1190238

DIRECTORS AND ADVISERS

DIRECTORS

M E Beckett, *Chairman**

H O McCoy, FICS, *Managing Director*

A Brooks*

R W Harrington*

S L James*

P Swain*

R D Ward, FCA

G D Weston, MCIT

**non-executive*

ADVISERS

AUDITORS
Ernst & Young
Chartered Accountants

SOLICITORS
Simmons & Simmons

FINANCIAL ADVISERS
The British Linen Bank Limited

STOCKBROKERS
Cazenove & Co

REGISTRARS
Bank of Scotland Registrar Department

PRINCIPAL BANKERS
Bank of Scotland

SECRETARY AND REGISTERED OFFICE
M C Fairley, ACIS
12 Camomile Street
London EC3A 7BP

REGISTERED NUMBER
1190238

CHAIRMAN'S STATEMENT

INTRODUCTION

THE PROFIT BEFORE TAX and exceptional item of your group for the year ended 31 December 1995 was £4.8 million (1994: £3.1 million). Shipbroking produced a strong performance especially in the dry cargo chartering market which reached new heights. Insurance broking made a small contribution to profit prior to its disposal in December.

REVIEW OF OPERATIONS

SHIPBROKING

THE SHIPBROKING DIVISION achieved a pre-tax profit of £5.3 million (1994: £3.1 million), an increase of 71 per cent, on an increased turnover of £32.5 million (1994: £27.0 million).

Strong economic performance created increased demand for all major commodities, in particular the main dry bulk commodities, which pushed dry cargo rates to record levels. Our dry cargo department significantly had a record year in terms of income.

Tanker rates improved during the fourth quarter as the market reached balance.

Our sale and purchase department gained from improved values for both bulkcarriers and tankers and low newbuilding prices.

A valuable contribution was made by the overseas shipbroking companies, and our UK publications and research business continued to gain market share.

In July we announced the formation of Clarkson Asia which has offices in Hong Kong, Beijing and Singapore, to consolidate our position in the Far East. A satisfactory result was achieved in the year.

SHIPOWNING

THE COMPANY is not presently engaged in shipowning. A profit of £0.1 million (1994: £1.5 million) was made on residual interests, whereas the previous year's result included a £1.4 million bad debt recovery on indebtedness previously written off.

INSURANCE BROKING

IN DECEMBER 1995, following approval by shareholders, the group took the opportunity to dispose of its insurance broking activity to Camomile Holdings Limited, a company controlled by its existing management.

The insurance broking division made a profit of £0.3 million (1994: loss £1.0 million), in the period prior to its disposal.

FINANCIAL

AS A CONSEQUENCE of the disposal of the insurance broking division, goodwill of £9.3 million previously written off to reserves has been reinstated and written off through the profit and loss account as an exceptional item. This method of accounting treatment is as required by, and in accordance with, FRS 2 and has no effect on the group's reported net assets or the company's ability to pay dividends.

The overall effective tax rate for the year has now reduced to 32 per cent, compared to the current UK corporation tax rate of 33 per cent. The group continues to suffer as a result of disallowable expenses in the UK but this has been offset by a release of a tax provision no longer required in an overseas subsidiary.

CHAIRMAN'S STATEMENT

All short term indebtedness in the form of bank loans and overdrafts was eliminated by 31 December 1995, following the disposal of the insurance broking activity.

Cash at bank and in hand at 31 December 1995 of £15.2 million (1994: £30.6 million) is available both to meet our current liabilities of £9.8 million and also to support the working capital requirements of the UK and various overseas shipbroking companies.

PROSPECTS

YOUR COMPANY is now solely engaged in its shipbroking and shipping related businesses. Its future strategy is based on expanding, where appropriate, these businesses.

The markets in which the shipbroking company trades are being affected by different economic factors. The dry bulk market has fallen from its high point of last year, mainly due to an increased volume of newbuilding deliveries and a slow-down in industrial activity of the main economies.

The tanker market has improved and, as delivery of newbuildings declines, the market is reaching balance.

For both markets much will now depend on the rate of demolition of the older vessels; environmental pressures will play a key factor in this process.

Sale and purchase and newbuilding contracting has fallen both in volume and value for bulkcarriers, but there have been significant rises in the values of secondhand tankers.

The trading outlook for 1996 is not as good as 1995, which was an exceptional year, but we expect to perform satisfactorily in the current conditions.

