Clarkson PLC

Annual Report 2011

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IBC Principal trading offices

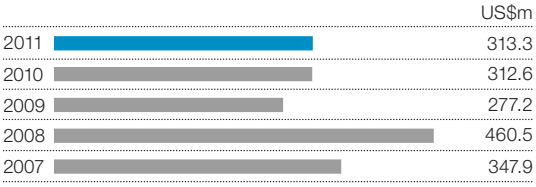
We are focused more than ever before on being able to deliver what our clients want, underpinned by the depth of our research and the strength and talent of our teams.

While overall economic conditions remain challenging, there are areas which continue to grow and as market leaders in the shipping industry with an unrivalled breadth of offer and global reach, we continue to deliver a strong performance.

Group performance

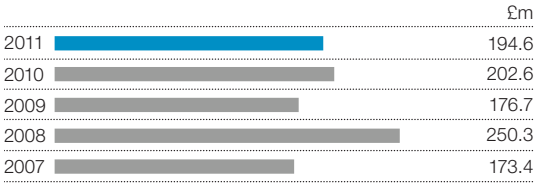
Revenue

US$313.3m



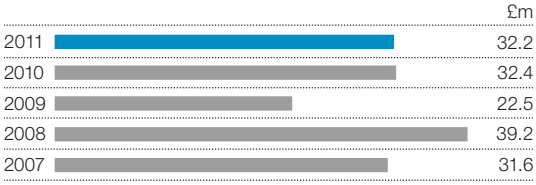
Revenue Sterling equivalent

£194.6m



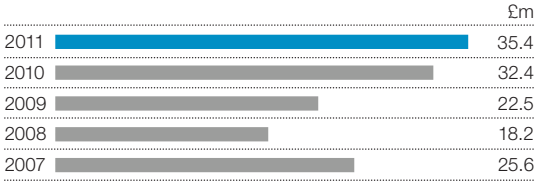
Profit before taxation (before exceptional item)

£32.2m



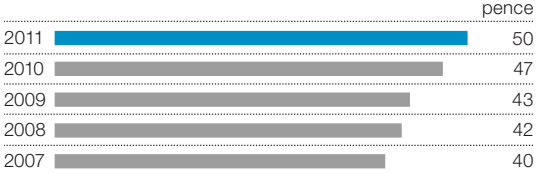
Profit before tax (after exceptional item)

£35.4m



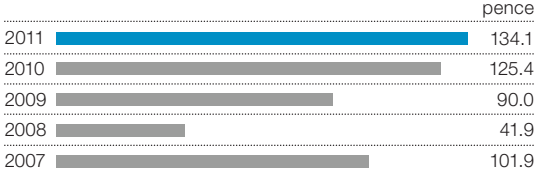
Dividend per share

50p



Earnings per share (after exceptional item)

134.1p



reach

With 34 offices in 15 countries we provide local delivery of our global expertise. We now employ more brokers outside than inside the UK and last year we celebrated 30 years of our local presence in the Asian market.

Chairman's review

"We enter 2012 encouraged that the strategy which we have evolved during the last few years is proving itself through the delivery of these results."

2011 has seen some of the most turbulent trading conditions witnessed in the shipping markets for some time. Natural disasters in Japan and Australia in the first half of the year were followed by the European financial crisis and deepening macroeconomic uncertainty.

In these challenging trading conditions the group has delivered an excellent performance, firmly reflecting the strength of Clarksons' strategy. We have continued to leverage our unrivalled breadth and expertise which gives us the capability to offer clients the services and support they require.

This powerful service offer combined with our broad geographic reach has not only enabled us to maintain and grow market share across our broking business wherever possible but has also positioned us to take important steps forward in other areas, such as investment services, where we advised on some of the most significant deals in the sector during the course of the year.

Supported by a strong balance sheet and the cash generative nature of our business, we have taken advantage of organic and acquisitive opportunities to further strengthen our teams and broaden the services offered to our clients. During 2011 these have included significant personnel hires, the acquisitions of Boxton Holding and Bridge Maritime expanding our presence in Scandinavia, and the acquisition of EnShip which further develops our port and agency services to cover Scotland and the offshore market.

Results

Underlying profit before tax of £32.2m was broadly the same as the previous year (2010: £32.4m). After a small increase in the level of taxation incurred by the group, this profit resulted in an underlying earnings per share of 121.5p (2010: 125.4p).

The anticipated fall in operating profit, due to the weaker US dollar and challenging market conditions has been offset by the effects of management decisions over the previous 12 months to reduce financing costs and exit unprofitable business lines.

The settlement of the costs element of litigation previously announced, gave rise to an exceptional credit of £3.2m (2010: £nil).

Dividend

The board is recommending a final dividend of 32p (2010: 30p). The interim dividend was 18p (2010: 17p) giving a total dividend of 50p (2010: 47p). The dividend is covered 2.7 times.

The dividend will be payable on 8 June 2012 to shareholders on the register as at 25 May 2012, subject to shareholder approval.

Board

After more than seven years on the board, Martin Stopford will be standing down from the board with effect from today. On behalf of the board I would like to thank Martin for his unceasing hard work and commitment and his role in building Clarkson Research into a highly successful and strategically important division. We are delighted that Martin will continue as consultant in maritime economics to the group and as president of Clarkson Research Services. There are currently no plans to replace him on the PLC board.

On 10 February 2012, Paul Wogan, non-executive director, resigned from the board of Clarksons. Paul has taken a senior executive position at GasLog, a company in the gas shipping and maritime sector and therefore stepped down immediately to avoid any potential conflict of interest and dedicate himself to his new, full time, executive role. Paul's experience and guidance has been invaluable and on behalf of the board I would like to thank him for his significant contribution to the company.

The board is currently conducting a search for a new non-executive director and an announcement will be made in due course.

Future

We enter 2012 encouraged that the strategy which we have evolved during the last few years is proving itself through the delivery of these results. We have maintained or grown market share in challenging conditions and this, combined with the investments made over the course of the year, position the business well in a still uncertain maritime economic environment.

Bob Benton Chairman

breadth

The comprehensive range of our offer enables us to deliver what customers want. We are a leader in all our markets – recognised with awards such as Best Maritime Service Provider – and continue to grow market share.

Chief executive's review

"Clarksons is a truly international business. Our global footprint, with teams in all major shipping hubs, enables us to be close to our client base and gives us unparalleled insight into markets."

Strategic positioning

In the last year Clarksons has risen to the challenges of both an extremely tough macroeconomic environment and depressed maritime markets, represented by falling freight rates and reduced asset values in most sectors. Nevertheless, even against a harsh backdrop of difficult trading conditions, opportunities do arise and in 2011 seizing these opportunities became the priority. We believe our ability to optimise our market position lies in the experience provided by our proud heritage and the strategy we have evolved, which puts unbeatable client service at the centre of our offer. Clarksons' strategy to meet the needs of our clients is underpinned by our people, our global reach, the breadth of our business, market leading technology and an unrivalled research capability. These elements have helped us secure growth in transaction volumes in the last year and take market share, bolstering our already leading position in most of the markets in which we operate. 2011 was characterised by volatility, a weak economic picture, fluctuating exchange rates and the continued imbalance between supply and demand. That Clarksons emerged with broadly similar trading performance is testament to the commitment to and integrity of our strategy.

People are the drivers behind this strategy and, once again, Team Clarksons has delivered superior performance across the board. Hard work and enthusiasm aligned with professionalism have been essential qualities to move our business forward. Market understanding, local and global knowledge combined with a 'can do' attitude help service and secure customer relationships.

Our teams achieve best in class performance and Clarksons is committed to maintaining those high standards through training and education. Although we already have the most extensive training programme in the sector, we are committed to continually improve and extend training and education for all levels of the company. We are confident this will continue to raise the bar and deliver the highest standards. I am also delighted to welcome new members to the Clarksons team as we have seized the opportunity in the last year to strengthen our core with a number of key hires complementing both our offer and our geographical reach.

But as well as helping develop skills it is important to give people the right tools to implement them. Our commitment to IT means each department now has the ability to create their own bespoke platform from which to deliver best in class information and service to clients. Research remains core to everything we do and investment has helped drive success, with very good growth in digital sales and a successful launch of offshore products.

Clarksons is a truly international business. Our global footprint, with teams in all major shipping hubs, enables us to be close to our client base and gives us unparalleled insight into markets. During the year we took a major step in expanding our presence in Scandinavia with the acquisitions of Boxton Holding and Bridge Maritime, both Oslo-based shipbroking businesses. Integrating these businesses with our existing Norwegian operation has enabled the enlarged team to significantly expand the offering to clients. Our geographical reach was also enhanced with the acquisition of EnShip, the Aberdeen-based shipping agency and marine industry logistics specialist.

That deal also enabled us to broaden our port and agency services to existing and new customers in bulk shipping, offshore and renewable industries.

Not only did these acquisitions improve our offer, they brought with them talented individuals to further bolster Team Clarksons. Our status elsewhere in the world was underlined when we were honoured with the Best Maritime Service Provider accolade at the biennial Singapore International Maritime Awards ceremony. It recognised the efforts made by Clarksons in Singapore to support and improve the local shipping environment, contributing to Singapore's development as a major port and international maritime centre. It was especially fitting because last year marked the 30th anniversary of Clarksons serving locally the dynamic Asian market.

While the depth and severity of the downturn cannot be predicted, our long experience in these markets has given us the ability to anticipate and respond to change. The actions we took in managing our cost base, exiting non-profitable and non-core businesses and reducing financing costs were done with appropriate timing. Our balance sheet has strengthened considerably in recent years, which gives us both security and the flexibility to seize opportunities as they arise. Our cash generation and the stewardship of that money saw us end the year in a strong position.

We are well aware of the constraints many of our clients are under with the tightening of the financial markets. As part of our continuous push to offer clients better and wider services Clarkson Capital Markets (CCM) is helping our clients find new sources of equity and debt.

Indeed the CCM team has closed a number of significant transactions and has continued to secure a number of mandates both alone and in cooperation with our heritage broking business, reinforcing the unity of our strategy.

Current trading and outlook

Our commitment to world class client service, supporting a range of needs with a truly global reach, offers our clients a real market edge and we have benefited from a flight to quality in these difficult times. We believe our unceasing efforts to serve and deliver the right solutions, backed by validation, in depth research and analysis combined with the best teams in our industry, mean we remain the number one choice for clients.

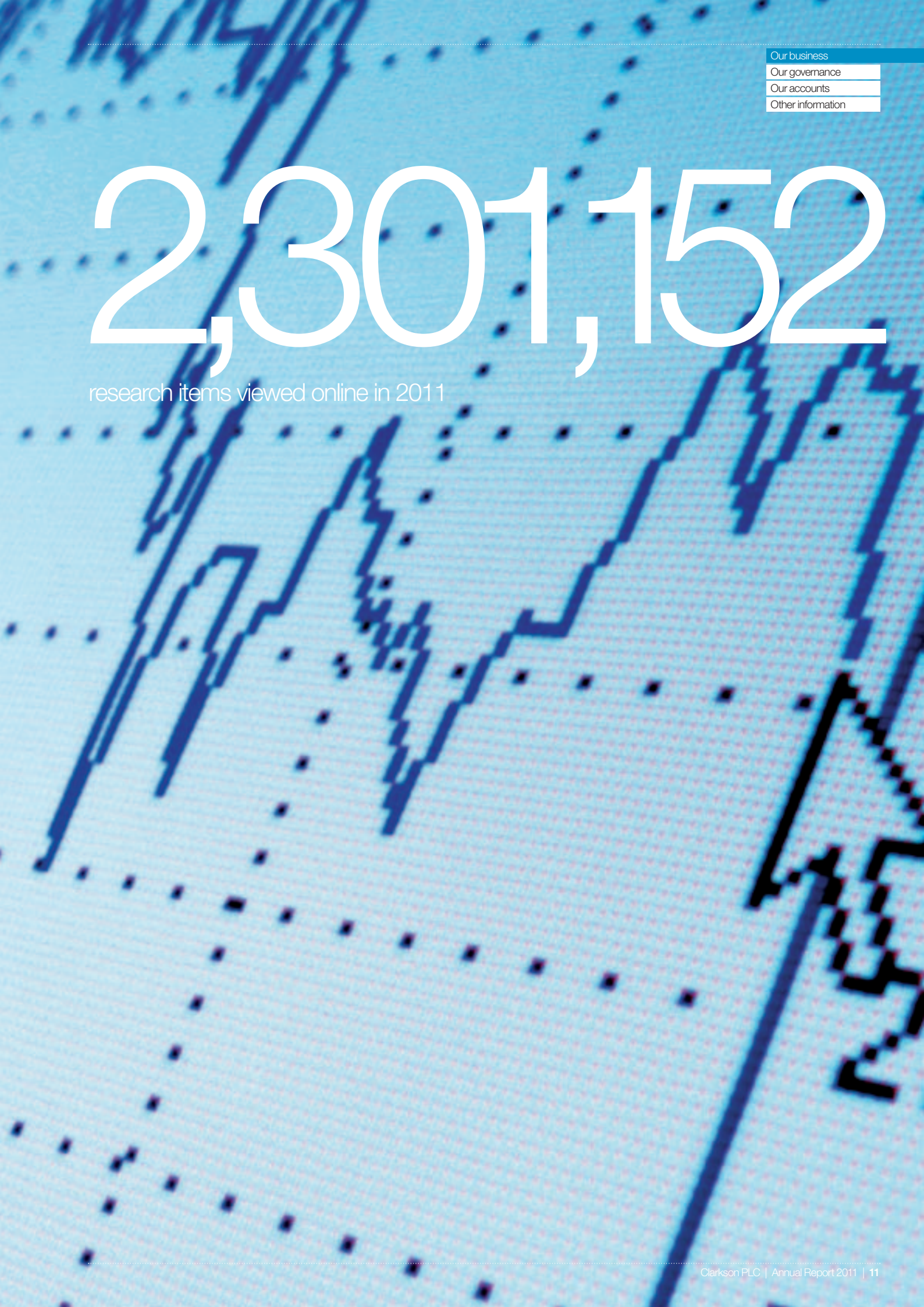
The demand/supply imbalance that I have spoken about consistently for the past three years is still with us in many markets. Consequently the spot markets remain weak reflecting the uncertain short-term outlook. Nevertheless, we have started the year with a similar forward order book to a year ago which again demonstrates our ability to execute opportunities as they arise. Tight shipping finance is likely to continue to constrain clients, but gives us opportunities within our financial division to work with them to meet their needs.

While the macroeconomic picture will inevitably continue to set the tone for the year ahead, we are confident we have the strategy and balance sheet in place to meet challenges and seize the growth opportunities as they present themselves.

