31 December 2010

	Group	Company
	Dilapidation of leasehold premises £m	**Dilapidation of leasehold premises £m**
Current		
At 1 January 2010 and 31 December 2010	**0.3**	**–**
Non-current		
At 1 January 2010	**1.1**	**1.1**
Arising during the year	**0.3**	**0.3**
At 31 December 2010	**1.4**	**1.4**

A provision is recognised for the dilapidation of various leasehold premises.

31 December 2009

	Group	Company
	Dilapidation of leasehold premises £m	Dilapidation of leasehold premises £m
Current		
At 1 January 2009 and 31 December 2009	0.3	–
Non-current		
At 1 January 2009	0.9	0.9
Arising during the year	0.2	0.2
At 31 December 2009	1.1	1.1

A provision is recognised for the dilapidation of various leasehold premises.

Notes to the financial statements continued

20 Share-based payment plans

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

	2010 £m	2009 £m
Expense arising from equity-settled share-based payment transactions	**1.2**	0.9

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2010 or 2009.

Long Term Incentive Plan

Details of the Long Term Incentive Plan are included in the directors' remuneration report on page 31. Awards made to the directors are given in the directors' remuneration report on page 33.

During the year certain share awards lapsed due to performance conditions not being met. As a result, £2.2m (2009: £1.1m) of amounts previously expensed have been reversed in the income statement.

Share options

During the year, 50,000 options lapsed due to service conditions not being met. The contractual life of the remaining options is seven years. There are no cash settlement alternatives. There were no options granted during 2010. During 2009, 70,000 options lapsed due to performance conditions not being met.

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:

	2010		2009	
	Number	WAEP	Number	WAEP
Outstanding at 1 January	**90,000**	**£10.04**	160,000	£9.97
Lapsed during the year	**(50,000)**	**(£10.15)**	(70,000)	(£9.91)
Outstanding at 31 December	**40,000**	**£9.91**	90,000	£10.04
Exercisable at 31 December	**40,000**	**£9.91**	–	–

The exercise prices for all the options outstanding at the end of 2010 was £9.91 (2009: £9.91 to £10.15).

Other employee incentives

During the year, 313,396 shares (2009: 1,490,955 shares) at a weighted average price of £9.50 (2009: £6.39) were awarded to employees in settlement of 2009 (2008) cash bonuses. There was no expense in 2010 as a result of these awards.

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

21 Employee benefits

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

Defined benefit pension schemes

The group operates two defined benefit pension schemes, being the Clarkson PLC scheme and the Plowrights 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 Clarkson PLC 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. Provisional triennial valuations for both schemes have been prepared based on the position as at 31 March 2010.

- The provisional valuation of the Clarkson PLC scheme showed a pension deficit on the original scheme of £4.2m as at 31 March 2010.

- The provisional valuation of the Plowrights scheme showed a pension deficit of £4.6m as at 31 March 2010.

It has been provisionally agreed between Clarkson PLC and both sets of Trustees that the company will fund each deficit over a period of five years commencing 1 April 2010. The company has agreed to make initial contributions into each scheme before the end of March 2011; a £1.0m contribution was made into the Clarkson PLC scheme in December 2010; a £1.0m contribution will be paid into the Plowrights scheme before the end of March 2011. Thereafter the company will make regular monthly contributions to fund the provisional deficits of the two schemes at a combined rate of £2.0m per annum. Discussions between the company, both sets of Trustees and the respective actuaries continue pending the completion of the triennial valuations.

Other pension arrangements

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

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

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

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

Benefit liability

	Group and Company	
	2010 £m	2009 £m
Fair value of schemes' assets	**131.9**	121.6
Present value of funded defined benefit obligations	**(132.7)**	(128.5)
Liability recognised on the balance sheet	**(0.8)**	(6.9)

A deferred tax asset on the above recognised liability amounting to £0.2m (2009: £1.9m) is shown in note 5.