DIRECTORS

ON 20 JULY 1995, we welcomed Rex Harrington to the board as a non-executive director. He is Director, Shipping at The Royal Bank of Scotland.

DIVIDEND

THE BOARD will be recommending a final dividend of 1.75p per share to be paid on 3 July 1996 to shareholders on the register at close of business on 11 June 1996. This final dividend, together with the interim dividend paid in November 1995 of 1.25p per share, gives a total of 3.00p per share, representing an increase of 50 per cent on the 1994 dividend of 2.00p per share.

STAFF

I PLACE ON RECORD my thanks to all members of staff at home and abroad, who have contributed to our success.

Michael Beckett
Chairman

3 May 1996

REPORT OF THE DIRECTORS

The directors present their report and the group accounts for the year ended 31 December 1995, which were approved by them on 3 May 1996.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of an investment holding company. During the year the principal activities of its subsidiaries were shipbroking, insurance broking and shipowning. On 19 December 1995, the group disposed of its subsidiaries engaged in insurance broking. A review of the group's business during the year and an indication of its likely future developments are commented upon in the chairman's statement on pages 2 and 3.

GROUP RESULTS AND DIVIDENDS

The results of the group, giving details of the profit, dividends and retained earnings transferred to reserves, are shown on page 13. An interim ordinary dividend of 1.25p per share was paid in November 1995 and the directors recommend a final dividend of 1.75p per share, payable on 3 July 1996 to shareholders on the register at the close of business on 11 June 1996, making a total for the year of 3.00p per share (1994: 2.00p).

DIRECTORS

The directors of the company at the date of this report are shown on page 1.

Mr B H Barr and Mr B F Burns retired on 25 May 1995. In accordance with the articles of association of the company, Mr R D Ward and Mr G D Weston will retire by rotation at the annual general meeting and will offer themselves for re-election. Mr R W Harrington was appointed on 20 July 1995 and in accordance with the articles of association will offer himself for re-election at the annual general meeting. Mr R D Ward and Mr G D Weston have service contracts determinable at three months' and six months' notice respectively. The service contract of Mr R W Harrington expires on 20 July 1998.

Mr S L James is a former partner at Simmons & Simmons, which firm receives fees for legal services as solicitors to the group. No director had, during the year or at the year-end, any material interest in any contract of significance to the group's business.

During the year the company maintained directors' and officers' liability insurance against claims made against them in respect of their duties as directors of the group as permitted by the Companies Act.

NON-EXECUTIVE DIRECTORS

Mr M E Beckett (59) was appointed a director of the company in 1988. He is a non-executive director of Amstrad Plc, Ashanti Goldfields Company Limited, British Borneo Petroleum Syndicate Plc, BPB Industries Plc, Foreign & Colonial Income Growth Investment Trust Plc, and Queens Moat Houses Plc, and chairman of Watts, Blake, Bearne Plc, Monarch Resources Plc and Greycoat Plc.

Mr A Brooks (60) was appointed a director of the company in October 1993. He is chairman of Anglo United Plc and was previously group managing director of BPB Industries Limited and chairman of British Gypsum Limited.

Mr R W Harrington (62) was appointed a director of the company in July 1995. He is Director, Shipping at The Royal Bank of Scotland Plc and a director of Lloyd's Register of Shipping.

Mr S L James (65) has been a director of the company since 1975. He is a consultant to Simmons & Simmons, solicitors to the group. He is a non-executive director of Greycoat Plc and Kiln Capital Plc.

Mr P Swain (51) was appointed a director of the company in August 1994. He is the chief executive of Catlin

Underwriting Agencies Limited, a Lloyd's managing agency.

SUBSTANTIAL INTERESTS

The company has been notified of the following substantial interests of 3 per cent or more in its issued share capital as at 15 April 1996 (being the latest practicable date prior to the approval of these accounts).

	Percentage of share capital	*Number of shares*
J Rothschild Holdings	10.76 per cent	2,405,000
Fidelity International Management	10.64 per cent	2,380,000
Castalia Offshore Partners Limited and others	9.56 per cent	2,137,500
M&G Smaller Companies Fund	6.93 per cent	1,550,000
Legal & General Assurance Society Limited	5.37 per cent	1,200,000

At 15 April 1996 employees directly held 2.82 per cent of the company's share capital and 15.56 per cent was held by employee share trusts for use under the company's various share incentive schemes.