Andi Case Chief executive

depth

Our world-leading market research underpins our business. From long established expertise, with Shipping Intelligence Weekly marking its 20th anniversary last year, to new initiatives, such as our offshore research business, we offer an unrivalled depth of knowledge.


2,301,152
research items viewed online in 2011

Divisional performance

"Clarksons leads the market in shipping services. We have been at the heart of shipping since 1852, always putting our clients first."

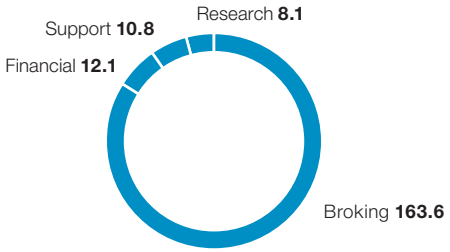
Strength in depth across our divisions has served us well in a difficult year for the shipping industry. The breadth of our operations not only supports us through volatile conditions, but enables us to provide a fully comprehensive service to clients. In addition, our market leadership position has proved appealing to clients, whose flight to quality in difficult times has helped us grow market share.

Against a backdrop of macroeconomic uncertainty and natural disasters, the demand/supply imbalance of recent years continued and, as a result, the prevalence of spot market trading remained and freight rates were under pressure. However the scale and expertise of Clarksons' broking business meant there were real areas of progress. We were also able to increase our global footprint to better serve clients and make key hires to further enhance our world class team. The skills of our people and the ability to deliver that expertise to clients when and where they want it are major strengths of the company.

Our financial offer is gaining momentum with a range of services and expertise appealing to clients faced with difficult banking markets. The support division has expanded its service with acquisitive and organic growth. Finally, our world leading research and analysis teams not only give us a dynamic business stream but also provide us with an unrivalled depth of knowledge and understanding to underpin the services we offer clients.

Revenue £m

Total: £194.6m



Segment results £m

Total: £37.3m

Broking	35.9
Financial	(2.3)
Support	1.7
Research	2.0

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$263.4m

	US$m
2011	263.4
2010	261.7
2009	218.2
2008	355.7
2007	271.5

Financial

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

Revenue

US$19.5m

	US$m
2011	19.5
2010	17.3
2009	23.4
2008	62.4
2007	40.7

Support

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

Revenue

£10.8m

	£m
2011	10.8
2010	14.8
2009	16.0
2008	17.0
2007	11.7

Research

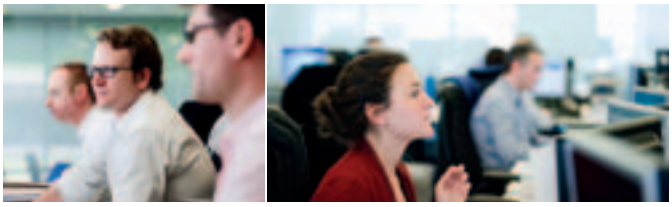
Up-to-the-minute intelligence is the cornerstone of any shipping organisation and Clarkson Research Services is recognised throughout the maritime world as the most comprehensive and reliable information provider.

Revenue

£8.1m

	£m
2011	8.1
2010	7.0
2009	6.7
2008	6.1
2007	6.0

Broking



Revenue

US$263.4m

2010: US$261.7m

Segment result

£35.9m

2010: £41.3m

Forward order book for 2012

US$91m*

At 31 December 2010 for 2011: US$92m*

*Directors' best estimates of deliverable FOB

Dry bulk

The dry bulk market experienced contrasting fortunes during 2011.

The capesize sector suffered from both natural disasters and extreme weather conditions in the first half of the year, which combined to disrupt iron ore and coal demand during the period. Average earnings for the sector were further hit by a record number of newbuild deliveries in January. However, during the second half of the year the market recovered dramatically as fleet growth was countered by a return to trade flow.

In contrast the panamax, supramax and handysize market sectors performed relatively strongly, although earnings were at a significant discount to 2010.

For Clarksons, regional consolidation remains an important strategy in the growth of our dry cargo business. We placed particular focus on the Australian and South East Asian markets over the course of the year, significantly strengthening our teams in these regions. Overall, the pleasing growth in our market share achieved by our team continues to mitigate the fall in average earnings within the dry cargo market.

Demand growth remains healthy for raw materials and we expect volatility to remain whilst the market struggles with the continued demand/supply imbalance.

Containers

Despite a healthy 8% growth in global trade volumes in 2011, consistent with the long-term average, revenue growth in the container sector was held back by several factors. These included downward freight rate trends on mainline East-West trades and oversupply, following a large order book delivery, as well as a rapid acceleration in the number of newbuildings in the second half of the year.

Faced with this uncertain picture, the container shipping lines took a more conservative approach in terms of assets with consolidation, rather than expansion, becoming the focus, including the redelivery of timecharter tonnage or reletting surplus owned tonnage.

Against this difficult backdrop the Clarkson team managed a very credible performance. We strengthened our teams in London, Singapore and Shanghai with further hires in these regions expected this year which assisted the division in winning significant new clients in 2011. As and when the rates and values recover we are well placed to participate in any renewed activity. With a sector averaging long-term growth of around 8% the container industry is well able to recover faster than might be expected, and whilst today we still see the effects of the 2008 crash and the tail end of the building spree which still needs financing in many cases, this hangover will not last forever.

Deep sea

The deep sea tanker market in 2011 continued to be extremely challenging. Nearly all market sector earnings for owners were appreciably down. The VLCCs, the largest crude oil carrying vessels, were hit particularly hard with a 55% collapse in their average daily earnings with VLCC rates giving returns of less than US$20,000 per day in 2011. The suezmax and aframax markets also came under immense pressure with rates down 39% and 27% respectively.

Crude freight rates continue to suffer the perfect storm of tonnage oversupply and a weak global economy. However, Clarksons' deep sea business has proved very robust and has maintained its pre-eminent position across the whole crude market sector and grown market share wherever possible.

The market for ships carrying refined oil products has been equally challenging with the exception of the medium range market which showed a small 3% increase in earnings.

The tanker market has also had to contend with the impact of the Arab Spring which saw disruption to oil supplies, affecting Libya in particular. The market has also been impacted with ongoing sanctions against Iran which seem set to be strengthened further. The Clarksons deep sea team has continued to expand globally, with all five centres, London, Singapore, Houston, Geneva and India, able to offer an unparalleled service and market coverage. We believe our teams are well placed to take advantage of any market improvement.

2012 may prove to be a challenging year, with heightened Middle East tensions, however, the outlook is more positive in some of the Far Eastern economies, with China very much at the forefront with ever greater energy requirements. Although India is a less industrial economy, potential for growth there remains strong. Significant changes in refining capacity and location will have an impact on trade flows within the deep sea market in 2012 and beyond. In difficult market conditions many of our clients are demanding ever more added value service and, following the investments made in this area of our business, we are well placed to meet the greater demands of the deep sea tanker client base.

Specialised products

The Clarksons specialised products team entered 2011 in a strong position, but aware the year ahead would be challenging for all market participants. General global uncertainty had created a widespread pessimism within the shipping industry and specialised products felt these effects during the year, despite some respite created by the long-term contractual nature of the business.

Set against this challenging backdrop, an overcapacity of tonnage remained throughout 2011 preventing any sustained recovery in freight markets. As we enter 2012 we are finally seeing a dwindling in the impact upon freight rates of oversupply, encouraged by a further reduction in the newbuilding programme due to high cost barriers and continued scrapping of vessels.

With the backdrop of tapering demand, some emerging markets did contradict the trend by increasing global and regional demand within the specialised sector. Some important highlights in the final quarter of 2011 were quarter-on-quarter spot rate increases on the Houston-Far East and Rotterdam-Far East routes seemingly driven by China's desire to boost inventory levels prior to their New Year celebrations and US exporters' requirement to ship volumes by year-end for tax purposes.

Clarksons' specialised products team work closely together across seven key international locations. Over the course of the year the team increased market share by continuing with a strategy of regional growth and further developing our relationships with existing and potential clients through our extensive and high value service offer.

Petrochemical gases and small LPG

The market witnessed strong trading conditions across the petrochemical sector in the first half of the year, before starting to soften from Q3 through to the year end, as margins came under pressure and cracker utilisation levels were reduced. Volumes of seaborne petrochemical gases were down year-on-year, as expected, although to a lesser extent than predicted. However, the market was supported by fairly static fleet supply and longer haul movements generated by the stoppage of Libyan exports and maintenance at the Targa terminal in Houston, which lowered US ethylene exports. This, in turn, gave support to additional sea tonne-miles and consequently helped to underpin freight levels.

Broking
continued

With demand for polymers tapering off, producers have reduced cracker production levels taking liquidity out of the market. This has resulted in more challenging trading conditions. Seaborne petrochemical gases are expected to reduce yet again this year as downstream plants come online. This is combined with additional shipping capacity entering the market and the potential return of production from regional plants which will impact tonne-miles.

By nature the market is characterised by a high level of term coverage, giving protection to both owners and charterers during respective market challenges.

The petrochemical gas and coastal desk expanded their team in 2011 enabling them to increase their client base despite deteriorating market conditions as the year lapsed.

Gas

As we predicted a year ago, gas shipping markets showed general improvement in 2011 having endured several difficult years, particularly for the VLGC sector, which had a vigorous upturn in the second half of the year after an uninspiring start. Rates made a strong recovery following the Japan disaster which, in turn, created a spike in LNG demand and an increase in associated LPG volumes available for export from Qatar. Similarly, Saudi Arabia boosted crude exports in response to the Libyan crisis and this, together with some domestic technical issues, caused them to increase associated LPG exports. Tonne-mile demand was then further enhanced by a wave of longer haul movements from the Middle East into the West as a result of which owners were able push rates upwards. Rates, however, weakened considerably again towards the end of the year.

Smaller sectors (LGC, MGC, handysize) also fared well thanks to growth in ammonia volumes moved by sea, augmented by additional tonne-mile trading patterns and the improved LPG and petrochemical gas trades across the various size ranges. The Clarksons teams gained market share, particularly in our LPG commodity and derivative brokerages where trading was particularly challenging.

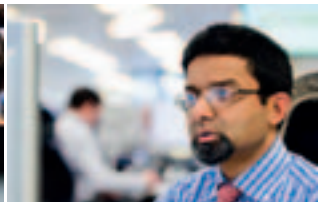
Of particular note in 2011 was Clarksons' decision to bring the gas and LNG activities closer together, benefiting from several synergies and common customers. Whilst the LNG activity has gone through considerable structural change much was achieved and the sector was able to make inroads against our competitors which we expect to continue in 2012. Both the gas and LNG teams were further strengthened with new hires and we have expanded our activity with broking in Singapore where there will be further growth in 2012.

The outlook for gas remains positive in 2012, potentially on a par or slightly better than 2011 in terms of volumes traded. Regardless of what transpires, we are well placed to further increase our market share thanks to the importance we have placed on covering virtually every gas-related activity, from derivative to asset, strongly supported by dedicated analysts and operations staff. Overall the Clarksons gas team can report a very pleasing year with substantial growth both in number of deals and market share.

Sale and purchase

Secondhand

Despite a challenging trading backdrop, with lack of industry finance and sharply falling prices in many markets, Clarksons' sale and purchase team delivered a strong performance, by producing a consistent result on the previous year.



Whilst our largest commitment remains in the larger fleets of the dry and deep sea tanker sectors, the company has expanded the focus and expertise across the group in order to deliver a highly focused service to all our clients in the freight markets. This has begun to bear fruit, most notably in the container, gas, and offshore markets but also for 2012 we have expanded our team in the specialised tanker sector.

Whilst overall transactional liquidity is significantly down in the market, we have increased the number of sales of older tonnage, including demolition, and this team is due to expand further in 2012. The overall performance of secondhand is in part down to the team's ability to also close some of the more significant transactions of the year. Teaming up with our financial division has added a further piece to the service provided and together the teams have worked well to close a number of transactions including a major fleet transaction.

Whilst it is generally accepted that 2012 is going to be tough for the shipping markets due to the continued oversupply of vessels, we anticipate the downturn will continue to put downward pressure on prices which have now returned to more historic levels, which some clients see an opportunity to buy tonnage at a sensible level in order to position themselves well for a turnaround on freight.

We feel well placed to assist such clients and at the same time feel confident of being able to benefit from the undoubted increase in the sale of older assets and demolition activity that invariably accompanies a depressed freight market.

Offshore

2011 saw a steady improvement on the chartering side across all sectors of the offshore market with utilisation continuing on an upward trend. This in turn has led to a slow increase in charter rates and we anticipate 2012 to continue along the same vein.

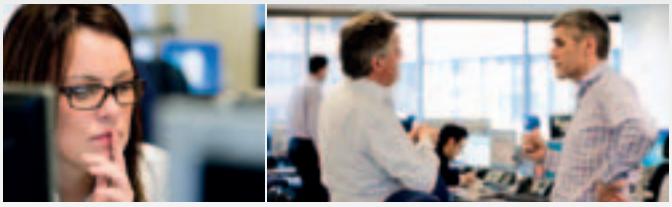
Clarksons' offshore team has taken advantage of the optimism that we are at the beginning of an upward cycle for offshore and have had considerable success in the newbuilding market on both the drilling and vessel sides driven by our dedicated teams in Houston and London. This success is in an area where we intend to continue to strengthen our dominance for 2012. With regards to the sale and purchase part of the market, we have grown our teams in Singapore and London and in a very illiquid market have managed to finalise a significant portion of the competitive business that was available in 2011. Our dedicated supply vessel chartering teams in Aberdeen and Singapore have also grown, not just in terms of personnel, but also revenue and have been successfully fixing vessels on behalf of a number of major clients. We fully expect revenue to increase in 2012 as we not only increase market share, but also see charter rates steadily improve.

Newbuilding

Following very low additions to the order book in 2009, 2010 saw some recovery in orders at lower levels. As 2011 got going, the onset of a deepening eurozone crisis and the increased stress from a banking system that was arranging finance for a large order book still to deliver, created a sudden change in the environment, and the year ended with the global order book again lower than that of 2010. However, some areas of business were more positive and, where they were, Clarksons managed to secure some significant transactions in sectors including the higher value offshore and gas markets.

2012 will remain challenging for shipyards, and this will lead to some opportunities. Through our strong client base we believe we are well placed to take full advantage of these opportunities.

Financial



Revenue

US$19.5m

2010: US$17.3m

Segment result

£2.3m loss

2010: £4.3m loss

Forward order book for 2012

US$1m*

At 31 December 2010 for 2011: US$3m*

*Directors' best estimates of deliverable FOB

Futures broking

Against a backdrop of lower market values and a 5% reduction in volumes in the dry bulk FFA business, Clarkson Securities has continued to perform well, having increased market share and reduced its costs.

