



16 MARCH 2009

**PRELIMINARY RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2008**

*Clarkson PLC ('Clarksons') is the world's leading shipping services group. It has 20 offices on five continents whose services and expertise facilitate the efficient functioning of global seaborne trade.*

**Preliminary results**

Clarkson PLC ('Clarksons') today announces unaudited preliminary results for the twelve months ended 31 December 2008.

**Results for 2008**

	<b>Year ended 31 December 2008</b>	Year ended 31 December 2007	Year-on-year % change
Revenue+	<b>£250.3m</b>	£173.4m	+44%
Profit before taxation and exceptional item+	<b>£39.2m</b>	£31.6m	+24%
Profit before taxation+*	<b>£18.2m</b>	£25.6m	-29%
Earnings per share*	<b>41.9p</b>	101.9p	-59%
Dividends per share*	<b>42.0p</b>	40.0p	+5%

+Continuing operations  
\*After exceptional item

**HIGHLIGHTS**

- **Second consecutive year of record growth; underlying operating profit up 44% to £38.0m (2007: £26.4m)**
- **Expansion of global franchise with new full service offices opened in Geneva, Delhi, Hamburg, Perth and Brisbane**
- **Investment Services business, a key strategic area of development, received regulatory consent in the UK**
- **Settlement reached with Sovcomflot and Novoship**

**Andi Case, Chief Executive, commented:**

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

Trading conditions in some shipping markets have led to significant declines in revenue from these parts of the group since the beginning of 2009. Whilst we expect market conditions throughout 2009 to remain challenging, revenues will continue to be supported by our forward order book and the US\$ exchange rate should they remain at the current level.

I firmly believe that Clarksons' unique competitive advantages position the group to benefit from the flight to quality advice and services that inevitably occurs during more difficult periods."

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## CHAIRMAN'S REVIEW

### Overview

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

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

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

### Results

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

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

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

### Dividend

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

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

### Board

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

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

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

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

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

## **Colleagues**

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

## **The future**

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

**Bob Benton**  
CHAIRMAN  
16 March 2009

## CHIEF EXECUTIVE'S REVIEW

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

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

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

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

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

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

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

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

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

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

### Current Trading

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

## **Outlook**

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

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

**Andi Case**  
CHIEF EXECUTIVE  
16 March 2009

## BUSINESS REVIEW

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

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

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

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

## Revenue

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

## Geographic Performance

	Revenue £m	Segment Results £m	Growth in revenue %	Growth in segmental results %
Europe, Middle East and Africa	193.8	39.0	41%	39%
Asia Pacific	46.2	5.5	62%	-41%
Americas	10.3	1.6	40%	261%
	<u>250.3</u>	<u>46.1</u>		

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

## Divisional Performance

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

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

## Broking

Revenue: US\$355.7m (2007: US\$271.5m)

Segment result: £44.9m (2007: £31.6m)

Forward order book for 2009: US\$106m\* (At 31 December 2007 for 2008: US\$131m)

\* Directors' best estimates of deliverable FOB

## Dry bulk

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

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

## Containers

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

## Deep sea

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

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

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

## Specialised products

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

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

## Gas

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

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

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

## Sale and purchase

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

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

## Research

Revenue: £6.1m (2007: £6.0m)

Segment result: £0.8m (2007: £1.2m)

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

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

## Financial

Revenue: US\$62.4m (2007: US\$40.7m)

Segment result: £4.2m (2007: £5.8m)

Forward order book for 2009: US\$12m\* (At 31 December 2007 for 2008: US\$26m)

\* Directors' best estimates of deliverable FOB

### Futures Broking

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

### Fund Management

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

### Financial Services

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

### Investment Services

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

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

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

## Support

Revenue: £17.0m (2007: £11.7m)

Segment result: £3.8m loss (2007: £0.9m loss)

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

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

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

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

## **Financial Review**

### **Exceptional item**

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

### **Administration expenses**

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

### **Amortisation and impairment of assets**

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

### **Taxation**

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

### **Earnings per share**

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

### **Dividends**

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

### **Cash**

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

## **Balance sheet**

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

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

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

## **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. The turmoil in the financial and freight markets has undoubtedly increased the amount of debt that may be irrecoverable, despite the 44% increase in revenue in 2008. However, stringent management action has ensured that the level of trade and other receivables has decreased by 12% in underlying currency and increased by only 21% year-on-year in sterling terms.