No other person has notified the company of an interest of 3 per cent or more in the issued shares of the company required to be recorded in the register under section 211 of the Companies Act 1985.

SHARE CAPITAL

Details of the company's share capital and any movements in the same during the year are shown in note 16 to the accounts.

FIXED ASSETS

The changes in the group's fixed assets during the year are summarised in notes 10 and 11 to the accounts. In the opinion of the directors, the market value of the group's properties is not materially different from their net book value.

EMPLOYMENT POLICIES

The group operates worldwide and its employment policies vary to meet local conditions and legal requirements. In the UK the group is committed to a policy of the continuing development of effective means of communication, consultation and involvement. For example, communication is achieved through the availability to employees of the annual report and accounts, interim statement and company newsletters. Where such policies do not exist in acquired companies, steps are taken to introduce them.

The group encourages the involvement of employees in the financial performance of the group through the share option, profit sharing and restricted share plan schemes. At 15 April 1996 employee share trusts held for allocation to employees at a future date under share incentive schemes 3,479,092 shares, of which 761,968 shares are held for employees under the Savings Related and Senior Executive Share Option Schemes, 435,665 shares under the Profit Sharing Share Scheme and 2,281,459 shares under the Restricted Share Plan. Details of options granted under the H Clarkson Senior Executive Share Option Scheme are shown in note 16 to the accounts.

The policy of the group is to give full and fair consideration to applications for employment made by disabled persons. Where an employee becomes disabled whilst in the employment of a group company, every effort is made to find continuing employment, either in the same or an alternative job. Disabled persons share equally in the opportunities available in the group for training, career development and promotion. It is also group policy to achieve and maintain a high standard of health and safety for its employees by all practicable means.

CHARITABLE AND POLITICAL DONATIONS

During the year, the group made various charitable donations amounting in aggregate to £11,791. No political contributions were made.

TAXATION STATUS

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

CORPORATE GOVERNANCE

The non-executive directors, who are appointed for a specific term of years, constitute the audit committee and the remuneration committee for the company.

The board has reviewed the company's compliance with the Code of Best Practice published in December 1992 by the Committee on the Financial Aspects of Corporate Governance and considers that throughout the year the company has complied with the recommendations.

GOING CONCERN

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

INTERNAL FINANCIAL CONTROL

The board is responsible for establishing and maintaining the company's system of internal financial control. Internal control systems are designed to meet the particular needs of the company concerned and the risks to which it is exposed, and by their nature can provide reasonable but not absolute assurance against material misstatement or loss.

The directors have, therefore, established a number of key procedures, with a view to providing effective internal control. These procedures include appropriate budgeting and reporting systems, monitoring, supervision and stewardship procedures, and continuing review of the group's financial control systems.

The directors confirm that they have carried out a review of the effectiveness of the system of internal financial control as it operated since 1 July 1995 for the continuing operations.

UNCERTIFICATED SECURITIES

In accordance with the Uncertificated Securities Regulations 1995 ('the Regulations'), on 28 March 1996 the company resolved by a resolution of its directors that title to the ordinary shares of 25p each in the capital of the company, in issue or to be issued, may be transferred by means of the Crest system or any other relevant system. The resolution of the directors will become effective immediately prior to Crestco Limited granting permission for the shares concerned to be transferred by means of the Crest system.

Crest is a computer based system enabling title to securities to be evidenced and transferred without a written instrument, which is due to become operative in July 1996. The above notice is the notice that the company is obliged to give to its members under the Regulations of the passing of a directors' resolution (as defined in the Regulations) in relation to its ordinary shares. The directors' resolution will enable the company's ordinary shares to join Crest in due course. However, shareholders should note that the shares will not become transferable by means of the Crest system merely by virtue of the passing of the directors' resolution, nor will they become so by virtue of the directors' resolution becoming effective. Before the company's shares can become transferable by means of the Crest system, the permission of the operator of the system, Crestco Limited, must also be obtained. It is anticipated that the company will enter the Crest system in January 1997.

The effect of the directors' resolution is to disapply, in relation to the company's ordinary shares, those provisions of the company's articles of association that are inconsistent with the holding of shares in uncertificated form, the transfer of title to shares by means of Crest or any other relevant system and any provision of the Regulations, as and when the shares concerned enter the Crest system.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

At the annual general meeting of the company on Tuesday 11 June 1996 resolutions 8, 9, 10 and 11 set out in the notice of annual general meeting constitute special business.