Despite early 2012 market values falling in a very similar pattern to 2011, we are confident that we have the teams in place to take advantage of the activity levels that this volatile market will continue to produce.

We aim to move our Asian team from Hong Kong to Singapore and Shanghai in Q2 to further grow our share of the iron ore sector and to service the increasing appetite amongst our Asian dry clients for trading within the Asian daytime.

Financial services

At the start of 2011 there was a certain amount of optimism in the banking markets and there appeared to be green shoots of recovery with a return to increased activity. However, this was brought to an abrupt halt at the end of summer as the European banking crisis intensified.

Financing for ship lending is predominantly driven by European banks. A number of these banks are now exiting shipping or downsizing their operations and this will again change the landscape of ship finance. Whilst the latter part of 2011 was therefore challenging in the banking markets and ship finance remains tight, this adversity has created a number of opportunities for those in a position to take advantage.

For Clarksons, the measures taken in 2010 in respect of reshaping our team has paid dividends, resulting in the closing of a number of high profile debt transactions during the course of 2011. The team is now integrated into the broader Clarksons business, supporting many of the activities across our broking businesses and adding value to our broader client base.

Investment services

2011 was a year of strong momentum for Clarkson Capital Markets (CCM). With existing offices in Dubai, Houston and London, CCM recently opened its office in New York and is now a registered broker dealer with the Financial Services Regulatory Authority (FINRA) in the United States. The team has worked on a number of mandates during the course of the year including the appointment as adviser to CIDO Tanker Holding to advise on the sale of a fleet of product tankers to Diamond S, as well as primary and secondary fundraisings.

Although the global equity and debt markets continue to be challenging for the maritime sector, CCM is cautiously optimistic that its commitment to the global oil services market will result in successful financings in 2012, particularly in the high yield debt market. Moreover, CCM has a strong backlog of advisory assignments with several sovereign wealth funds and private equity funds, which, coupled with beneficial integration with other divisions of Clarksons, should result in several successful mandates.

CCM also issues investment research on a number of quoted shipping and oil service companies. This is likely to expand together with broking research to give the most informed view available in the sector.

Research

Revenue

£8.1m
2010: £7.0m

Segment result

£2.0m
2010: £1.5m

Despite the difficult market, research revenues grew briskly during 2011, reaching £8.1m (2010: £7.0m). This continued growth was helped by the successful re-launch of the offshore research business. During the year a range of new products were marketed, including Offshore Intelligence Monthly, a series of offshore structures registers, another series of oilfield directories, and a range of oilfield maps published digitally from the Clarkson global offshore geographic information system database.

Clarkson Research Services (CRSL) focuses primarily on the collection, validation, analysis and management of data about the merchant shipping and offshore markets, though in recent years the provision of customer service contracts to a range of large corporate and institutional customers in the shipping market has provided an important source of value-added. With extensive databases using the latest information management technology, CRSL is now established as one of a very small number of leading information providers to the shipping and offshore markets.

CRSL derived its income from the following principal sources:

Digital sales

Database product sales continued to grow, benefiting from the expansion of Shipping Intelligence Network sales. This was supplemented by the World Fleet Register which is now well established as an authoritative source of information on the world merchant fleet. During 2011 revenues were up by 17% on the previous year.

Registers, directories and periodicals

CRSL produces weekly, monthly and quarterly publications, available both in print and online, plus a range of registers and directories covering the shipping market. In addition the investment in the offshore database produced a range of new offshore registers, directories and maps. Overall hard copy sales, including advertising, increased by 5.5% and when digital distribution of these books and periodicals is taken into account, global distribution continues to grow. Shipping Intelligence Weekly, our flagship product, marked its 20th anniversary in 2011 and remains as popular as ever.

Customer services

A specialist team concentrates on bespoke research for banks, shipyards, engineering companies, insurers and other corporates, including ship valuations. In recent years this has become a significant growth area, and in 2011 sales, including valuations and offshore research services, increased by 12%.

Offshore products

The launch was well timed to coincide with an active offshore oil investment market and offshore sales increased by 29% during the year.

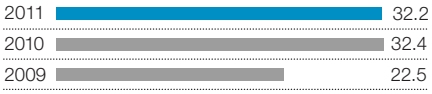
Overview

At the beginning of 2011, expectations were that

Financial review

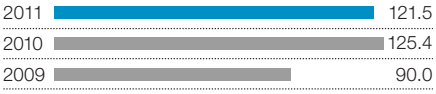
Profit before tax (before exceptional item)

£32.2m



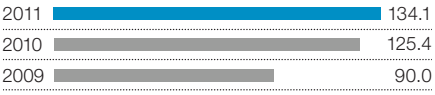
Basic EPS (before exceptional item)

121.5p



Basic EPS (after exceptional item)

134.1p



Acquisitions

In November 2011 Clarkson Port Services acquired EnShip Limited, an Aberdeen-based shipping agency and marine industry logistics specialist. In December 2011 Clarkson Norway acquired Boxton Holding AS and Bridge Maritime AS, both Oslo-based shipbroking businesses with extensive experience in sale and purchase, newbuilding, leasing and project broking across all shipping markets. These acquisitions gave rise to an increase in goodwill and intangibles of £7.7m.

Recent amendments to accounting standards under IFRS have meant that elements of the deferred consideration are to be deducted from reported profits as an employee cost, on the basis that this is linked to continued employment within the group. No amount was charged to the income statement in 2011. It is estimated that the 2012 charge, which will be treated as an exceptional item, will be £1.1m. Additionally, in 2012 there will be a charge for the amortisation of intangibles acquired amounting to £0.5m.

Cash and borrowings

The group remains cash generative, after the increased levels of tax, dividend and cash required for working capital. During the year, bank borrowings were repaid in full, the remaining seed capital previously assigned to our hedge fund activity was realised and three acquisitions were made. The group ended the year with cash balances of £132.9m (2010: £176.3m). During 2012 cash payments relating to 2011 will be made including performance-related bonuses. After deducting these items, net cash and available funds amounted to £71.1m (2010: £62.5m, after deducting the borrowings). The group maintains a multicurrency revolving credit facility of £25m; there are no current plans to draw down on this facility.

Balance sheet

Net assets at 31 December 2011 were £123.3m (2010: £116.4m). There has been a further improvement in the quality of the balance sheet whereby, before pension provisions, the group had £68.3m of net current assets and investments less non-current liabilities as at the end of 2011 (2010: £62.9m).

A detailed review of our businesses has demonstrated no need for an impairment charge in 2011.

The group's pension schemes have a combined liability before deferred tax of £6.6m (2010: £0.8m). Increases in pension investment returns only partially offset the effects on the liabilities of reduced discount rates.

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.

The group assesses the rate of exchange and non-sterling balances held continually, and has predominantly sold in the spot market during 2011, though some forward cover for 2012 and 2013 has been taken.

Interest rate risk

During the year, 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 160 years, and relies upon this to attract business from all major participants in its markets. Clarksons protects against reputational risks by promoting an ethical work environment and providing training programmes where appropriate. The investment in compliance, quality assurance and legal functions also act to ensure that best practices are put in place throughout the group.

Operational risk

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

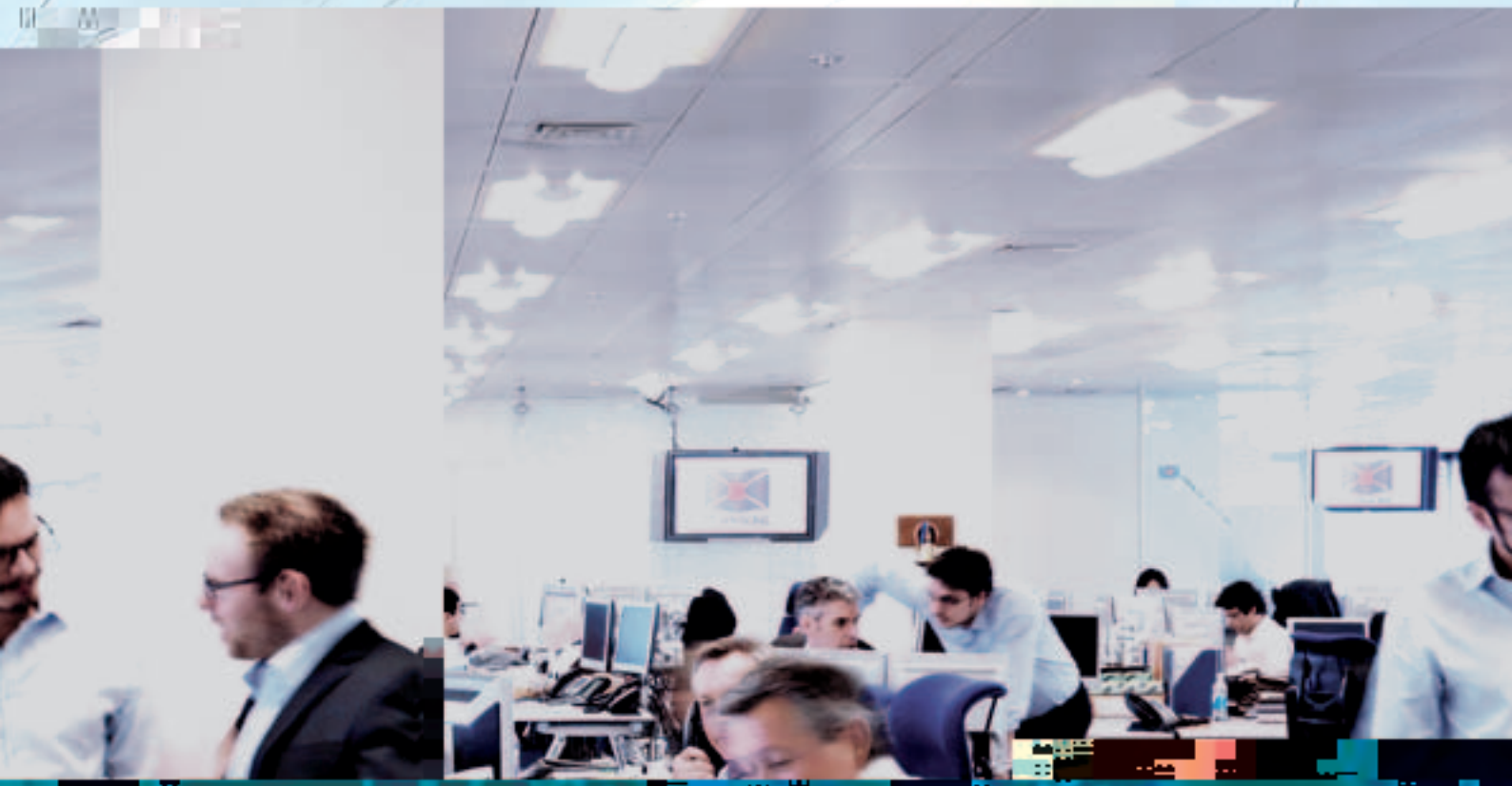
Jeff Woyda Finance director

strength

The world class skill and talent of our people is at the core of our offer. Our 907 employees have unrivalled experience and capability and we continue to invest in further strengthening Team Clarksons.

907 people

with world class skill and talent



Board of directors

From left: Bob Benton, Andi Case, Jeff Woyda

Bob Benton Chairman (Non-executive)

Bob Benton, 54, 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, and 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, and 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, and 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. In March 2011 he was appointed as a non-executive director of Talent Group PLC.

Andi Case Chief executive

Andi Case, 45, 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, 49, 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.

Ed Warner, James Morley

Ed Warner Non-executive director

Ed Warner, 48, 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, 63, 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 Arjo Wiggins 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, BMS Associates Ltd and Acumus Ltd. Previously he was a non-executive director of The Bankers Investment Trust PLC, WS 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 2011, which were approved by them on 7 March 2012.

Principal activities and business review

The principal activity of the company during the year was that of an investment holding company, whose subsidiaries were primarily involved in the provision of shipping related services. A review of the group's performance and likely future developments is contained in the chairman's review, the chief executive's review, the business review and the financial review on pages 4 to 23.

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 23.

Group results and dividends

The results of the group, giving details of the profit, dividends and retained earnings are shown on pages 44 to 46. An interim dividend of 18p (2010: 17p) was paid in September 2011. The directors are recommending a final dividend, if approved, of 32p (2010: 30p), payable on 8 June 2012 to shareholders registered at the close of business on 25 May 2012, making a total dividend for the year of 50p (2010: 47p) per share.

Share price

The closing market price of the shares at 31 December 2011 was £11.48 (31 December 2010: £11.31) and the range during 2011 was £10.15 to £13.55 (2010 range: £7.40 to £11.31).

Directors

The following have been directors during the year ended 31 December 2011: Bob Benton, Andi Case, James Morley, Martin Stopford, Ed Warner, Paul Wogan and Jeff Woyda.

On 10 February 2012 Paul Wogan announced his resignation from the board. Paul is taking a senior executive position with a company in the gas shipping and maritime sector and has stepped down to avoid any potential conflict of interest. On 7 March 2012 Martin Stopford announced his retirement from the board with immediate effect.

The directors of the company as at the date of this report are shown on pages 26 to 27.

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

Re-election of directors

The company's Articles of Association require one-third of the directors who are subject to retirement by rotation to retire and submit themselves for re-election at the Annual General Meeting (AGM) each year. Jeff Woyda and Ed Warner will retire by rotation, and being eligible, offer themselves for re-election in 2012. 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.

Directors' indemnities and insurance

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.

Substantial interests

The company has been notified of the following substantial interests in its issued share capital as at 1 March 2012 (being the latest practicable date prior to the approval of these accounts):

Employees and employee share trusts	23.7%
Blackrock Inc	4.8%
Kames Capital	3.8%
Armor Advisers LLC	3.3%
First Pacific Advisers LLC	3.2%
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 41, in its issued share capital.

As at 1 March 2012, employees directly held 6.5% of the company's share capital and 17.2% was held by employee share trusts for use under the company's various incentive schemes.

Share capital and control

Details of the company's share capital are shown in note 22 to the financial statements.

The rights and obligations attached to the company's ordinary shares are set out in the company's Articles of Association, copies of which can be obtained from Companies House in the UK.

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 assist them to continue in their current role or to find continuing employment within the group where possible.

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's core strength is its people and attracting and retaining the best is key to its success.

The company depends on the skills and commitment of its employees and ongoing training programmes seek to update knowledge and ensure that the company's goals are met in a correct and efficient way.

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 and diversity.

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 earning significant bonuses generally receive 10% in the form of restricted shares which vest after four years. A new share save plan is being launched which will give employees a further opportunity to share in the company's success. Employees holding restricted shares are entitled to dividends and voting rights.