Recognised in the income statement

	Group and Company	
	2010 £m	2009 £m
Expected return on plan assets (recognised in other finance revenue – pensions)	**7.6**	6.4
Interest cost on benefit obligation (recognised in other finance revenue – pensions)	**(7.2)**	(6.3)
Net benefit income	**0.4**	0.1

Notes to the financial statements continued

21 Employee benefits continued

Taken to the statement of comprehensive income

	Group and Company	
	2010 £m	2009 £m
Actual returns on schemes' assets	14.2	11.9
Less: expected returns on plan assets	(7.6)	(6.4)
	6.6	5.5
Actuarial losses on defined benefit obligations	(2.5)	(22.8)
Actuarial gains/(losses) recognised in the statement of comprehensive income	4.1	(17.3)
Deferred tax (charge)/credit on actuarial gains/losses	(1.2)	4.8
Minimum funding requirement in relation to the Plowrights scheme	–	1.2
Deferred tax credit on minimum funding requirement	–	(0.3)
Net actuarial gains/(losses) on employee benefit obligations	2.9	(11.6)
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	(7.6)	(11.7)

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

Scheme assets

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

	Group and Company					
	Percentage of total 2010 %	Expected rate of return 2010 % pa	2010 £m	Percentage of total 2009 %	Expected rate of return 2009 % pa	2009 £m
Equities	46.2	8.05	61.0	48.3	8.25	58.7
Government bonds	34.5	4.30	45.5	33.8	4.50	41.1
Corporate bonds	13.9	5.20	18.3	13.2	5.50	16.1
Property	4.2	7.05	5.5	2.4	8.75	2.9
Cash and other assets	1.2	1.50	1.6	2.3	0.70	2.8
Benefit asset	100.0		131.9	100.0		121.6

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

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

	Group and Company	
	2010 £m	2009 £m
Opening fair value of plan assets	121.6	114.6
Expected return on assets	7.6	6.4
Contributions	1.4	0.4
Insurance income for insured pensioners	0.2	0.2
Benefits paid	(5.5)	(5.5)
Actuarial gains	6.6	5.5
Fair value of assets at 31 December	131.9	121.6

The group expects, based on the provisional valuations and funding requirements including expenses, to contribute £2.9m to its defined benefit pension schemes in 2011 (2010: £1.4m). Discussions between the company, both sets of Trustees and the respective actuaries continue pending a completion of the triennial valuations.

Valuation assumptions

The principal valuation assumptions are as follows:

	Group and Company	
	2010 %	2009 %
Rate of increase in pensions in payment	**3.10 – 3.40**	3.20 – 3.50
Price inflation (RPI)	**3.60**	3.70
Price inflation (CPI)	**2.70**	n/a
Discount rate for scheme liabilities	**5.30**	5.70

Mortality assumptions

The mortality assumptions used to assess the defined benefit obligation at 31 December 2010 are based on the 'SAPS Light' standard mortality tables published by the actuarial profession. The mortality assumptions used to assess the defined benefit obligation at 31 December 2009 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	
		2010 Additional years	2009 Additional years
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	**23.5**	22.5
	– female	**24.5**	24.4
Pensioners retiring in twenty years time	– male	**25.0**	24.9
	– female	**26.1**	25.8

Changes in the fair value of the defined benefit obligation

	Group and Company	
	2010 £m	2009 £m
Opening defined benefit obligations	**128.5**	104.9
Interest costs	**7.2**	6.3
Actuarial losses	**2.5**	22.8
Benefits paid	**(5.5)**	(5.5)
	132.7	128.5

The 2010 liability for deferred pensioners has been calculated using CPI rather than RPI as the measure of future revaluation of deferred pensions. This reflects recent announcements by the Government in relation to pension indexation and is in accordance with the rules of the two pension schemes. The impact of this change is a gain of £4.7m and is included in the statement of changes in equity.

Historical comparative information

	Group and Company				
	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of schemes' assets	**131.9**	121.6	114.6	132.6	134.7
Defined benefit obligation	**(132.7)**	(128.5)	(104.9)	(122.3)	(127.6)
Unrecognised asset	**–**	–	–	(0.4)	–
(Deficit)/surplus	**(0.8)**	(6.9)	9.7	9.9	7.1
Experience adjustments on plan assets	**6.6**	5.5	(19.5)	(3.4)	3.0
Experience adjustments on plan liabilities	**0.8**	(0.2)	(0.5)	0.4	(0.2)

Notes to the financial statements continued

22 Share capital

	Group and Company			
	2010 Number	2009 Number	**2010 £m**	2009 £m
Ordinary shares of 25 pence each:				
At 1 January	**18,984,691**	18,875,506	**4.7**	4.7
Issued during the year	**–**	109,185	**–**	–
At 31 December	**18,984,691**	18,984,691	**4.7**	4.7

Shares issued during the year

	2010 Number	2009 Number	**2010 £m**	2009 £m
Deferred share consideration	**–**	109,185	**–**	0.7

2010

There were no shares issued during the year.

2009

During 2009, 109,185 shares with a total value of £0.7m were issued in relation to deferred consideration arising from the Genchem and Anchor Cross acquisitions in 2006.