Authority to allot shares (Resolution 8)

Section 80 of the Companies Act 1985 requires that the authority of the directors to allot relevant securities shall be subject to the approval of shareholders in general meeting. The authority conferred by the ordinary resolution numbered 5 passed on 30 May 1991 expires this year being five years from the date on which the resolution was passed. Accordingly, an ordinary resolution (Resolution 8 set out in the notice of annual general meeting) will be proposed authorising the directors to allot unissued ordinary shares of the company up to a maximum of 6,641,754 ordinary shares, representing approximately 29.71 per cent of the existing issued share capital of the company. Such authority will expire at the conclusion of the annual general meeting to be held in 2001 or five years after the date of passing Resolution 8, whichever is the earlier. The directors have no present intention of exercising such authority but propose to keep the matter under review.

Disapplication of pre-emption rights (Resolution 9)

The Companies Act 1985 also requires that any equity securities issued wholly for cash must be offered to existing shareholders in proportion to their existing holdings. This requirement may be modified by a special resolution of shareholders and such a resolution was passed on 25 May 1995 which is due to expire at the annual general meeting. Accordingly, a special resolution (Resolution 9 set out in the notice of annual general meeting) will be proposed to renew the authority of the directors to allot equity securities for cash other than on a pre-emptive basis in the case of a rights issue, up to the whole amount of the unissued share capital of the company or otherwise, up to a maximum aggregate nominal value of £279,478 representing approximately 5 per cent of the existing issued share capital of the company. Such authority will expire at the conclusion of the next annual general meeting or 15 months after the date of passing Resolution 9, whichever is the earlier.

Amendment of articles of association (Resolution 10)

In addition to the approval of shareholders sought by Resolution 11, the company must be specifically authorised to purchase its own shares in its articles of association. As the company's existing articles of association do not contain such authority, it will be necessary to amend the articles to incorporate a new provision authorising the company to purchase its own shares. A special resolution (Resolution 10 set out in the notice of annual general meeting) will therefore be proposed amending the company's existing articles of association by inserting a new article 50A authorising the company to purchase its own shares (including any redeemable shares) subject to the provisions of the Companies Act 1985, the company's articles of association and to any confirmation or consent required by law.

Authority for the company to purchase its own shares (Resolution 11)

The directors consider that it would be appropriate and in the best interests of the company to seek authority to make market purchases of its ordinary shares on the London Stock Exchange. There may be occasions when, for a variety of reasons, the directors consider that it would be desirable to reduce the issued share capital by purchases in the market. Accordingly, a special resolution (Resolution 11 set out in the notice of annual general meeting) will be proposed conferring general authority upon the directors to make market purchases of the company's own shares. The board only proposes to exercise the power of purchase when satisfied that any purchase will have a beneficial impact on earnings per share and that it is in the best interests of all shareholders generally so to do. The directors intend that this power would be used only after careful consideration, having taken into account market conditions prevailing at that time, the investment needs of the company, its opportunities for expansion and its overall financial position. The authority being sought is for the purchase of up to 2,235,824 ordinary shares, (representing approximately 10 per cent of the company's present issued share capital) at a price per share which is not more than 5 per cent above the average of the middle market quotation for ordinary shares in the capital of the company as derived from the London Stock Exchange Daily Official List on the ten dealing days immediately prior to the date of purchase and, in any event, not lower than the nominal value of 25p per share (in each case exclusive of any advance corporation tax or expenses). Any shares purchased under this authority will be cancelled. The authority will expire at the conclusion of the next annual general meeting of the company or 18 months after the date of passing the resolution, whichever is the earlier. It is the board's intention to seek to renew the authority at that meeting and to continue to make such renewal part of the regular business of the annual general meeting. At the close of business on 15 April 1996, the middle market quotation for ordinary shares of the company as derived from the London Stock Exchange Daily Official List was 106p.

Recommendation on special business

Your directors consider that the proposals regarding the special business to be proposed at the annual general meeting are in the best interests of the company and its shareholders as a whole. Accordingly, your directors recommend you to vote in favour of the resolutions approving the same, as they intend to do in respect of those of their beneficial holdings of shares in the company over which they exercise voting control amounting in aggregate to 268,996 ordinary shares, representing approximately 1.2 per cent of the existing issued share capital of the company.