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 review, the business review and the financial review on pages 4 to 23. 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 22. 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.

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 £169,000 (2010: £103,000).

No political contributions were made.

Report of the directors continued

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.

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 be held on 11 May 2012 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

7 March 2012

Corporate governance statement

The board recognises the importance of good corporate governance increasing a sustainable, successful and profitable business. Strong governance is crucial in helping the business to deliver its strategy, generating shareholder value and safeguarding the long-term interests of the company's shareholders.

As required by the Listing Rules, this section on corporate governance, together with the directors' remuneration report on pages 35 to 41 details how the company has applied the principles set out in the UK Corporate Governance Code (2010) (the Code) The directors consider that the company has complied with the Code throughout the year. The company considers corporate governance critical to its business integrity and to maintaining investors' trust.

The following outlines how the company has applied the main supporting principles and provisions of the Code.

The board of directors

The board comprises a balance of executive and non-executive directors who have a wide range of skills, experience and knowledge. The non-executive directors fulfil a vital role in corporate accountability and have a responsibility to ensure that the strategies proposed by the executive directors are fully discussed and critically examined, not only in the best long-term interests of shareholders, but also to take account of the interests of clients, employees and other stakeholders. Through their mix of skills and business experience, the non-executive directors contribute significantly to the effective functioning of the board and its committees. The board meets at least four times a year and the directors' attendance at the meetings is shown in the table on page 32. Biographical details are shown on pages 26 and 27.

The board provides effective leadership and overall control of the group, setting a framework of prudent and effective controls to enable risks to be properly assessed and managed.

There is a clear division of responsibilities between the chairman and the chief executive and this has been agreed by the board. The chairman is responsible for leadership of the board. The chairman leads the board in the determination of its strategy and achieving its objectives and is responsible for co-ordinating the business of the board. The chairman also ensures effective communication with shareholders and that the board is aware of the views of major shareholders. The chief executive's primary role is the running of the company's business.

The directors are responsible for the proper conduct of the company's affairs. 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 board.

The board's primary role is to agree and approve the group's long-term strategic objectives and to develop robust corporate governance and risk management practices. It reviews management performance with all directors regularly.

On appointment Bob Benton, James Morley, Paul Wogan and Ed Warner met the independence criteria set out under the Code. Ed Warner, a non-executive director, is also non-executive chairman of Panmure Gordon, the company's joint stockbroker. Where a potential or possible conflict of interest arises, Ed Warner declares his interest and removes himself from any involvement in the relevant business. The board considers that Ed and James meet the independence criteria pursuant to the Code.

Paul Wogan, a non-executive director, was appointed by the board to act as senior independent director. A new senior independent director will be nominated, following the recruitment of a new non-executive director. During the year Paul Wogan, as senior independent director, has been available to assist in resolving any shareholder queries or concerns.

Board performance evaluation

The performance of the board is a fundamental component of the group's success. During the year ended 31 December 2011, an external evaluation of the performance of the board was conducted. This assessment was directed by the senior independent director.

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.

Based on the results of the evaluation process in 2011, the board considered that overall it was operating effectively and that each of the directors continues to make a valuable contribution with proper commitment to their respective roles.

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 non-executive directors have a wide range of skills and varied commercial experience and they provide constructive challenge and help to develop our strategy. The board makes a careful assessment of the time commitment required from the chairman and non-executive directors to discharge their roles properly.

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. Where matters relating to a director may constitute a conflict of interest, that director will duly leave the meeting.

Corporate governance statement continued

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	Nomination committee
Total number of meetings	7	1	3	2	2
Bob Benton	7	1	3*	2	2
Andi Case	7	1	1*	2*	2*
James Morley	7	1	3	2	2
Martin Stopford	7	1	–	–	–
Ed Warner	7	1	3	2	2
Paul Wogan	7	1	3	2	2
Jeff Woyda	7	1	3*	2*	2*

* Andi Case, Jeff Woyda and Bob Benton attend these meetings at the invitation of the committee chairman.

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 board delegates certain responsibilities to its principal committees as follows:

Audit committee

The audit committee ensures the integrity of financial information, the effectiveness of the financial controls, the internal control and risk management systems, the use of external auditors and the review of the half-yearly and annual financial statements. It undertakes an annual review of the group's internal controls, including financial, operational, compliance and risk management. During the year, the audit committee comprised the independent non-executive directors, James Morley, Ed Warner and Paul Wogan. James Morley chairs the committee. 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. During the year formal evaluations have been carried out to assess the effectiveness of the external audit process and also that of the audit committee.

The risk management system is designed to identify key risks and to provide assurance that these risks are fully understood and managed. The company has an ongoing process to review risk procedures and controls and continually seeks to improve and update existing procedures and to introduce new controls where necessary. The executive as an ongoing process oversees the development of the internal control procedures which provide assurance to the committee that the controls which are operating in the group are effective and sufficient to mitigate the risks to which it is exposed.

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.

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 audit committee has a formal policy which addresses the independence of the external auditors in the provision of both audit and non-audit services.

During the year the auditors also provided tax advisory and compliance services and other assurance and advisory services with fees of £0.2m and £0.2m respectively.

Remuneration committee

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 35 to 41.

Nomination committee

The nomination committee recommends to the board appointments for the role of chairman, chief executive, finance director, executive and non-executive directors. The committee comprises the chairman and the non-executive directors and was chaired by Paul Wogan throughout the year and is now chaired by Bob Benton. The nomination committee terms of reference are to regularly review the structure, composition and size of the board, to include skills, knowledge, diversity and experience. The committee also considers future succession planning for the board.

Procedure to deal with directors' conflicts of interest

The company has comprehensive procedures in place to deal with any situation where a director has an actual or potential conflict of interest. Under these procedures members of the board are required to:

- consider each conflict situation separately on its particular facts;
- consider the conflict situation in conjunction with the rest of their duties under the Companies Act 2006;
- regularly review conflict authorisations; and
- keep appropriate records and board minutes demonstrating any authorisation granted by the board for such conflict and the scope of any approvals given.

Shareholder relations

The company is committed to maintaining good communications with investors. The company encourages shareholder attendance at the AGM, at which the chairman, together with the board, takes any questions on the previous year's results and gives an update on current year trading.

The board considers the AGM to be an opportunity to meet and communicate with investors, giving shareholders the opportunity to raise with the board any issues or concerns they may have.

The executive directors regularly meet with large investors and institutional shareholders following the announcement of the company's trading statements, results and other relevant announcements. The non-executive directors are fully briefed after such meetings.

Internal control

The system of internal control encompasses all controls including those relating to financial reporting processes, operational and compliance controls, and those relating to risk management processes. The board is responsible for the establishment and ongoing implementation of the group's internal control mechanisms, and for reviewing their effectiveness. 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 daily risks faced are continually changing. The risk management system is designed to identify key risks and to provide assurance that these risks are fully understood and managed. Policies and risk management procedures together with key controls are reviewed frequently to ensure that they continue to be effective and protect the company's stakeholders.

Clarksons is the world's leading provider of integrated shipping services with an exceptional breadth of expertise, especially in broking, finance, research and other aspects of shipping. Our commitment is to provide the highest quality service pursuant to all applicable laws, rules and regulations of the countries in which we operate, while maintaining an unparalleled reputation for integrity. 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. The company has revised its Code of Business Conduct and Ethics and this has been reissued to all staff. An established governance process is in place to monitor regulatory developments and to ensure that all existing and forthcoming regulations are complied with. The company has 'whistleblowing' procedures under which staff may report any suspicion of fraud, financial irregularity or malpractice.

A number of key procedures have been established to provide internal control. Our 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 2011.

Employment and human rights

Clarksons employs over 900 people throughout its global network of offices across five continents. Clarksons has high standards of employment practice and the group takes the issues of diversity and equality seriously and is committed to the provision of equal employment and development opportunities for all employees. Clarksons believe that a diverse and inclusive culture is a key factor in being a successful business.

We ensure that training, career development and promotion opportunities are available for all our employees irrespective of their gender, race, age or disability.

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. Despite the company's growth and expansion, it maintains a 'team' culture with all the resources and professionalism expected of a high performing future-focused global business.

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. The company is an equal opportunities employer and is committed to treating its employees and customers with dignity and respect.

In order to encourage wider employee share ownership, the company is planning to provide a Savings Related Share Option Plan (SAYE).

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

Health and safety

The company is committed to operating high standards of Health and Safety, designed to minimise the risk of injury and ill health 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 clear policies and procedures are in place in order to mitigate health and safety risks across the business. Compliance to these procedures is closely monitored and reported.

Corporate governance statement continued

Corporate and social responsibility

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's approach to corporate social responsibility aligns responsible business practices and social investment to create long-term value for its business. Operating in a responsible manner is simply part of how the company conducts its business and underpins its long-term value and supports a sustainable business model.

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. 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.

Our people make strategy happen. Business success is achieved when employees are enabled to do their very best. 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. Appointing the very best people, regardless of gender, race, religion, age, sexual orientation or disability, is crucial. Clarksons provides a working environment in which everyone is treated fairly and with respect. The company 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 that best practice procedures should be followed in everything they do.

A 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. During 2011 a new training officer was appointed and the company now holds numerous training workshops as well as a number of training weeks.

The company offers 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. It also has contact with a number of inner London and Home Counties schools and supports their work experience initiatives.

Clarksons donates on an annual basis to a number of national and local maritime causes. Two other areas that are given regular charitable support are health and young people.

Clarksons will strive for further improvement in health, safety and environmental performance as it takes actions to enhance the sustainability of the business.

Environment

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. The company's most critical environmental and sustainability impact areas include carbon emissions linked to energy use and travel.

Clarksons continues to make extensive use of its video conferencing facility in order to contain executive travel.

During the year, the company has further minimised its environmental impact through waste disposal and recycling.

As part of the campaign to reduce the company's environmental impact a ride-to-work scheme was implemented last year which encourages staff to use bicycles.

At the St. Magnus House building in the UK an environmental management system is in place for lighting and air conditioning controlled by a supervisory PC utilising the latest software. Regular maintenance is carried out to ensure that all units are working at their optimum efficiency. The company 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, the company considers this bears testimony to the many energy efficiency measures that it has implemented in the building.

The company has undertaken a wide scale cleaning tender exercise for St. Magnus House into which a Waste Management Contract has been incorporated. This will provide a more efficient service and will result in an increase in the number of recycling streams and a reduction in waste going to incinerators and landfill.

Directors' remuneration report

Statement by the chairman of the remuneration committee

2011 was a very difficult year for global trade and particularly for shipping markets. As the chairman and chief executive have both reported the company performed strongly in 2011, increasing volumes, gaining market share in most sectors and maintaining profits.

Remuneration policy at Clarksons is designed to attract and retain the highest calibre management and to ensure that there is a clear and direct link between the performance of the company and executive reward. The use of highly performance weighted remuneration ensures that shareholder and executive reward are aligned and that management is fully motivated. We have had a consistent policy since 2006, albeit evolving as necessary to reflect market and best practice and the committee considers that this has served the company and shareholders well.

I would like to provide you with a few highlights of Clarksons' remuneration policy and the developments over the past year:

- base salaries for the executive director posts have remained unchanged for the fifth consecutive year. Base salaries for the majority of higher earning employees have also remained unchanged for the past five years;
- executive directors gave up 5% of their 2010 and 2011 annual bonus to be used to reward outstanding performance by other employees;
- although the market's expectation that 2011 profits were likely to be lower than 2010, the thresholds for executive directors' annual bonuses were increased by 5% to make achievement more challenging;
- the lower and upper EPS targets for the performance share awards granted during the year under the Long Term Incentive Plan (LTIP) were increased from 95p to 108.5p and 123p to 140p respectively;
- shareholding guidelines have been adopted for current and future executive directors, with the current directors all maintaining significant shareholdings in the company, as detailed on page 41;
- clawback provisions were implemented for future bonus and share awards to executive directors;
- a Save As You Earn option scheme is being introduced, which enables all UK employees to participate in the growth in value of the business by purchasing shares on beneficial terms in a low risk and tax efficient way.

We commend this remuneration policy to shareholders and should you have any questions please contact me at the company address. I will be available at the AGM to answer any questions and discuss the policy more widely.

Ed Warner

Directors' remuneration report continued

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 non-executive directors – Bob Benton, Ed Warner, Paul Wogan (now resigned) 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 32. 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.

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 foremost in the committee's deliberations. The terms of reference are available on request from the company secretary.

New Bridge Street (NBS) 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 NBS nor its parent company, Aon Corporation, has any other connection with the company.

Summary of overall 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.

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, wholesale brokerage and agency 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 wholesale brokerage and agency companies, a very high proportion of the package is performance-related. The chief executive's bonus recognises that he performs the duties and responsibilities incumbent with the role of group chief executive and in addition, as a shipbroker, generates significant revenues.

A summary of the various elements of the remuneration policy is set out below:

	Policy	Operation of policy
Basic salary	Base salary levels are: • reviewed periodically • set to reflect the experience, responsibility, effectiveness and market value of the executive • determined taking into account the pay and conditions in the workforce • set at a level to cover essential living costs without any bonus award	• Base salaries have remained unchanged since 2006 for each executive director post and this policy has also applied to all higher paid employees, except those who have assumed additional responsibility.
Benefits and pension	• Provide a standard suite of basic benefits in kind • Andi Case and Jeff Woyda participate in a company defined contribution pension scheme	Principal taxable benefits are: • car allowances • pension allowances and • healthcare insurance. For pension, employer contributions are 15% of base salary.
Annual bonus	• To reward significant annual profit performance • To ensure that the bonus plan is competitive with our peers and to do so this forms a significant proportion of the remuneration package • To ensure that if there is a reduction in profitability the level of bonus payable falls away sharply • Profit for bonus calculations does not include unrealised profits or mark-to-market valuations. • To improve the risk profile of the bonus plan a clawback provision has been incorporated for overpayments due to misstatement or error	For the CEO and FD bonus is determined by group performance on the following basis: • below a 'profit floor' set by the committee each year no bonus is triggered • above the floor, an escalating percentage of profits is payable into a bonus pool for progressively higher profit before tax performance • in line with Clarksons' peers, annual bonus is not subject to a formal individual cap • instead, performance criteria are re-calibrated carefully each year to ensure the total bonus pool and individual allocations are not excessive • although they have no contractual obligation the directors have agreed that 10% of annual bonus payable is deferred in shares, vesting after four years For the CEO a further key determinant of his annual bonus is the significant broking revenues generated by him personally. Accordingly: • the CEO will receive the higher of the executive annual bonus and the bonus determined by his continuing broking activities. This underpin was agreed when the CEO joined the board

Directors' remuneration report continued

	Policy	Operation of policy

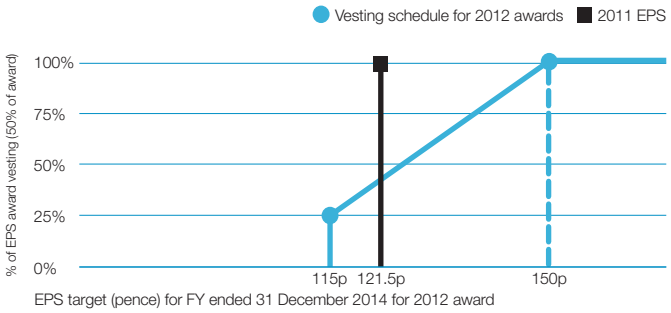
Long Term Performance Plan (LTPP)	• All awards are performance related and may comprise deferred shares or HMRC approved or unapproved options.
	• Annual maximum limit of 150% of basic salary for deferred share awards or 450% of basic salary for options.
	• The current policy is for awards to be granted each year following the publication of annual results. Awards only vest if they meet stringent performance criteria:
	  • an EPS target is used to reward financial performance of the company; and
	  • a TSR target is used to reward financial performance relative to the stock market.
	• Similar to the annual bonus, to improve the risk profile of the bonus plan a clawback provision has been incorporated for overpayments due to misstatement or error.
		• See charts below showing the basis for the vesting of LTPP awards to be granted in 2012. Details of previously granted awards are set out on page 40.