There was no cash received by the group from the issue of the shares during 2009.

23 Other reserves

31 December 2010

							Group
	Share premium £m	**ESOP reserve £m**	**Employee benefits reserve £m**	**Capital redemption reserve £m**	**Hedging reserve £m**	**Currency translation reserve £m**	**Total £m**
At 1 January 2010	**27.8**	**(2.0)**	**2.7**	**2.0**	**1.4**	**8.7**	**40.6**
Total comprehensive income	**–**	**–**	**–**	**–**	**(1.1)**	**0.3**	**(0.8)**
ESOP shares utilised	**–**	**1.4**	**–**	**–**	**–**	**–**	**1.4**
Share-based payments	**–**	**–**	**(1.2)**	**–**	**–**	**–**	**(1.2)**
At 31 December 2010	**27.8**	**(0.6)**	**1.5**	**2.0**	**0.3**	**9.0**	**40.0**

31 December 2009

							Group
	Share premium £m	ESOP reserve £m	Employee benefits reserve £m	Capital redemption reserve £m	Hedging reserve £m	Currency translation reserve £m	Total £m
At 1 January 2009	27.1	(0.8)	1.8	2.0	–	13.6	43.7
Total comprehensive income	–	–	–	–	1.4	(5.0)	(3.6)
Transfer of currency translation reserves on closure of company	–	–	–	–	–	0.1	0.1
ESOP shares acquired	–	(1.2)	–	–	–	–	(1.2)
Shares issued	0.7	–	–	–	–	–	0.7
Share-based payments	–	–	0.9	–	–	–	0.9
At 31 December 2009	27.8	(2.0)	2.7	2.0	1.4	8.7	40.6

31 December 2010

				Company
	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Total £m
At 1 January 2010	**27.8**	**2.7**	**2.0**	**32.5**
Share-based payments	**–**	**(1.2)**	**–**	**(1.2)**
At 31 December 2010	**27.8**	**1.5**	**2.0**	**31.3**

31 December 2009

				Company
	Share premium £m	Employee benefits reserve £m	Capital redemption reserve £m	Total £m
At 1 January 2009	27.1	1.8	2.0	30.9
Shares issued	0.7	–	–	0.7
Share-based payments	–	0.9	–	0.9
At 31 December 2009	27.8	2.7	2.0	32.5

Nature and purpose of other reserves

ESOP reserve – group

The ESOP reserve in the group represents 202,608 shares (2009: 377,752 shares) held by the share purchase trusts to meet obligations under various incentive schemes. The shares are stated at cost. The market value of these shares at 31 December 2010 was £2.3m (2009: £2.8m). At 31 December 2010 none of these shares were under option (2009: none).

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 20.

Capital redemption reserve – group and company

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

Hedging reserve – group

The hedging reserve comprises the effective portion of the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

Currency translation reserve – group

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

Notes to the financial statements continued

24 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 one and five 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	
	2010 £m	2009 £m	**2010 £m**	2009 £m
Within one year	**5.1**	5.4	**4.3**	4.3
After one year but not more than five years	**18.5**	18.4	**17.2**	17.2
After five years	**–**	4.4	**–**	4.3
	23.6	28.2	**21.5**	25.8

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 2010 is £17.4m (2009: £21.0m).

Contingencies

The group and company have given no financial commitments to suppliers (2009: none).

The group and company have given no guarantees (2009: none).

From time to time the group may be engaged in litigation in the ordinary course of business. The group carries professional indemnity insurance. There are currently no liabilities expected to have a material adverse financial impact on the group's consolidated results or net assets.

In December 2010 judgement was handed down regarding the long-running litigation relating to commissions derived from Russian based transactions between 2001 and 2004. The judgement was in favour of Clarksons and consequently was in accordance with the board's beliefs. Since the year-end, the claimant against Clarksons has appealed this judgement. The board's views remain unchanged.

25 Financial risk management objectives and policies

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

The group and company have not entered into derivative transactions other than the forward currency contracts explained later in this section. It is, and has been throughout 2010 and 2009, 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 credit risk, liquidity risk, foreign exchange risk, interest rate risk and investment risk. The board of directors reviews and agrees policies for managing each of these risks which are summarised below.

Credit risk

The group seeks to trade only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis and any potential bad debts identified at an early stage. The maximum exposure is the carrying amounts as disclosed in note 13. There are no significant concentrations of credit risk within the group and company.