AUDITORS

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

By order of the board

M C Fairley
Secretary

3 May 1996

REPORT OF THE REMUNERATION COMMITTEE

The remuneration committee is chaired by Mr A Brooks. The other members are the non-executive directors, Mr M E Beckett, Mr S L James, Mr P Swain and Mr R W Harrington.

The policy of the company is to ensure that executive rewards are linked to performance in a way that incentivises achievement of key business aims and delivers an appropriate level of total remuneration at any level of acceptable performance, and at the same time, to maintain a reasonable relationship of rewards to those in other companies, in order to attract, retain and motivate executives within the bounds of what is acceptable to shareholders. There are no comparable UK public companies involved solely in the business of providing shipping services, and so comparisons are made for this purpose with companies in the financial services sector generally.

In addition to consultation with Mr H O McCoy, the managing director, the remuneration committee is advised by a leading firm of executive remuneration consultants to maximise comparability with the benchmark companies.

Details of each director's remuneration, share options and pension schemes for the period under review are shown in notes 5 and 23 to the accounts.

The company operates a defined benefit pension scheme under which basic salary and certain contractual performance related earnings are pensionable from the Horace Clarkson Plc Pension Scheme. In addition the principal subsidiary, H Clarkson and Company Limited, operates an independent pension scheme to give staff the facility of making additional pension provision on discretionary annual bonus payments, to which that company also contributes. This is a 'money purchase' pension arrangement and is entirely separate from the Horace Clarkson Plc Pension Scheme. Other than as referred to, no element of directors' remuneration is pensionable.

None of the executive directors has a service contract with a notice period in excess of one year or with provisions for pre-determined compensation on termination which exceeds one year's salary and benefits in kind.

Of the directors proposed for re-election at the forthcoming annual general meeting, Mr R D Ward's and Mr G D Weston's service contracts are determinable at any time at three months' and six months' notice respectively and Mr R W Harrington has an unexpired term of 27 months under his service contract.

On behalf of the remuneration committee

A Brooks

3 May 1996

DIRECTORS' STATEMENT OF RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to: select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

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

REPORT OF THE AUDITORS

to the members of Horace Clarkson Plc

ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995

We have audited the accounts on pages 13 to 32, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 17 and 18.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 10, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1995 and of the result of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CORPORATE GOVERNANCE MATTERS

In addition to our audit of the accounts we have reviewed the directors' statement on page 6 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board, and addressed whether the directors' statements on going concern and internal financial control are consistent with the information of which we are aware from our audit. That Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

REPORT OF THE AUDITORS

to the members of Horace Clarkson Plc

OPINION

With respect to the directors' statements on internal financial control and going concern on page 6, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 6 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young
Chartered Accountants
Registered Auditor

London
3 May 1996

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

Notes		*Before exceptional item* 1995 £'000	*Exceptional item* 1995 £'000	*Total* 1995 £'000	1994 £'000
2	TURNOVER				
	Continuing operations	32,516	–	32,516	29,637
	Discontinued operations	9,413	–	9,413	11,069
		41,929	–	41,929	40,706
3	OPERATING PROFIT/(LOSS)				
	Continuing operations	3,267	–	3,267	2,854
	Discontinued operations	(474)	–	(474)	(2,501)
		2,793	–	2,793	353
20	Loss on disposal of discontinued operations	–	(9,278)	(9,278)	–
	Share of profits of associated undertakings	255	–	255	53
	Interest receivable and similar income	2,076	–	2,076	3,146
6	Interest payable and similar charges	(290)	–	(290)	(419)
2, 3	PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	4,834	(9,278)	(4,444)	3,133
7	Taxation on profit/(loss) on ordinary activities	(1,548)	–	(1,548)	(1,764)
	PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	3,286	(9,278)	(5,992)	1,369
8	Dividends			(671)	(447)
18	RETAINED PROFIT/(LOSS) FOR THE YEAR			(6,663)	922
9	EARNINGS/(LOSS) PER SHARE				
	Continuing operations			13.3p	11.2p
	Discontinued operations			(40.1p)	(5.1p)
				(26.8p)	6.1p

The notes set out on pages 17 to 32 form part of these accounts.