Shareholding guidelines	• From 2012 a policy for share ownership guidelines has been introduced	• 50% of the net of tax value of any share award that vests must be retained until such time as the level of shareholding is equivalent to 100% of an executive director's salary

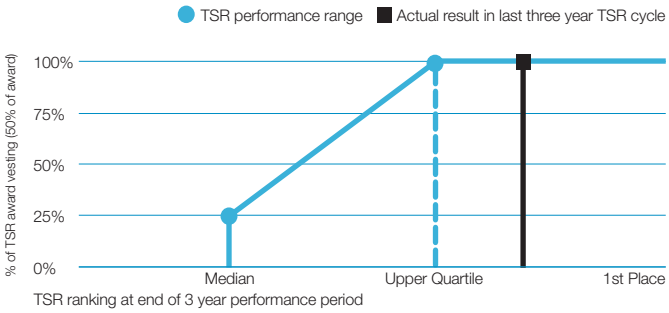
For the LTPP award to be granted in 2012:

- the vesting of 50% of the award will be determined by the company's EPS for 31 December 2014, as shown in chart (i) below. The EPS for 2010 is shown (black line) for reference
- the vesting of the remaining 50% will be determined by the company's TSR performance from 1 January 2012 to 31 December 2014 against the constituents of the FTSE Small Cap Index (excluding investment trusts), as shown in chart (ii) below. The level of total shareholder return achieved against the FTSE Small Cap over the last three year cycle is shown (black line) for reference

(i) EPS target range for 2012 award (50% of award)



(ii) TSR target range for 2012 award (50% of award)



Directors' service contracts and appointment terms

Executive directors have rolling service contracts terminable on no more than one year's notice served by the company or the director.

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 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:

- salary forms a lower 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 profit thresholds and targets are achieved, i.e. there is no automatic entitlement to a bonus.

Termination payments would not normally be made beyond contractual obligations, including any payment in respect of notice to which a director is entitled.

	Date of contract	Unexpired term at 31 December 2011	Notice period
Details of the current executive directors' service contracts are as follows:			
Andi Case	17 June 2008	12 months	12 months
Jeff Woyda	3 October 2006	12 months	12 months

	Date of appointment	Unexpired term at 31 December 2011	Notice period
Details of the non-executive directors' appointment terms are as follows:			
Bob Benton	27 August 2008	28 months	3 months
James Morley	5 November 2008	34 months	3 months
Ed Warner	27 June 2008	30 months	3 months

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 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 cash and benefits 2011 £000**	Total cash and benefits 2010 £000
Andi Case	**550**	**43**	**3,930**	**4,523**	4,991
Martin Stopford – retired 7 March 2012	**225**	**39**	**472**	**736**	795
Jeff Woyda	**250**	**12**	**838**	**1,100**	1,204
Bob Benton	**117**	**–**	**–**	**117**	114
James Morley	**65**	**–**	**–**	**65**	62
Ed Warner	**65**	**–**	**–**	**65**	62
Paul Wogan – resigned 10 February 2012	**65**	**–**	**–**	**65**	62
	1,337	**94**	**5,240**	**6,671**	7,290

In 2011 executive directors participated in an annual bonus scheme which was linked principally to the achievement of group profit targets with the balance based on personal performance.

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' remuneration report continued

Directors' share incentives (Audited)

The following share awards have been granted under the LTPP, subject to the EPS and TSR performance criteria (50% of the award each) detailed in the LTPP section of this report on page 38.

	Interests under plan at 1 January 2011	Awards granted in year	Awards vested in year	Awards lapsed in year	**Interests under plan at 31 December 2011**	Grant date	Vesting date
Andi Case	39,760[1]		(39,760)		**–**		
	100,979[2]			(1,591)	**99,388**	15 December 2009	15 December 2012
	77,175[3]				**77,175**	23 December 2010	23 December 2013
		67,237[5]			**67,237**	25 May 2011	25 May 2014
Martin Stopford	15,421[4]		(15,421)		**–**		
	41,310[2]			(646)	**40,664**	15 December 2009	15 December 2012
	31,572[3]				**31,572**	23 December 2010	23 December 2013
		27,506[5]			**27,506**	25 May 2011	25 May 2014
Jeff Woyda	17,134[4]		(17,134)		**–**		
	45,900[2]			(718)	**45,182**	15 December 2009	15 December 2012
	35,080[3]				**35,080**	23 December 2010	23 December 2013
		30,562[5]			**30,562**	25 May 2011	25 May 2014

The share price on the date of the award was 1. £9.69, 2. £8.06, 3. £11.22, 4. £9.63, 5. £12.27.

The vesting of the awards will be based on the following criteria (applying to separate 50% parts of each award);

Earnings per share

Date of grant	15 December 2009	23 December 2010	25 May 2011
Threshold vesting level (25%)	87p	95p	108.5p
Maximum vesting level (100%)	123p	123p	140.0p
Current level of achievement of performance condition based on 2011 EPS figure (max 100%)	96.9%	96.0%	56.0%

Awards vest pro-rata between the lower and upper targets.

The EPS thresholds were not achieved and therefore no awards vested under this EPS part of the LTPP in respect of awards granted in 2007 and 2008.

Total shareholder return

Awards under this element will vest dependent on Clarkson's TSR over three years compared to the TSR of the companies in the FTSE Small Cap Index as at the start of the performance period. The performance period commences on 1 January in the financial year in which the award is made.

Awards will vest pro rata between threshold and maximum performance.

Date of grant	15 December 2009	23 December 2010	25 May 2011
Threshold vesting level (25% of award)		Median	
Maximum vesting level (100% of award)		Upper quartile or above	
Current level of achievement of performance condition based on TSR performance as at 31 December 2011 (max 100%)	100%	100%	100%

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

	Options held at 1 January 2011	**Options granted during the year**	**Options exercised during the year**	**Options lapsed during the year**	**Options held at 31 December 2011**	**Exercise Price £**	**Dates from which exercisable**	**Expiry date**
Andi Case	**25,000**	**–**	**–**	**–**	**25,000**	**9.91**	**October 2010**	**October 2017**

These options are fully vested and were granted for nil consideration.

Directors' interests in shares

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

	Number of ordinary shares	
	2011	2010
Bob Benton	**4,700**[1]	–
Andi Case	**633,698**[2]	552,527[2]
James Morley	**4,500**	2,500
Martin Stopford – retired 7 March 2012	**42,131**[2]	37,310[2]
Ed Warner	**15,000**	15,000
Paul Wogan – resigned 10 February 2012	**10,000**	10,000
Jeff Woyda	**60,391**[2]	39,012[2]

1 The beneficial owner of these shares is Marianne Kingham and were acquired by her before her marriage to Bob Benton during the year.

2 The above figures include restricted shares granted as part of annual bonuses as follows:

		Number of shares		
	Bonus year Vesting date	2008 April 2013	2009 April 2014	2010 April 2015
Andi Case		57,233	26,689	34,971
Martin Stopford – retired 7 March 2012		5,469	3,203	4,197
Jeff Woyda		18,937	5,694	7,461

Further restricted share awards will be made in 2012 in respect of up to 10% of the directors' 2011 bonus.

Pensions (Audited)

Andi Case and Jeff Woyda are members of the defined contribution scheme.

The company contribution for Andi Case is equivalent to 15% of base salary and comprises a scheme contribution limited to £50,000 and the balance net of National Insurance as an allowance.

The company contribution to the scheme for Jeff Woyda is 15% of base salary.

Martin Stopford is not a member of the group pension scheme and receives an allowance equivalent to the company contribution of 15% of base salary net of National Insurance.

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

Approval by shareholders

At the AGM to be held on 11 May 2012 a resolution approving this report is to be proposed as an ordinary resolution.

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

Ed Warner Remuneration committee chairman

7 March 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report, the directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements and the directors' remuneration report comply with the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are set out in the corporate governance statement on pages 31 and 32 of this Annual Report confirm that, to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group and company; and
- the business and financial reviews include a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that they face.

On behalf of the board

Bob Benton Chairman

7 March 2012

Independent auditors' report to the members of Clarkson PLC

We have audited the financial statements of Clarkson PLC for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement 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 set out on page 42, 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2011 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 report of the directors 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 pages 31 to 34 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 29, 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

7 March 2012

Consolidated income statement

For the year ended 31 December

Continuing operations	Notes	2011 Before exceptional item £m	2011 Exceptional item (note 5) £m	2011 After exceptional item £m	2010 £m
Revenue	3, 4	**194.6**	**–**	**194.6**	202.6
Cost of sales		**(3.4)**	**–**	**(3.4)**	(8.0)
Trading profit		**191.2**	**–**	**191.2**	194.6
Administrative expenses		**(161.0)**	**3.2**	**(157.8)**	(160.1)
Operating profit	3, 4	**30.2**	**3.2**	**33.4**	34.5
Finance revenue	3	**1.0**	**–**	**1.0**	0.8
Finance costs	3	**(0.2)**	**–**	**(0.2)**	(3.3)
Other finance revenue – pensions	3, 21	**1.2**	**–**	**1.2**	0.4
Profit before taxation		**32.2**	**3.2**	**35.4**	32.4
Taxation	6	**(9.5)**	**(0.8)**	**(10.3)**	(8.9)
Profit for the year		**22.7**	**2.4**	**25.1**	23.5
Attributable to:					
Equity holders of the parent		**22.7**	**2.4**	**25.1**	23.5
Earnings per share					
Basic	7	**121.5p**		**134.1p**	125.4p
Diluted	7	**120.3p**		**132.8p**	124.7p

Consolidated statement of comprehensive income

For the year ended 31 December

	Notes	Group 2011 £m	Group 2010 £m
Profit for the year		**25.1**	23.5
Other comprehensive income:			
Actuarial (loss)/gain on employee benefits – net of tax	21	**(7.3)**	2.9
Foreign exchange differences on retranslation of foreign operations	23	**(0.9)**	0.3
Foreign currency hedge – net of tax	23	**(0.7)**	(1.1)
Total comprehensive income for the year		**16.2**	25.6
Total comprehensive income attributable to:			
Equity holders of the parent		**16.2**	25.6

Consolidated and parent company balance sheets

As at 31 December

	Notes	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Non-current assets					
Property, plant and equipment	9	**8.4**	8.7	**4.0**	4.3
Investment property	10	**0.4**	0.4	**0.4**	0.4
Intangible assets	11	**40.3**	32.7	**–**	–
Trade and other receivables	13	**0.4**	0.5	**0.1**	0.2
Investments	14	**1.9**	1.8	**0.2**	0.2
Investments in subsidiaries	15	**–**	–	**53.7**	54.4
Deferred tax asset	6	**12.1**	12.0	**4.0**	2.7
		63.5	56.1	**62.4**	62.2
Current assets					
Trade and other receivables	13	**37.5**	28.4	**23.7**	11.9
Income tax receivable		**0.6**	0.5	**1.5**	2.0
Investments	14	**–**	11.4	**–**	11.4
Cash and cash equivalents	16	**132.9**	176.3	**24.9**	46.1
		171.0	216.6	**50.1**	71.4
Current liabilities					
Interest-bearing loans and borrowings	17	**–**	(44.0)	**–**	(44.0)
Trade and other payables	18	**(95.5)**	(100.3)	**(34.2)**	(15.2)
Income tax payable		**(4.2)**	(5.3)	**–**	–
Provisions	19	**(0.2)**	(0.3)	**–**	–
		(99.9)	(149.9)	**(34.2)**	(59.2)
Net current assets		**71.1**	66.7	**15.9**	12.2
Non-current liabilities					
Trade and other payables	18	**(1.2)**	(1.1)	**–**	–
Provisions	19	**(1.6)**	(1.4)	**(1.6)**	(1.4)
Employee benefits	21	**(6.6)**	(0.8)	**(6.6)**	(0.8)
Deferred tax liability	6	**(1.9)**	(3.1)	**–**	(1.1)
		(11.3)	(6.4)	**(8.2)**	(3.3)
Net assets		**123.3**	116.4	**70.1**	71.1
Capital and reserves					
Share capital	22	**4.7**	4.7	**4.7**	4.7
Other reserves	23	**37.5**	40.0	**31.8**	31.3
Retained earnings		**81.1**	71.7	**33.6**	35.1
Clarkson PLC group shareholders' equity		**123.3**	116.4	**70.1**	71.1

Approved by the board on 7 March 2012, and signed on its behalf by:

Bob Benton Chairman **Jeff Woyda** Finance director

Registered number: 1190238

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	Retained earnings £m	Total equity £m
Balance at 1 January 2011		**4.7**	**40.0**	**71.7**	**116.4**
Profit for the year		**–**	**–**	**25.1**	**25.1**
Other comprehensive income:					
Actuarial loss on employee benefit schemes – net of tax	21	**–**	**–**	**(7.3)**	**(7.3)**
Foreign exchange differences on retranslation of foreign operations	23	**–**	**(0.9)**	**–**	**(0.9)**
Foreign currency hedge – net of tax	23	**–**	**(0.7)**	**–**	**(0.7)**
Total comprehensive (expense)/income for the year		**–**	**(1.6)**	**17.8**	**16.2**
Transactions with owners:					
Net ESOP shares acquired	23	**–**	**(1.4)**	**–**	**(1.4)**
Share-based payments	23	**–**	**0.5**	**–**	**0.5**
Tax on other employee benefits	6	**–**	**–**	**(0.2)**	**(0.2)**
Profit on ESOP shares		**–**	**–**	**0.8**	**0.8**
Dividend paid	8	**–**	**–**	**(9.0)**	**(9.0)**
		–	**(0.9)**	**(8.4)**	**(9.3)**
Balance at 31 December 2011		**4.7**	**37.5**	**81.1**	**123.3**