### **Liquidity risk**

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

### **Foreign exchange risk**

The major trading currency of the group is the US dollar. Movements in the US dollar relative to other currencies, particularly sterling, have the potential to impact the results of the group both in terms of operating results and the revaluation of the balance sheet. Where there are borrowings taken that specifically relate to assets held in foreign currencies, the borrowings are taken in the same currency as the assets. The group assesses the rate of exchange and non-sterling balances held continually, and has predominantly sold in the spot market during 2008. The rates of exchange seen in the final quarter of 2008 and beginning of 2009 are, however, very attractive as they approach 10-year lows. The group has therefore taken some forward cover for 2009 and 2010.

### **Interest rate risk**

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

### **Reputational risk**

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

## **Operational risk**

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

**Jeff Woyda**  
FINANCE DIRECTOR  
16 March 2009

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Before exceptional item £m	Exceptional item £m	After exceptional item £m
<b>Revenue – continuing operations</b>	<b>250.3</b>	-	<b>250.3</b>
Cost of sales	(7.5)	-	(7.5)
<b>Trading profit</b>	<b>242.8</b>	-	<b>242.8</b>
Administrative expenses	(190.9)	(21.0)	(211.9)
Impairment of intangible assets	(13.9)	-	(13.9)
<b>Operating profit – continuing operations</b>	<b>38.0</b>	<b>(21.0)</b>	<b>17.0</b>
Share of profits of associates and joint ventures	-	-	-
Finance revenue	4.3	-	4.3
Finance costs	(4.0)	-	(4.0)
Other finance revenue – pensions	0.9	-	0.9
<b>Profit before taxation – continuing operations</b>	<b>39.2</b>	<b>(21.0)</b>	<b>18.2</b>
Taxation	(16.4)	6.0	(10.4)
<b>Profit for the year – continuing operations</b>	<b>22.8</b>	<b>(15.0)</b>	<b>7.8</b>
Profit for the year from discontinued operations	-	-	-
<b>Profit for the year</b>	<b>22.8</b>	<b>(15.0)</b>	<b>7.8</b>
<b>Attributable to:</b>			
Equity holders of the parent	22.8	(15.0)	7.8
<b>Earnings per share</b>			
Basic – continuing operations	122.9p		41.9p
Diluted – continuing operations	121.0p		41.3p
Basic – profit for the year	122.9p		41.9p
Diluted – profit for the year	121.0p		41.3p

## CONSOLIDATED INCOME STATEMENT continued

For the year ended 31 December 2007

	Before Exceptional item £m	Exceptional item £m	After Exceptional item £m
<b>Revenue – continuing operations</b>	173.4	-	173.4
Cost of sales	(3.3)	-	(3.3)
<b>Trading profit</b>	170.1	-	170.1
Administrative expenses	(143.7)	(6.0)	(149.7)
Impairment of intangible assets	-	-	-
<b>Operating profit – continuing operations</b>	26.4	(6.0)	20.4
Share of profits of associates and joint ventures	0.4	-	0.4
Finance revenue	6.9	-	6.9
Finance costs	(3.2)	-	(3.2)
Other finance revenue – pensions	1.1	-	1.1
<b>Profit before taxation – continuing operations</b>	31.6	(6.0)	25.6
Taxation	(10.2)	1.8	(8.4)
<b>Profit for the year – continuing operations</b>	21.4	(4.2)	17.2
Profit for the year from discontinued operations	1.0	-	1.0
<b>Profit for the year</b>	22.4	(4.2)	18.2
<b>Attributable to:</b>			
Equity holders of the parent	22.4	(4.2)	18.2
<b>Earnings per share</b>			
Basic – continuing operations	119.9p		96.4p
Diluted – continuing operations	118.6p		95.3p
Basic – profit for the year	125.4p		101.9p
Diluted – profit for the year	124.1p		100.8p

## CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the year ended 31 December 2008

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

## CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	2008 £m	2007 £m
<b>Non-current assets</b>		
Property, plant and equipment	17.7	18.6
Investment property	0.4	0.4
Intangible assets	32.3	47.2
Investments in associates and joint ventures	0.4	1.1
Trade and other receivables	1.3	2.0
Investments	16.1	16.4
Employee benefits	9.7	9.9
Deferred tax asset	9.3	3.3
	<b>87.2</b>	<b>98.9</b>
<b>Current assets</b>		
Trade and other receivables	53.7	43.4
Cash and short-term deposits	184.4	115.3
Income tax receivable	1.5	0.8
	<b>239.6</b>	<b>159.5</b>
<b>Current liabilities</b>		
Interest-bearing loans and borrowings	(3.3)	(0.8)
Trade and other payables	(146.5)	(101.4)
Provisions	(0.3)	(0.3)
Income tax payable	(8.9)	(3.8)
	<b>(159.0)</b>	<b>(106.3)</b>
<b>Net current assets</b>	<b>80.6</b>	<b>53.2</b>
<b>Non-current liabilities</b>		
Interest-bearing loans and borrowings	(50.7)	(51.0)
Trade and other payables	(4.7)	(3.1)
Provisions	(0.9)	(6.7)
Employee benefits	(1.2)	-
Deferred tax liability	(7.9)	(7.3)
	<b>(65.4)</b>	<b>(68.1)</b>
<b>Net assets</b>	<b>102.4</b>	<b>84.0</b>
<b>Capital and reserves</b>		
Issued capital	4.7	4.7
Share premium	27.1	25.4
ESOP reserve	(0.8)	(3.5)
Deferred share consideration	-	0.9
Employee benefits reserve	1.8	0.8
Capital redemption reserve	2.0	2.0
Profit and loss	54.0	54.7
Currency translation reserve	13.6	(1.0)
<b>Clarkson PLC group shareholders' equity</b>	<b>102.4</b>	<b>84.0</b>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

	2008 £m	2007 £m
<b>Cash flows from operating activities</b>		
Profit before tax from continuing operations	18.2	25.6
Profit before tax from discontinued operations	-	1.4
<b>Profit before tax</b>	18.2	27.0
Adjustments for:		
Exceptional item	21.0	6.0
Foreign exchange differences	(12.3)	0.4
Depreciation	5.4	2.5
Share-based payment expense	1.6	0.8
Loss/(profit) on sale of property, plant and equipment	1.2	(1.9)
Profit on sale of investments	(3.1)	(0.1)
Amortisation and impairment of intangibles	15.3	1.4
Provision for investments in associates and joint ventures	0.3	0.5
Difference between ordinary pension contributions paid and amount recognised in the income statement	(0.4)	(0.5)
Share of profits of associates and joint ventures	-	(0.4)
Finance revenue	(4.3)	(6.9)
Other finance revenue – pensions	(0.9)	(1.1)
Finance costs	4.0	3.2
Increase in trade and other receivables	(2.4)	(12.9)
Increase in bonus accrual	45.3	18.4
Increase in trade and other payables	6.2	21.0
Increase / (decrease) in provisions	0.2	(0.1)
<b>Cash generated from operations</b>	95.3	57.3
Settlement of exceptional item	(27.0)	-
Income tax paid	(10.4)	(4.9)
<b>Net cash flow from operating activities</b>	57.9	52.4
<b>Cash flows from investing activities</b>		
Interest received	3.7	3.5
Purchase of property, plant and equipment	(3.5)	(3.3)
Proceeds from sale of investments	6.7	0.3
Proceeds from sale of property, plant and equipment	1.0	4.0
Investment in associates and joint ventures	-	(0.8)
Disposal of associate	-	0.2
Acquisition of subsidiaries and businesses, including deferred consideration	(2.3)	(3.1)
Cash acquired on acquisitions	-	1.7
Dividends received from associates and joint ventures	0.4	0.6
Dividends received from investments	0.6	0.5
<b>Net cash flow from investing activities</b>	6.6	3.6
<b>Cash flows from financing activities</b>		
Interest paid	(3.3)	(3.2)
Dividends paid	(7.9)	(6.7)
Proceeds from borrowings	-	0.9
Repayments of borrowings	(2.7)	(0.9)
ESOP shares acquired	(2.3)	(6.1)
<b>Net cash flow from financing activities</b>	(16.2)	(16.0)
<b>Net increase in cash and cash equivalents</b>	48.3	40.0
Cash and cash equivalents at 1 January	115.3	74.8
Net foreign exchange differences	20.8	0.5
<b>Cash and cash equivalents at 31 December</b>	184.4	115.3