BALANCE SHEETS

as at 31 December 1995

Notes		Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
	FIXED ASSETS				
10	Tangible assets	**4,627**	5,873	**778**	793
11	Investments	**1,175**	1,197	**14,212**	17,628
		5,802	7,070	**14,990**	18,421
	CURRENT ASSETS				
11	Investments	**62**	259	–	–
12	Debtors	**6,268**	73,226	**836**	4,259
	Cash at bank and in hand	**15,197**	30,636	**470**	64
		21,527	104,121	**1,306**	4,323
13	CREDITORS				
	Amounts falling due within one year	**(9,838)**	(94,504)	**(1,068)**	(3,488)
	NET CURRENT ASSETS	**11,689**	9,617	**238**	835
	TOTAL ASSETS LESS CURRENT LIABILITIES	**17,491**	16,687	**15,228**	19,256
	CREDITORS				
14	Amounts falling due after more than one year	–	(74)	–	–
15	PROVISIONS FOR LIABILITIES AND CHARGES	**(264)**	(2,179)	–	(25)
	MINORITY INTERESTS	**(47)**	(51)	–	–
		(311)	(2,304)	–	(25)
		17,180	14,383	**15,228**	19,231
	CAPITAL AND RESERVES				
16	Called up share capital	**5,590**	5,590	**5,590**	5,590
17	Share premium account	**1,753**	1,753	**1,753**	1,753
18	Other reserves	**9,837**	7,040	**7,885**	11,888
		17,180	14,383	**15,228**	19,231

Approved on 3 May 1996

M E Beckett

R D Ward

Directors

The notes set out on pages 17 to 32 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1995

Notes		1995 £'000	1994 £'000
19	NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**3,534**	(18,709)
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	**2,076**	3,146
	Interest paid	**(290)**	(419)
	Dividends received from associates	**190**	81
	Dividends paid	**(560)**	(391)
	NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**1,416**	2,417
	CORPORATION TAX PAID	**(1,749)**	(1,967)
	INVESTING ACTIVITIES		
	Purchase of tangible fixed assets	**(804)**	(2,294)
	Purchase of trade investments	**(48)**	(224)
	Sale of plant and machinery	**164**	668
	Sale of trade investments	**261**	1,093
20	Sale of subsidiary companies including cash balances sold	**(13,874)**	–
	NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(14,301)**	(757)
	NET CASH OUTFLOW BEFORE FINANCING	**(11,100)**	(19,016)
	FINANCING		
21	Capital element of finance lease rental received	**–**	(1,104)
21	Repayment of loans	**650**	637
	NET CASH INFLOW/(OUTFLOW) FROM FINANCING	**650**	(467)
22	DECREASE IN CASH AND CASH EQUIVALENTS	**(11,750)**	(18,549)
		(11,100)	(19,016)

The notes set out on pages 17 to 32 form part of these accounts.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1995

	1995 £'000	1994 £'000
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	**(5,992)**	1,369
Exchange differences on retranslation of net assets	**36**	(403)
Total recognised gains and losses relating to the year	**(5,956)**	966

MOVEMENT IN SHAREHOLDERS' FUNDS

for the year ended 31 December 1995

	1995 £'000	1994 £'000
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	**(5,992)**	1,369
Exchange differences on retranslation of net assets	**36**	(403)
Dividends	**(671)**	(447)
Other movement:		
Goodwill	**9,424**	356
Total movements during the year	**2,797**	875
Shareholders' funds at 1 January 1995	**14,383**	13,508
Shareholders' funds at 31 December 1995	**17,180**	14,383

The notes set out on pages 17 to 32 form part of these accounts.

NOTES TO THE ACCOUNTS

1 STATEMENT OF ACCOUNTING POLICIES

(a) PREPARATION OF ACCOUNTS The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) BASIS OF CONSOLIDATION The group accounts consolidate the accounts of Horace Clarkson Plc and all its subsidiary undertakings made up to 31 December each year. No profit and loss account is presented for Horace Clarkson Plc as provided by section 230 of the Companies Act 1985.

The group profit and loss account includes the results of companies acquired during the year for the periods from their date of acquisition and of companies disposed of during the year for the periods up to the date of their disposal.

In accordance with Financial Reporting Standard Number 5, the accounts of the H Clarkson (Holdings) Executive Share Purchase Trust have been consolidated.

(c) ASSOCIATED UNDERTAKINGS Undertakings, other than subsidiary undertakings, in which the group has a participating interest and over which it exerts significant influence are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and reserves based on the latest available audited accounts.

(d) TURNOVER Turnover represents brokerage earnings in shipbroking and insurance broking activities, freight and hires on shipowning activities and other income arising from shipping publications and leasing.