	Notes	Group Attributable to equity holders of the parent: Share capital £m	Other reserves £m	Retained earnings £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:					
Net ESOP shares utilised	23	–	1.4	–	1.4
Share-based payments	23	–	(1.2)	(0.1)	(1.3)
Tax on other employee benefits	6	–	–	2.2	2.2
Dividend paid	8	–	–	(8.3)	(8.3)
		–	0.2	(6.2)	(6.0)
Balance at 31 December 2010		4.7	40.0	71.7	116.4

Parent company statement of changes in equity

For the year ended 31 December

	Notes	Company Attributable to equity holders of the parent: Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 1 January 2011		**4.7**	**31.3**	**35.1**	**71.1**
Profit for the year		**–**	**–**	**12.9**	**12.9**
Other comprehensive income:					
Actuarial loss on employee benefit schemes – net of tax	21	**–**	**–**	**(7.3)**	**(7.3)**
Total comprehensive income for the year		**–**	**–**	**5.6**	**5.6**
Transactions with owners:					
Share-based payments	23	**–**	**0.5**	**–**	**0.5**
Profit on ESOP shares		**–**	**–**	**1.9**	**1.9**
Dividend paid	8	**–**	**–**	**(9.0)**	**(9.0)**
		–	**0.5**	**(7.1)**	**(6.6)**
Balance at 31 December 2011		**4.7**	**31.8**	**33.6**	**70.1**

	Notes	Company Attributable to equity holders of the parent: Share capital £m	Other reserves £m	Retained earnings £m	Total equity £m
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	8	–	–	(8.3)	(8.3)
		–	(1.2)	(8.1)	(9.3)
Balance at 31 December 2010		4.7	31.3	35.1	71.1

Consolidated and parent company cash flow statements

For the year ended 31 December

	Notes	Group 2011 £m	Group 2010 £m	Company 2011 £m	Company 2010 £m
Cash flows from operating activities					
Profit before tax		**35.4**	32.4	**11.3**	5.0
Adjustments for:					
Foreign exchange differences	3	**(3.2)**	(1.5)	**–**	(0.7)
Depreciation of property, plant and equipment	3,9	**2.3**	2.9	**0.6**	0.6
Share-based payment expense	20	**1.1**	1.2	**1.1**	1.2
Loss on sale of property, plant and equipment		**0.1**	–	**–**	–
Impairment of investments		**–**	0.6	**–**	–
Impairment of investments in subsidiaries	15	**–**	–	**0.5**	–
Difference between ordinary pension contributions paid and amount recognised in the income statement		**(2.9)**	(1.6)	**(2.9)**	(1.6)
Finance revenue	3	**(1.0)**	(0.8)	**(19.6)**	(16.8)
Finance costs	3	**0.2**	3.3	**0.2**	3.3
Other finance revenue – pensions	3	**(1.2)**	(0.4)	**(1.2)**	(0.4)
(Increase)/decrease in trade and other receivables		**(3.9)**	0.3	**(10.0)**	33.5
(Decrease)/increase in bonus accrual		**(7.3)**	13.6	**(2.9)**	1.7
(Decrease)/increase in trade and other payables		**(1.6)**	(1.9)	**21.8**	(6.2)
Increase in provisions	19	**0.1**	0.3	**0.2**	0.3
Cash generated/(utilised) from operations		**18.1**	48.4	**(0.9)**	19.9
Income tax (paid)/received		**(10.9)**	(6.1)	**2.3**	2.3
Net cash flow from operating activities		**7.2**	42.3	**1.4**	22.2
Cash flows from investing activities					
Interest received	3	**0.5**	0.4	**0.2**	0.3
Purchase of property, plant and equipment	9	**(2.3)**	(1.3)	**(0.3)**	–
Proceeds from sale of property, plant and equipment		**0.4**	4.6	**–**	–
Proceeds from sale of investments		**10.7**	–	**10.7**	–
Acquisition of subsidiaries	11	**(8.7)**	–	**–**	–
Investment in subsidiaries	15	**–**	–	**–**	(0.7)
Cash acquired on acquisitions	11	**1.8**	–	**–**	–
Dividends received from associates and joint ventures		**–**	0.1	**–**	–
Dividends received from investments	3	**0.5**	0.4	**19.6**	16.5
Net cash flow from investing activities		**2.9**	4.2	**30.2**	16.1
Cash flows from financing activities					
Interest paid	3	**(0.2)**	(1.6)	**(0.2)**	(1.6)
Dividend paid	8	**(9.0)**	(8.3)	**(9.0)**	(8.3)
Repayments of borrowings		**(43.6)**	(4.7)	**(43.6)**	(4.7)
ESOP shares acquired		**(1.5)**	–	**–**	–
Net cash flow from financing activities		**(54.3)**	(14.6)	**(52.8)**	(14.6)
Net (decrease)/increase in cash and cash equivalents		**(44.2)**	31.9	**(21.2)**	23.7
Cash and cash equivalents at 1 January		**176.3**	143.2	**46.1**	22.3
Net foreign exchange differences		**0.8**	1.2	**–**	0.1
Cash and cash equivalents at 31 December	16	**132.9**	176.3	**24.9**	46.1

Notes to the financial statements

1 Corporate information

The group and parent company financial statements of Clarkson PLC for the year ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 7 March 2012. 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 2011.

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.

These notes form an integral part of the financial statements on pages 44 to 48.

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, or the parent company statement of comprehensive income.

The accounting policies set out below have been applied consistently to all periods presented in these group and company financial statements.

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 and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

IAS 1, 'Financial statement presentation' regarding other comprehensive income. The effective date is for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in Other Comprehensive Income.

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in OCI as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The effective date is for annual reports beginning on or after 1 January 2013. The group is yet to assess the full impact of the amendments.

2 Statement of accounting policies continued

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The group is yet to assess IFRS13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the group.

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 12.

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:

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 three 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 Statement of accounting policies continued

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of between one day and three months.

2.14 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.

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.

2.15 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.

2.16 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.

2.17 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.

2.18 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 7).

2.19 Share capital

Ordinary shares are recognised in equity as share capital at their nominal value. The difference between consideration received and the nominal value is recognised in the share premium account.

Company shares held in trust in connection with the group's employee share schemes are deducted from consolidated shareholders' equity. Purchases, sales and transfers of the company's shares are disclosed as changes in consolidated shareholders' equity. The assets and liabilities of the trusts are consolidated in full into the group's consolidated financial statements.

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. 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. 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

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

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The group considers the executive members of the company's board to be the chief operating decision-maker.

2.22 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.

2.23 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.

2 Statement of accounting policies continued

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

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

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

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

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

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

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

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

2.24 Leases

Where the group is 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.

2.25 Exceptional items

Exceptional items are significant items of a non-recurring nature and considered material in both size and nature. These are disclosed separately to enable a full understanding of the group's financial performance.

3 Revenues and expenses

	2011 £m	2010 £m
Revenue		
Rendering of services	**184.1**	193.2
Rental income	**3.8**	3.8
Sale of goods	**6.7**	5.6
	194.6	202.6
Finance revenue		
Bank interest income	**0.5**	0.4
Income from available-for-sale financial assets	**0.5**	0.4
	1.0	0.8
Finance costs		
Interest-bearing loans and borrowings	**(0.2)**	(1.6)
Loss on revaluation of fair value through profit or loss investments	**–**	(1.7)
	(0.2)	(3.3)
Other finance revenue – pensions		
Expected return on plan assets	**8.0**	7.6
Interest cost on benefit obligation	**(6.8)**	(7.2)
	1.2	0.4

Operating profit

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

	2011 £m	2010 £m
Included in administrative expenses		
Depreciation	**2.3**	2.9
Operating leases – land and buildings	**5.9**	5.1
Net foreign exchange gains	**(3.2)**	(1.5)

Notes to the financial statements continued

3 Revenues and expenses continued

	2011 £000	2010 £000
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the company's accounts	**85**	82
Fees payable to the company's auditor and its associates for other services:		
The auditing of accounts of subsidiaries of the company pursuant to legislation	**205**	209
Other services pursuant to legislation – review of interim report	**30**	30
Taxation services	**202**	254
All other services	**155**	145
	677	720

	2011 £m	2010 £m
Employee compensation and benefits expense		
Wages and salaries	**107.4**	104.1
Social security costs	**10.9**	11.6
Expense of share-based payments	**1.1**	1.2
Pension costs – defined contribution plans	**2.9**	2.9
	122.3	119.8

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 39.

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

	2011 Number	2010 Number
Broking	**683**	609
Financial	**64**	60
Support	**51**	60
Research	**69**	66
	867	795

4 Segmental information

The chief operating decision-maker is the executive member of the company's board. Management has determined the operating segments based on the information reviewed by the board.

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 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 and property services regarding the provision of accommodation.

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 2011 £m	Revenue 2010 £m	Results 2011 £m	Results 2010 £m
Broking	**163.6**	169.6	**35.9**	41.3
Financial	**12.1**	11.2	**(2.3)**	(4.3)
Support	**13.9**	18.0	**1.7**	0.5
Research	**8.1**	7.0	**2.0**	1.5
	197.7	205.8		
Less property services revenue arising within the group, included under Support	**(3.1)**	(3.2)		
Segment revenue/results	**194.6**	202.6	**37.3**	39.0
Head office costs			**(7.1)**	(4.5)
Operating profit before exceptional item			**30.2**	34.5
Exceptional item			**3.2**	–
Operating profit after exceptional item			**33.4**	34.5
Finance revenue			**1.0**	0.8
Finance costs			**(0.2)**	(3.3)
Other finance revenue – pensions			**1.2**	0.4
Profit before taxation			**35.4**	32.4
Taxation			**(10.3)**	(8.9)
Profit after taxation			**25.1**	23.5

Business segments

	Assets 2011 £m	Assets 2010 £m	Liabilities 2011 £m	Liabilities 2010 £m
Broking	**160.3**	170.6	**75.6**	76.3
Financial	**14.4**	23.1	**1.9**	4.6
Support	**16.1**	13.7	**6.6**	3.9
Research	**5.1**	6.5	**3.3**	3.2
Segment assets/liabilities	**195.9**	213.9	**87.4**	88.0
Unallocated assets/liabilities	**38.6**	58.8	**23.8**	68.3
	234.5	272.7	**111.2**	156.3

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

Notes to the financial statements continued

4 Segmental information continued

Business segments

	Non-current asset additions				Depreciation	
	Property, plant and equipment 2011 £m	**Intangible assets 2011 £m**	Property, plant and equipment 2010 £m	Intangible assets 2010 £m	**2011 £m**	2010 £m
Broking	**1.0**	**7.0**	0.6	–	**0.7**	0.8
Financial	**–**	**0.2**	0.1	–	**0.1**	0.2
Support	**1.3**	**0.7**	0.6	–	**1.5**	1.9
	2.3	**7.9**	1.3	–	**2.3**	2.9

Geographical segments – by origin of invoice

	Revenue	
Continuing operations	**2011 £m**	2010 £m
Europe, Middle East and Africa	**140.0**	151.4
Americas	**23.9**	14.0
Asia Pacific	**30.7**	37.2
	194.6	202.6

Geographical segments – by location of assets

	Non-current assets*	
	2011 £m	2010 £m
Europe, Middle East and Africa	**47.8**	40.5
Americas	**2.5**	2.1
Asia Pacific	**1.1**	1.5
	51.4	44.1

*Non-current assets exclude deferred tax assets.

5 Exceptional item

In November 2011 Clarksons announced that the Court of Appeal in London had decided to deny the claimant (Yuri Nikitin) leave to appeal in the cases between Mr Nikitin and H. Clarkson & Co. Limited (HCL), previously highlighted in the contingencies note in Clarksons' financial statements.

HCL has been awarded costs relating to the matters appealed, and has credited its profits with an amount of £3.2m that it has received on account of those legal costs. The discussions related to the costs of this matter are now concluded.

6 Taxation

Tax charged in the group income statement is as follows:

Continuing operations	2011 £m	2010 £m
Current income tax		
UK corporation tax	**5.1**	6.9
Foreign tax	**4.8**	1.4
Total current income tax	**9.9**	8.3
Deferred tax		
Origination and reversal of temporary differences	**0.4**	0.6
Total tax charge in the income statement	**10.3**	8.9

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

	2011 £m	2010 £m
Current tax credit: pension benefit	**(0.7)**	–
Deferred tax (credit)/charge: Pension benefit	**(1.9)**	1.2
Deferred tax credit: Foreign currency hedge	**(0.2)**	(0.5)
Deferred tax charge/(credit): Other employee benefits	**0.2**	(2.2)
Total tax credit in the statement of comprehensive income	**(2.6)**	(1.5)

Reconciliation of tax charge

The tax expense in the income statement for the year is higher (2010: lower) than the average standard rate of corporation tax in the UK of 26.5% (2010: 28%). The differences are reconciled below:

	2011 £m	2010 £m
Accounting profit before income tax	**35.4**	32.4
Accounting profit at UK average standard rate of corporation tax of 26.5% (2010: 28%)	**9.4**	9.1
Effects of:		
Expenses not deductible for tax purposes	**1.7**	1.6
Non-taxable income	**(0.2)**	(0.2)
Lower tax rates on overseas earnings	**(0.1)**	(0.7)
Adjustments relating to prior year	**(1.0)**	(0.8)
Tax losses not recognised	**0.4**	–
Adjustments relating to changes in tax rates	**0.3**	0.2
Other adjustments	**(0.2)**	(0.3)
Total tax charge reported in the income statement	**10.3**	8.9

Notes to the financial statements continued

6 Taxation continued

Deferred tax

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

	2011 £m	2010 £m
Employee benefits – on pension benefit liability	**0.4**	0.5
– other employee benefits	**0.2**	0.7
Movement on fair value through profit or loss investments	**(1.0)**	(0.4)
Tax losses not recognised	**0.4**	–
Other temporary differences	**0.4**	(0.2)
Deferred tax charge in the income statement	**0.4**	0.6

Deferred tax included in the balance sheet is as follows:

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Deferred tax asset				
Employee benefits – on pension benefit liability	**1.7**	0.2	**1.7**	0.2
– other employee benefits	**9.3**	9.7	**2.0**	1.9
Foreign currency contracts	**0.1**	–	**–**	–
Other temporary differences	**1.0**	2.1	**0.3**	0.6
Deferred tax asset	**12.1**	12.0	**4.0**	2.7
Deferred tax liability				
Unremitted earnings of overseas subsidiaries	**(1.3)**	(1.6)	**–**	–
Movement on fair value through profit or loss investments	**–**	(1.0)	**–**	(1.0)
Foreign currency contracts	**–**	(0.1)	**–**	–
Intangible assets recognised on acquisition	**(0.3)**	–	**–**	–
Other temporary differences	**(0.3)**	(0.4)	**–**	(0.1)
Deferred tax liability	**(1.9)**	(3.1)	**–**	(1.1)

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

7 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:

	2011 £m	2010 £m
Net profit attributable to ordinary equity holders of the parent	**25.1**	23.5

	2011 Number	2010 Number
Weighted average number of ordinary shares (excluding share purchase trusts' shares) for basic earnings per share	**18,652,357**	18,697,835
Dilutive effect of share options	**6,344**	40,000
Dilutive effect of performance share awards	**188,190**	72,317
Weighted average number of ordinary shares (excluding share purchase trusts' shares) adjusted for the effect of dilution	**18,846,891**	18,810,152

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 269,132 (2010: 332,016).