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

Liquidity risk

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

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

Year ended 31 December 2010

Group	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Interest-bearing loans and borrowings	–	–	44.0	–	–	44.0
Trade and other payables	11.5	–	–	1.1	–	12.6
Provisions	–	–	0.3	1.4	–	1.7
	11.5	–	44.3	2.5	–	58.3

Year ended 31 December 2009

Group	On demand £m	Less than 3 months £m	3 to 12 months £m	1 to 5 years £m	Over 5 years £m	Total £m
Interest-bearing loans and borrowings	–	–	–	48.3	–	48.3
Trade and other payables	10.3	–	–	1.0	–	11.3
Provisions	–	–	0.3	–	1.1	1.4
	10.3	–	0.3	49.3	1.1	61.0

The company has undiscounted interest-bearing loans and borrowings totalling £44.0m (2009: £48.3m) which are payable in 3 to 12 months (2009: 1 to 5 years) and undiscounted provisions totalling £1.4m (2009: £1.1m) which are payable in 1 to 5 years (2009 over 5 years).

Foreign exchange risk

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

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

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

	Strengthening/ (weakening) in US dollar rate	Effect on profit/(loss) before tax £m
2010	5%	0.7
	(5%)	(0.7)
2009	5%	0.9
	(5%)	(0.9)

Derivative financial instruments

It is the group's policy to cover or hedge a proportion of its transactional US dollar exposures with foreign currency contracts. Where these are designated and documented as hedging instruments in the context of IAS 39 and are demonstrated to be effective, mark-to-market gains and losses are recognised directly in equity (see note 23) and transferred to the income statement upon receipt of cash and conversion to sterling of the underlying item being hedged.

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

	Assets	
	2010 £m	2009 £m
Foreign currency contracts	0.4	2.0

At 31 December 2010 the group had US$70m outstanding forward contracts due for settlement in 2011 and 2012 (2009: US$40m settled in 2010).

Notes to the financial statements continued

25 Financial risk management objectives and policies continued

Interest rate risk

The group and company's exposure to the risk of changes in market interest rates relates primarily to the group and company's cash and short-term deposits and debt obligations with floating interest rates. In February 2011, all bank loans and borrowings were repaid in full thereby eliminating the risk of increased charges arising from a rise in interest rates, assuming no amounts are drawn down.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the group and company's profit before tax (through the impact on cash balances and floating rate borrowings). The effect on equity is the same as profit before tax.

		Group	Company
	Increase in basis points	Effect on profit before tax £m	Effect on profit before tax £m
2010			
Sterling	**+100**	**0.9**	**0.1**
US dollars	**+100**	**0.4**	**(0.1)**
Euros	**+100**	**0.1**	**–**
2009			
Sterling	+100	0.6	(0.1)
US dollars	+100	0.3	(0.1)

Investment risk

At the year-end the group and company held investments in the Clarkson Shipping Hedge Fund and the Clarkson Freight Fund amounting to US$17.8m (2009: US$20.3m). These amounts are treated as Fair Value through Profit or Loss investments. The valuations of the investments were based on the underlying net assets of the Funds. Since the year-end the seed capital was withdrawn from both funds thereby eliminating the risk of any further deterioration in the value of both funds.

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 2010 and 31 December 2009.

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

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

	2010 £m	2009 £m
Interest-bearing loans and borrowings	**(44.0)**	(48.3)
Cash and short-term deposits	**176.3**	143.2
Net funds	**132.3**	94.9
Gearing ratio	**–%**	–%

26 Financial instruments

Fair values

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2010.

	2010 Level 2 £m	2009 Level 2 £m
Assets		
Fair value through profit or loss investments	**11.4**	12.6
Foreign currency contracts	**0.4**	2.0

27 Related party transactions

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

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

		Group
	Associates and joint ventures 2010 £m	Associates and joint ventures 2009 £m
Amounts owed to related party	**–**	0.3

		Company
	Subsidiaries 2010 £m	Subsidiaries 2009 £m
Management fees charged to related party	**0.9**	1.1
Interest received from related party	**0.2**	0.2
Amounts owed by related party	**11.8**	44.9
Amounts owed to related party	**1.5**	10.0

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 32. Share-based payments relating to the Clarkson PLC directors amounted to £0.9m (2009: £0.9m).