## NOTES TO THE PRELIMINARY FINANCIAL STATEMENTS

### 1 General information

The preliminary announcement of results for the year ended 31 December 2008 is an extract from the forthcoming 2008 annual report and does not constitute the group's statutory financial statements for 2008 nor 2007. Statutory financial statements for 2007 have been delivered to the Registrar of Companies, and those for 2008 will be delivered following the company's annual general meeting. The auditors have reported on the 2007 financial statements; their report was unqualified and did not contain statements under Sections 237(2) or (3) of the Companies Act 1985. The auditors have not yet reported on the 2008 financial statements.

### 2 Accounting policies

Whilst the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union, this announcement does not itself contain sufficient information to comply with IFRSs. The company expects to publish full financial statements that comply with IFRSs on 8 April 2009. This preliminary announcement is prepared on the same basis as set out in the previous year's annual accounts, except for the adoption of IFRIC 14 IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

### 3 Segmental analysis

Segmental information on continuing operations for revenue and results is as follows:

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

## 4 Exceptional item

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

## 5 Earnings per share

Basic earnings per share amounts are calculated by dividing net profit 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:

	<b>2008 Before exceptional item £m</b>	<b>2008 After exceptional item £m</b>	2007 Before exceptional Item £m	2007 After exceptional item £m
Earnings – continuing operations	22.8	7.8	21.4	17.2
Earnings – discontinued operations	-	-	1.0	1.0
Profit for the year	<b>22.8</b>	<b>7.8</b>	22.4	18.2

  

	<b>2008 Number millions</b>	2007 Number millions
Weighted average number of ordinary shares	<b>18.6</b>	17.8
Diluted weighted average number of ordinary shares	<b>18.8</b>	18.0

## 6 Dividends

The board is recommending a final dividend of 26p (2007: 26p), giving a total dividend of 42p. This final dividend, if approved, will be payable on 12 June 2009 to shareholders on the register at the close of business on 29 May 2009.

## 7 Intangible assets

	<b>Intangibles £m</b>	<b>Goodwill £m</b>	<b>Total £m</b>
<b>Cost</b>			
At 1 January 2008	6.8	42.3	49.1
Deferred consideration adjustment	-	(0.7)	(0.7)
Foreign exchange differences	-	1.3	1.3
At 31 December 2008	<b>6.8</b>	<b>42.9</b>	<b>49.7</b>
<b>Amortisation and impairment</b>			
At 1 January 2008	1.4	0.5	1.9
Amortisation	1.4	-	1.4
Impairment	4.0	9.9	13.9
Foreign exchange differences	-	0.2	0.2
At 31 December 2008	<b>6.8</b>	<b>10.6</b>	<b>17.4</b>
<b>Net book value at 31 December 2008</b>	<b>-</b>	<b>32.3</b>	<b>32.3</b>
Net book value at 31 December 2007	5.4	41.8	47.2

In 2008, impairment testing identified the value in use of intangible assets were less than their carrying amount. The group has taken an impairment charge of £4.0m on intangibles and £9.9m on goodwill.

## 8 Employee benefits

The group operates two defined benefit schemes: the Clarkson main scheme and the JO Plowright scheme.

As at 31 December 2008 these schemes had a combined surplus of £9.7m, in accordance with IAS 19 Employee Benefits. The market value of the assets is £114.6m and independent actuaries have assessed the present value of funded obligations at £104.9m. The company has provided deferred tax on the £9.7m reported surplus amounting to £2.7m. In addition the company has provided a minimum funding liability of £1.2m and an associated deferred tax asset of £0.3m.

## 9 Analysis of net funds

	31 December 2007 £m	Reallocation £m	Cash flow £m	Foreign exchange differences £m	31 December 2008 £m
Cash and short-term deposits	115.3	-	48.3	20.8	184.4
Current interest-bearing loans and borrowings	(0.8)	(2.4)	0.9	(1.0)	(3.3)
Non-current interest-bearing loans and borrowings	(51.0)	2.4	1.8	(3.9)	(50.7)
Net funds	63.5	-	51.0	15.9	130.4

## 10 Contingencies

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