8 Dividends

	2011 £m	2010 £m
Declared and paid during the year:		
Final dividend for 2010 of 30p per share (2009: 27p per share)	**5.6**	5.1
Interim dividend for 2011 of 18p per share (2010: 17p per share)	**3.4**	3.2
Dividend paid	**9.0**	8.3
Proposed for approval at AGM (not recognised as a liability at 31 December):		
Final dividend for 2011 proposed of 32p per share (2010: 30p per share)	**6.1**	5.6

Notes to the financial statements continued

9 Property, plant and equipment

31 December 2011

	Group					
	Fleet interests £m	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
Original cost						
At 1 January 2011	**–**	**3.8**	**1.0**	**15.3**	**1.4**	**21.5**
Additions	**–**	**–**	**0.2**	**1.9**	**0.2**	**2.3**
Arising on acquisitions	**–**	**–**	**–**	**0.1**	**0.1**	**0.2**
Disposals	**–**	**–**	**–**	**(0.7)**	**(0.7)**	**(1.4)**
At 31 December 2011	**–**	**3.8**	**1.2**	**16.6**	**1.0**	**22.6**
Accumulated depreciation						
At 1 January 2011	**–**	**0.9**	**0.6**	**10.7**	**0.6**	**12.8**
Charged during the year	**–**	**0.1**	**0.2**	**1.8**	**0.2**	**2.3**
Disposals	**–**	**–**	**(0.1)**	**(0.5)**	**(0.3)**	**(0.9)**
At 31 December 2011	**–**	**1.0**	**0.7**	**12.0**	**0.5**	**14.2**
Net book value at 31 December 2011	**–**	**2.8**	**0.5**	**4.6**	**0.5**	**8.4**

31 December 2010

	Group					
	Fleet interests £m	Freehold and long leasehold properties £m	Leasehold improvements £m	Office furniture and equipment £m	Motor vehicles £m	Total £m
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
Accumulated 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 2011

	Company			
	Freehold and long leasehold properties £m	**Leasehold improvements £m**	**Office furniture and equipment £m**	**Total £m**
Original cost				
At 1 January 2011	**1.9**	**0.5**	**6.5**	**8.9**
Additions	**–**	**–**	**0.3**	**0.3**
At 31 December 2011	**1.9**	**0.5**	**6.8**	**9.2**
Accumulated depreciation				
At 1 January 2011	**0.2**	**0.3**	**4.1**	**4.6**
Charged during the year	**–**	**0.1**	**0.5**	**0.6**
At 31 December 2011	**0.2**	**0.4**	**4.6**	**5.2**
Net book value at 31 December 2011	**1.7**	**0.1**	**2.2**	**4.0**

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
Accumulated 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

Notes to the financial statements continued

10 Investment property

31 December 2011

	Group and company £m
Cost	
At 1 January and 31 December 2011	**0.6**
Accumulated depreciation	
At 1 January and 31 December 2011	**0.2**
Net book value at 31 December 2011	**0.4**

The fair value of the investment property at 31 December 2011 was £0.6m (2010: £0.7m). This valuation was carried out by an independent valuer.

31 December 2010

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

11 Intangible assets

31 December 2011

	Intangibles £m	Goodwill £m	Total £m
Cost			
At 1 January 2011	**6.8**	**45.0**	**51.8**
Additions	**1.1**	**6.8**	**7.9**
Foreign exchange differences	**–**	**(0.2)**	**(0.2)**
At 31 December 2011	**7.9**	**51.6**	**59.5**
Amortisation and impairment			
At 1 January 2011	**6.8**	**12.3**	**19.1**
Foreign exchange differences	**–**	**0.1**	**0.1**
At 31 December 2011	**6.8**	**12.4**	**19.2**
Net book value at 31 December 2011	**1.1**	**39.2**	**40.3**

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

Acquisitions

EnShip

On 30 November 2011, the group acquired 100% of the share capital of EnShip Limited (EnShip), via its Port Services company, Clarkson Port Services Limited (CPS). EnShip is an Aberdeen-based shipping agency and marine industry logistics specialist with 23 staff.

The acquisition complements CPS' strategy to expand its geographical reach and broaden its services to existing and new customers in bulk shipping and the offshore and renewable industries. The goodwill of £0.7m is attributable to the acquired team and the synergies that will arise as a part of the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

Consideration is payable in both cash and Clarkson PLC shares. On the acquisition date, £1.8m was paid in cash and £0.2m was payable in Clarkson PLC shares. A further £0.4m cash consideration is deferred, payable in 2012.

The fair value of the ordinary shares issued as part of the consideration paid for EnShip was £10.76, based on the Clarkson PLC share price on the acquisition date.

Acquisition-related costs of £0.1m have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2011.

In addition, a further £1.3m cash payment will be made to key employees contingent on them remaining in employment for three years. An additional cash sum up to £0.6m will also be payable in three years subject to the same service conditions and EnShip achieving certain earnings targets over the three years. For both of the above, the cost will be charged to the consolidated income statement over the service period.

Boxton/Bridge

On 16 December 2011, the group acquired 100% of the share capital of Boxton Holding AS (Boxton) and Bridge Maritime AS (Bridge) via Clarkson Norway AS. Both are Oslo-based shipbroking businesses with extensive experience in sale and purchase, newbuilding, leasing and project broking across all shipping markets, and particularly strong client relationships within the container, tanker, gas and offshore markets, with 8 staff.

The acquisition complements Clarksons' strategy to build its presence in Scandinavia. Supported by Clarksons' unrivalled global reach and breadth of broking and capital market services, the enlarged team at Clarkson Norway will be able to significantly expand the offering to our clients. The goodwill of US$8.9m (£5.9m) is attributable to the acquired team and the increased market share in the sector. None of the goodwill recognised is expected to be deductible for income tax purposes.

Consideration is payable in cash totalling US$11.0m (£7.1m). On the acquisition date, US$10.4m (£6.7m) was paid, the remaining US$0.6m (£0.4m) is contingent on the performance of a pre-acquisition contract.

On acquisition, management performed a fair value exercise on the identifiable assets and liabilities. A valuation was performed on the cash flows expected from the existing forward order book of both Boxton and Bridge, discounted where necessary based on factors such as the timing of cash flows and the potential for counterparty default. As a result of this assessment, a total of US$1.7m (£1.1m) was identified as being an intangible asset acquired as a part of the business combination. The intangible asset will be amortised over the useful life, which is deemed to be three years.

Acquisition-related costs of US$0.6m (£0.4m) have been charged to administration expenses in the consolidated income statement for the year ended 31 December 2011.

In addition, a further US$2.7m (£1.7m) will be payable to key employees, by way of ordinary shares in Clarkson PLC, contingent on them remaining in employment for four years. The cost of these shares will be charged to the consolidated income statement over the service period.

Other

On 2 February 2011 the group acquired 100% of the share capital of SFL Securities, LLC for cash consideration of US$0.3m (£0.2m). The name of the company was changed to CIS Capital Markets, LLC post-acquisition. There were no net assets identified on acquisition.

Notes to the financial statements continued

11 Intangible assets continued

The following table summarises the consideration paid for the principal acquisitions, the fair value of the assets acquired and the liabilities assumed:

Recognised amounts of identifiable assets acquired and liabilities assumed:	EnShip £m	Boxton/ Bridge £m	Total £m
Intangible assets*	–	1.1	1.1
Property, plant and equipment	0.2	–	0.2
Trade and other receivables	3.3	0.3	3.6
Cash and cash equivalents	1.1	0.7	1.8
Total assets	4.6	2.1	6.7
Trade and other payables	2.6	0.5	3.1
Income tax payable	0.3	0.1	0.4
Deferred tax liability*	–	0.3	0.3
Total liabilities	2.9	0.9	3.8
Total identifiable net assets	1.7	1.2	2.9
Goodwill	0.7	5.9	6.6
Total consideration	2.4	7.1	9.5
Consideration:			
Cash	2.2	7.1	9.3
Equity instruments	0.2	–	0.2
Total consideration	2.4	7.1	9.5

*Fair value adjustments made on acquisition.

EnShip

The revenue included in the consolidated income statement since 30 November 2011 contributed by EnShip was £0.4m. EnShip also contributed profit of £0.1m over the same period.

Boxton/Bridge

No revenue and profit are included in the consolidated income statement for Boxton and Bridge.

Pro forma information

Had EnShip and Boxton/Bridge been consolidated from 1 January 2011, the consolidated income statement would show revenue of £201.7m and profit, before exceptional items including acquisition related costs, of £33.8m. This information is not necessarily indicative of the 2011 results of the combined group had the purchases actually been made at the beginning of the period presented, or indicative of the future consolidated performance given the nature of the businesses acquired.

12 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 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
- Investment services

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

	2011 £m	2010 £m
Dry bulk chartering	**12.0**	12.3
Specialised products chartering	**12.2**	12.2
Gas chartering	**2.7**	2.7
Sale and purchase broking	**7.7**	1.8
Port and agency services	**1.1**	0.4
Research services	**3.3**	3.3
Investment services	**0.2**	–
	39.2	32.7

The movement in the aggregate carrying value is analysed in more detail in note 11.

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, specialised products chartering and, following the recent acquisitions, sale and purchase broking. 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 that are global in nature and similar risk profiles, the same pre-tax discount rate was applied to each unit. The group pre-tax discount rate is 12% (2010: 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 applying a multiple which does not exceed the amount if calculated using the long-term average growth rate for businesses operating in the same segment as the CGUs.

Notes to the financial statements continued

13 Trade and other receivables

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Non-current				
Other receivables	**0.3**	0.3	**–**	–
Prepayments and accrued income	**0.1**	0.2	**0.1**	0.2
	0.4	0.5	**0.1**	0.2
Current				
Trade receivables	**28.1**	21.3	**–**	–
Foreign currency contracts	**–**	0.4	**–**	–
Other receivables	**3.2**	2.8	**0.1**	0.1
Prepayments and accrued income	**6.2**	3.9	**–**	–
Owed by group companies	**–**	–	**23.6**	11.8
	37.5	28.4	**23.7**	11.9

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 2011, group trade receivables at nominal value of £13.0m (2010: £14.4m) 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 (2010: none).

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

	Individually impaired	
	2011 £m	2010 £m
At 1 January	**14.4**	12.3
(Credit)/charge for the year	**(1.4)**	2.1
At 31 December	**13.0**	14.4

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**
2011	**28.1**	**25.5**	**2.6**
2010	21.3	19.2	2.1

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

14 Investments

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Non-current				
Available-for-sale financial assets	**1.9**	1.8	**0.2**	0.2
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.

In 2010 fair value through profit or loss investments represented an investment in the Clarkson Shipping Hedge Fund of £8.5m and the Clarkson Freight Fund of £2.9m. The company redeemed both investments in 2011.

15 Investments in subsidiaries

	Company	
	2011 £m	2010 £m
Cost at 1 January	**54.4**	53.7
Recapitalisation of existing subsidiary	**–**	0.7
Pre-acquisition reserves dividend from subsidiary	**(0.2)**	–
Impairment of investment in subsidiary	**(0.5)**	–
At 31 December	**53.7**	54.4

2011
During the year the company received a dividend out of pre-acquisition reserves of a subsidiary.

The investment in Clarkson Fund Management Limited has been impaired following closure of the hedge funds so that the carrying value represents the fair value of the remaining net assets recoverable.

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.

Notes to the financial statements continued

16 Cash and cash equivalents

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Cash at bank and in hand	**117.9**	121.9	**13.0**	24.9
Short-term deposits	**15.0**	54.4	**11.9**	21.2
	132.9	176.3	**24.9**	46.1

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 cash equivalents is £132.9m (2010: £176.3m).

17 Interest-bearing loans and borrowings

Financial liabilities measured at amortised cost

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £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

Due to high levels of cash generation in the business, all outstanding bank borrowings were repaid in full in February 2011. At the same time, the multicurrency revolving credit facility was reduced from £50m to £25m, and renewed for a term of three years. The facility is secured over certain of the group's assets and is subject to a cross-guarantee between certain group companies. There are no current plans to draw down on this facility.

18 Trade and other payables

	Group		Company	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Current				
Trade payables	**11.6**	10.5	**–**	–
Other payables	**1.3**	1.0	**0.1**	0.2
Owed to group companies	**–**	–	**24.7**	1.5
Other tax and social security	**2.4**	2.0	**–**	–
Deferred consideration	**0.8**	–	**–**	–
Foreign currency contracts	**0.5**	–	**–**	–
Accruals and deferred income	**78.9**	86.8	**9.4**	13.5
	95.5	100.3	**34.2**	15.2
Non-current				
Other payables	**1.2**	1.1	**–**	–
	1.2	1.1	**–**	–

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

19 Provisions

31 December 2011

	Group	Company
	Dilapidation of leasehold premises £m	**Dilapidation of leasehold premises £m**
Current		
At 1 January 2011	**0.3**	**–**
Utilised during the year	**(0.1)**	**–**
At 31 December 2011	**0.2**	**–**
Non-current		
At 1 January 2011	**1.4**	**1.4**
Arising during the year	**0.2**	**0.2**
At 31 December 2011	**1.6**	**1.6**

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

31 December 2010

	Group	Company
	Dilapidation of leasehold premises £m	Dilapidation of leasehold premises £m
Current		
At 1 January 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.

Notes to the financial statements continued

20 Share-based payment plans

	Group and Company	
	2011 £m	2010 £m
Expense arising from equity-settled share-based payment transactions	**1.1**	1.2

The share-based payment plans are described below. There have been no cancellations or modifications to any of the plans during 2011 or 2010.