Notes to the financial statements continued

28 Subsidiaries, associates and joint ventures

Principal subsidiaries

Country of incorporation and operation	Company	Percentage of equity shares
UK	H Clarkson & Company Limited	100
	Clarkson Port Services Limited*	100
	Clarkson Financial Services Limited	100†
	Clarkson Fund Management Limited	100†
	Clarkson Investment Services Limited	100†
	Clarkson Legal Services Limited	100
	Clarkson Overseas Shipbroking Limited	100
	Clarkson Property Holdings Limited	100†
	Clarkson Research Holdings Limited	100†
	Clarkson Research Services Limited	100
	Clarkson Securities Limited	100†
	Clarkson Shipbroking Group Limited	100†
	Clarkson Shipping Investments Limited	100†
	Clarkson Technical Services Limited*	100†
	Clarkson Valuations Limited	100
	Genchem Holdings Limited*	100†
	LNG Shipping Solutions Limited	100
	Oilfield Publications Limited	100
Australia	Clarkson Australia (Pty) Limited*	100
	Clarkson Melbourne Pty Limited*	100
	Clarkson Shipping Services Pty Limited*	100
China	Clarkson Asia Limited*	100
	Clarkson Logistics (HK) Limited*	100
	Clarkson Shipbroking Shanghai Co Limited*	100
United Arab Emirates	Clarkson DMCC*	100
	Clarkson Investment Services (DIFC) Limited*	100
France	Clarkson Paris SAS*	100†
Germany	Clarkson (Deutschland) GmbH*	100
Greece	Clarkson (Hellas) Limited	100
India	Clarkson Shipping Services India Private Limited*	100
Italy	Clarkson Italia Srl	100†
New Zealand	Clarkson New Zealand Limited*	100
Norway	Clarkson Norway AS*	100
Singapore	Clarkson Asia Pte Limited	100
South Africa	Clarkson South Africa (Pty) Limited*	100
	Afromar Properties (Pty) Limited*	100
Switzerland	Clarkson Shipbroking Switzerland SA*	100
USA	Clarkson Shipping Services USA, Inc.*	100

*Not audited by PricewaterhouseCoopers 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 410 of the Companies Act 2006, 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.
Cgt	Compensated gross tonnage. This unit of measurement was developed for measuring the level of shipbuilding output and is calculated by applying a conversion factor, which reflects the amount of work required to build a ship, to a vessel's gross registered tonnage.
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.
ClarkSea Index	A weighted average index of earnings for the main vessel types where the weighting is based on the number of vessels in each fleet sector.
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.

Glossary continued

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.
LGC	Large Gas Carrier. Vessel defined by Clarksons as 40–60,000 cbm.
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 secondhand 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.
VLGC	Very Large Gas Carrier. Vessel defined by Clarksons as more than 60,000 cbm.
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 (e.g. bunker, port and canal charges).
Wet (market)	Generic term for the tanker market.
Worldscale (WS)	An international index of freight for tankers. Worldscale is a schedule of freight rates for a standard ship in US dollars per tonne of oil for an array of oil routes. The rates listed in the table are designated as Worldscale Flat or WS100 and are revised annually.

Five year financial summary

Income statement

Continuing operations	2010 £m	2009 £m	2008* £m	2007* £m	2006 £m
Revenue	**202.6**	176.7	250.3	173.4	116.6
Cost of sales	**(8.0)**	(8.3)	(7.5)	(3.3)	–
Trading profit	**194.6**	168.4	242.8	170.1	116.6
Administrative expenses	**(160.1)**	(145.8)	(190.9)	(143.7)	(98.6)
Impairment of intangible assets	**–**	–	(13.9)	–	–
Operating profit	**34.5**	22.6	38.0	26.4	18.0
Profit before taxation	**32.4**	22.5	39.2	31.6	22.1
Taxation	**(8.9)**	(5.6)	(16.4)	(10.2)	(7.2)
Profit for the year	**23.5**	16.9	22.8	21.4	14.9

* Before exceptional item.

Cash flow

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Net cash inflow/(outflow) from operating activities	**42.3**	(18.0)	57.9	52.4	8.4

Balance sheet

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Non-current assets	**56.1**	74.8	87.2	98.9	90.7
Trade and other receivables (including income tax receivable)	**28.9**	30.6	55.2	44.2	31.1
Current asset investments	**11.4**	–	–	–	–
Cash and short-term deposits	**176.3**	143.2	184.4	115.3	74.8
Current liabilities	**(149.9)**	(90.5)	(159.0)	(106.3)	(70.1)
Non-current liabilities	**(6.4)**	(61.3)	(65.4)	(68.1)	(61.1)
Net assets	**116.4**	96.8	102.4	84.0	65.4

Statistics

	2010	2009	2008	2007	2006
Earnings per share – basic	**125.4p**	90.0p	41.9p	101.9p	86.6p
Dividend per share	**47p**	43p	42p	40p	36p

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