Long Term Incentive Plan

Details of the Long Term Incentive Plan are included in the directors' remuneration report on page 38. Awards made to the directors are given in the directors' remuneration report on page 40.

During 2010, certain share awards lapsed due to performance conditions not being met. As a result, £2.2m of amounts previously expensed were reversed in the 2010 income statement.

Share options

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:

	2011		2010	
	Number	**WAEP**	Number	WAEP
Outstanding at 1 January	**40,000**	**£9.91**	90,000	£10.04
Lapsed during the year	**–**	**–**	(50,000)	(£10.15)
Outstanding at 31 December	**40,000**	**£9.91**	40,000	£9.91
Exercisable at 31 December	**40,000**	**£9.91**	40,000	£9.91

The exercise price for all the options outstanding at the end of 2011 was £9.91 (2010: £9.91).

During 2010, 50,000 options lapsed due to service conditions not being met. The contractual life of the remaining options is six years. There are no cash settlement alternatives. There were no options granted during 2011 (2010: none).

Other employee incentives

During the year, 528,273 shares (2010: 313,396 shares) at a weighted average price of £12.61 (2010: £9.50) were awarded to employees in settlement of 2010 (2009) cash bonuses. There was no expense in 2011 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.

As disclosed in note 11, US$2.7m (£1.7m) will be payable to key employees of an acquired group in the form of ordinary shares in Clarkson PLC. This is contingent on the employees remaining in employment for four years. The cost of these shares will be charged to the consolidated income statement over the service period.

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. Triennial valuations for both schemes have been prepared based on the position as at 31 March 2010.

- The valuation of the Clarkson PLC scheme showed a pension deficit on the original scheme of £4.2m as at 31 March 2010.
- The valuation of the Plowrights scheme showed a pension deficit of £4.6m as at 31 March 2010.

It has been 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 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 was paid into the Plowrights scheme in March 2011. Thereafter the company will make regular monthly contributions to fund the deficits of the two schemes at a combined rate of £1.9m per annum.

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	
	2011 £m	2010 £m
Fair value of schemes' assets	**138.0**	131.9
Present value of funded defined benefit obligations	**(141.0)**	(132.7)
	(3.0)	(0.8)
Unrecognised asset in relation to the Plowrights scheme	**(1.1)**	–
Minimum funding requirement in relation to the Plowrights scheme	**(2.5)**	–
Liability recognised on the balance sheet	**(6.6)**	(0.8)

A deferred tax asset on the above recognised liability amounting to £1.7m (2010: £0.2m) is shown in note 6.

Recognised in the income statement

	Group and Company	
	2011 £m	2010 £m
Expected return on schemes' assets (recognised in other finance revenue – pensions)	**8.0**	7.6
Interest cost on benefit obligation (recognised in other finance revenue – pensions)	**(6.8)**	(7.2)
Net benefit income	**1.2**	0.4

21 Employee benefits continued

Taken to the statement of comprehensive income

	Group and Company	
	2011 £m	2010 £m
Actual return on schemes' assets	**9.9**	14.2
Less: expected return on schemes' assets	**(8.0)**	(7.6)
Actuarial gains on schemes' assets	**1.9**	6.6
Actuarial losses on defined benefit obligations	**(8.2)**	(2.5)
Actuarial (losses)/gains recognised in the statement of comprehensive income	**(6.3)**	4.1
Tax credit/(charge) on actuarial losses/gains	**1.6**	(1.2)
Unrecognised asset in relation to the Plowrights scheme	**(1.1)**	–
Tax credit on unrecognised asset	**0.3**	–
Minimum funding requirement in relation to the Plowrights scheme	**(2.5)**	–
Tax credit on minimum funding requirement	**0.7**	–
Net actuarial (losses)/gains on employee benefit obligations	**(7.3)**	2.9
Cumulative amount of actuarial losses recognised in the statement of comprehensive income	**(13.9)**	(7.6)

Schemes' assets

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

	Group and Company					
	Percentage of total 2011 %	**Expected rate of return 2011 % pa**	**2011 £m**	Percentage of total 2010 %	Expected rate of return 2010 % pa	2010 £m
Equities	**43.1**	**6.65**	**59.4**	46.2	8.05	61.0
Government bonds	**37.2**	**2.90**	**51.3**	34.5	4.30	45.5
Corporate bonds	**14.6**	**4.30**	**20.2**	13.9	5.20	18.3
Property	**4.1**	**5.65**	**5.7**	4.2	7.05	5.5
Cash and other assets	**1.0**	**1.80**	**1.4**	1.2	1.50	1.6
Benefit asset	**100.0**		**138.0**	100.0		131.9

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 schemes' assets are as follows:

	Group and Company	
	2011 £m	2010 £m
At 1 January	**131.9**	121.6
Expected return on assets	**8.0**	7.6
Contributions	**2.7**	1.4
Insurance income for insured pensioners	**0.2**	0.2
Benefits paid	**(6.7)**	(5.5)
Actuarial gains	**1.9**	6.6
At 31 December	**138.0**	131.9

The group expects, based on the valuations and funding requirements including expenses, to contribute £1.9m to its defined benefit pension schemes in 2012 (2011: £2.9m).

Defined benefit obligations

The principal valuation assumptions are as follows:

	Group and Company	
	2011 %	2010 %
Rate of increase in pensions in payment	**2.80 – 3.10**	3.10 – 3.40
Price inflation (RPI)	**3.20**	3.60
Price inflation (CPI)	**2.20**	2.70
Discount rate for scheme liabilities	**4.60**	5.30

The mortality assumptions used to assess the defined benefit obligation at 31 December 2011 and 31 December 2010 are based on the 'SAPS Light' standard mortality 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	
		2011 Additional years	2010 Additional years
Post-retirement life expectancy on retirement at age 65:			
Pensioners retiring in the year	– male	**23.6**	23.5
	– female	**24.6**	24.5
Pensioners retiring in twenty year's time	– male	**25.0**	25.0
	– female	**26.2**	26.1

Changes in the fair value of the defined benefit obligation are as follows:

	Group and Company	
	2011 £m	2010 £m
At 1 January	**132.7**	128.5
Interest costs	**6.8**	7.2
Actuarial losses	**8.2**	2.5
Benefits paid	**(6.7)**	(5.5)
At 31 December	**141.0**	132.7

Historical comparative information

	Group and Company				
	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of schemes' assets	**138.0**	131.9	121.6	114.6	132.6
Defined benefit obligation	**(141.0)**	(132.7)	(128.5)	(104.9)	(122.3)
Unrecognised asset	**(1.1)**	–	–	–	(0.4)
Minimum funding requirement	**(2.5)**	–	–	–	–
(Deficit)/surplus	**(6.6)**	(0.8)	(6.9)	9.7	9.9
Experience adjustments on schemes' assets	**1.9**	6.6	5.5	(19.5)	(3.4)
Experience adjustments on schemes' liabilities	**(0.3)**	0.8	(0.2)	(0.5)	0.4

Notes to the financial statements continued

22 Share capital

	Group and Company			
	2011 Number	2010 Number	**2011 £m**	2010 £m
Ordinary shares of 25p each:				
At 1 January and at 31 December	**18,984,691**	18,984,691	**4.7**	4.7

There were no shares issued during the year.

23 Other reserves

31 December 2011

	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 2011	**27.8**	**(0.6)**	**1.5**	**2.0**	**0.3**	**9.0**	**40.0**
Total comprehensive income	**–**	**–**	**–**	**–**	**(0.7)**	**(0.9)**	**(1.6)**
Net ESOP shares acquired	**–**	**(1.4)**	**–**	**–**	**–**	**–**	**(1.4)**
Share-based payments	**–**	**–**	**0.5**	**–**	**–**	**–**	**0.5**
At 31 December 2011	**27.8**	**(2.0)**	**2.0**	**2.0**	**(0.4)**	**8.1**	**37.5**

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)
Net 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 2011

	Company			
	Share premium £m	**Employee benefits reserve £m**	**Capital redemption reserve £m**	**Total £m**
At 1 January 2011	**27.8**	**1.5**	**2.0**	**31.3**
Share-based payments	**–**	**0.5**	**–**	**0.5**
At 31 December 2011	**27.8**	**2.0**	**2.0**	**31.8**

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

Nature and purpose of other reserves

ESOP reserve – group

The ESOP reserve in the group represents 288,798 shares (2010: 202,608 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 2011 was £3.3m (2010: £2.3m). At 31 December 2011 none of these shares were under option (2010: 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 nine 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	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Within one year	**6.1**	5.1	**4.3**	4.3
After one year but not more than five years	**15.0**	18.5	**12.9**	17.2
After five years	**0.3**	–	**–**	–
	21.4	23.6	**17.2**	21.5

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 2011 is £13.9m (2010: £17.4m).

Contingencies

The group and company have given no financial commitments to suppliers (2010: none).

The group and company have given no guarantees (2010: 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.

25 Financial risk management objectives and policies

The group's principal financial liabilities comprise trade payables, deferred consideration, foreign currency contracts and loans given. The company's principal financial liabilities comprised bank loans, which have been repaid in full during the year. The main purpose of these financial liabilities is to finance 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 2011 and 2010, 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 facilities.

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 2011

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
Trade and other payables	**12.9**	**–**	**–**	**1.2**	**–**	**14.1**
Deferred consideration	**–**	**0.4**	**0.4**	**–**	**–**	**0.8**
Foreign currency contracts	**–**	**–**	**0.5**	**–**	**–**	**0.5**
Provisions	**–**	**–**	**0.2**	**1.6**	**–**	**1.8**
	12.9	**0.4**	**1.1**	**2.8**	**–**	**17.2**

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

The company has no undiscounted interest-bearing loans and borrowings (2010: £44.0m payable in 3 to 12 months) and undiscounted provisions totalling £1.6m (2010: £1.4m) which are payable in 1 to 5 years (2010: 1 to 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 80% of the group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst approximately 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 and equity (due to changes in the fair value of monetary assets and liabilities).

	Strengthening/ (weakening) in US dollar rate	Effect on profit before tax £m	Effect on equity £m
2011	**5%**	**1.1**	**2.4**
	(5%)	**(1.0)**	**(2.2)**
2010	5%	0.7	1.9
	(5%)	(0.7)	(1.7)

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		Liabilities	
	2011 £m	2010 £m	**2011 £m**	2010 £m
Foreign currency contracts	**–**	0.4	**0.5**	–

At 31 December 2011 the group had US$62.5m outstanding forward contracts due for settlement in 2012 and 2013 (2010: US$70m for settlement in 2011 and 2012).

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
2011			
Sterling	**+100**	**0.6**	**0.2**
US dollars	**+100**	**0.5**	**–**
2010			
Sterling	+100	0.9	0.1
US dollars	+100	0.4	(0.1)
Euros	+100	0.1	–

Investment risk

During the year, the seed capital was withdrawn from the Clarkson Shipping Hedge Fund and the Clarkson Freight Fund, 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 2011 and 31 December 2010.

A number of the group's trading companies are subject to regulation by the FSA in the UK, FINRA in the US and DFSA in Dubai. 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.

	2011 £m	2010 £m
Interest-bearing loans and borrowings	**–**	(44.0)
Cash and short-term deposits	**132.9**	176.3
Net funds	**132.9**	132.3
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 2011.

	2011 Level 2 £m	2010 Level 2 £m
Assets		
Fair value through profit or loss investments	**–**	11.4
Foreign currency contracts	**–**	0.4
Liabilities		
Foreign currency contracts	**0.5**	–

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:

		Company
	Subsidiaries 2011 £m	Subsidiaries 2010 £m
Management fees charged to related party	**0.9**	0.9
Interest received from related party	**0.1**	0.2
Amounts owed by related party	**23.6**	11.8
Amounts owed to related party	**24.7**	1.5

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 39. Share-based payments relating to the Clarkson PLC directors amounted to £1.0m (2010: £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 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 Valuations Limited	100
	EnShip Limited*	100
	Genchem Holdings Limited*	100†
	LNG Shipping Solutions Limited	100
Australia	Clarkson Australia (Pty) Limited*	100
China	Clarkson Asia Limited*	100
	Clarkson Shipbroking Shanghai Co Limited*	100
	Clarkson SL (Asia) 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†
Norway	Boxton Holding AS*	100
	Boxton Maritime AS*	100
	Bridge Maritime AS*	100
	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	CIS Capital Markets, LLC*	100
	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 80-120,000 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, referred to in the industry as opex.
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.
MGC	Mid-sized Gas Carrier. Vessel defined by Clarksons as 20-40,000 cbm.
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 120-200,000 dwt.

Supramax	A modern class of Handymax dry bulk carrier defined by Clarksons as 50-60,000 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 200-320,000 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	2011* £m	2010 £m	2009 £m	2008* £m	2007* £m
Revenue	**194.6**	202.6	176.7	250.3	173.4
Cost of sales	**(3.4)**	(8.0)	(8.3)	(7.5)	(3.3)
Trading profit	**191.2**	194.6	168.4	242.8	170.1
Administrative expenses	**(161.0)**	(160.1)	(145.8)	(190.9)	(143.7)
Impairment of intangible assets	**–**	–	–	(13.9)	–
Operating profit	**30.2**	34.5	22.6	38.0	26.4
Profit before taxation	**32.2**	32.4	22.5	39.2	31.6
Taxation	**(9.5)**	(8.9)	(5.6)	(16.4)	(10.2)
Profit for the year	**22.7**	23.5	16.9	22.8	21.4

* Before exceptional item.

Cash flow

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Net cash inflow/(outflow) from operating activities	**7.2**	42.3	(18.0)	57.9	52.4

Balance sheet

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Non-current assets	**63.5**	56.1	74.8	87.2	98.9
Trade and other receivables (including income tax receivable)	**38.1**	28.9	30.6	55.2	44.2
Current asset investments	**–**	11.4	–	–	–
Cash and cash equivalents	**132.9**	176.3	143.2	184.4	115.3
Current liabilities	**(99.9)**	(149.9)	(90.5)	(159.0)	(106.3)
Non-current liabilities	**(11.3)**	(6.4)	(61.3)	(65.4)	(68.1)
Net assets	**123.3**	116.4	96.8	102.4	84.0

Statistics

	2011	2010	2009	2008	2007
Earnings per share – basic	**134.1p****	125.4p	90.0p	41.9p**	101.9p**
Dividend per share	**50p**	47p	43p	42p	40p

**After exceptional item.

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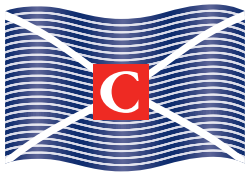

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