(e) DIVIDENDS RECEIVABLE Dividends from subsidiary undertakings are credited on the basis of amounts receivable. Other dividends are credited when received.

(f) DEFERRED TAXATION Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance. Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

(g) OVERSEAS CURRENCIES The net assets of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. Monetary assets and liabilities held in foreign currency ledgers are considered to be separate foreign currency branches and are therefore also translated at the closing rate. Investments in subsidiary undertakings and other fixed assets are recorded at the rate ruling at the time of acquisition.

Exchange differences on foreign currency borrowings, to the extent that they are used to finance or provide against investments in foreign currency branches, are taken directly to reserves to offset the exchange difference on the carrying amount of the related investments.

The trading results of overseas subsidiary undertakings are translated at average rates for the year. The trading results of foreign currency branches are also translated at average rates, or at contracted rates if the trading results are covered by forward exchange contracts. The exchange differences on the retranslation of opening net assets are taken directly to reserves.

Any other exchange differences are taken directly to the profit and loss account.

(h) DEPRECIATION Depreciation is calculated to write off the cost of tangible fixed assets to their estimated residual values over their expected lives. Rates and bases (straight line or other) are those considered appropriate for each company in the group and for the particular class of asset.

(i) SHIPOWNING ASSETS The book values of vessels on long-term charter are reviewed by reference to the present value of the future charter hire income stream and the terminal value arising from that charter. If such a charter is deemed to be a finance lease in accordance with SSAP 21, the book value is recorded as a debtor.

(j) LEASED ASSETS Assets obtained under finance leases are capitalised on the balance sheet and are depreciated over their useful lives. The interest element of the lease obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

(k) INVESTMENTS All the group's fixed investments are for the long term and are treated as fixed assets. Investments are included in these accounts at cost, less any provision for permanent diminution in value.

(l) PENSIONS The charge to annual profits for pensions is calculated so at to recognise the cost on a rational and systematic basis over the period of the employees' service lives. Any adjustment arising from prior years is spread over the expected remaining service lives as a percentage of salary roll.

(m) CASH AT BANK AND IN HAND The group receives cash in the ordinary course of business in both its shipbroking and insurance broking divisions for onward payment to its clients. The liability to clients for such cash is included in creditors due within one year. Such cash is separately identified in the insurance broking division's books of account.

At 31 December 1994 the insurance broking division held cash of £12.9 million and trade debtors of £67.1 million which were required by the Corporation of Lloyd's and local statutory regulations to be designated Insurance Broking Accounts. These funds were held for the benefit of the insurance creditors of the respective companies of the group.

(n) GOODWILL Purchased goodwill is either written off directly to a goodwill reserve or amortised through the profit and loss account over its estimated economic useful life depending on the directors' assessment of the particular acquisition.

2 TURNOVER AND SEGMENTAL ANALYSIS

Turnover, group profit/(loss) on ordinary activities before tax, and net assets are analysed as follows:

	Turnover		Profit/(loss)		Net assets	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000	1995 £'000	1994 £'000
Shipbroking	32,456	27,028	5,387	3,155	15,359	17,023
Shipowning	60	2,609	60	1,449	–	25
Head office and other	–	–	(718)	(377)	1,821	1,844
Profit sharing scheme	–	–	(205)	(120)	–	–
Total continuing operations	32,516	29,637	4,524	4,107	17,180	18,892
Discontinued operations – insurance broking	9,413	11,069	310	(974)	–	(4,509)
Total before exceptional item	41,929	40,706	4,834	3,133	17,180	14,383
Discontinued operations – exceptional item:						
Loss on sale of insurance broking division	–	–	(9,278)	–	–	–
	41,929	40,706	(4,444)	3,133	17,180	14,383

	Turnover by destination		Turnover by origin		Profit/(loss)		Net assets	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000	1995 £'000	1994 £'000	1995 £'000	1994 £'000
UK	13,646	16,241	33,647	32,880	(5,279)	2,943	12,844	9,996
Europe	13,208	11,241	841	672	125	202	–	84
USA	3,631	3,787	1,845	1,732	289	(365)	942	742
Rest of World	11,444	9,437	5,596	5,422	421	353	3,394	3,561
	41,929	40,706	41,929	40,706	(4,444)	3,133	17,180	14,383

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after crediting/(charging):	1995 £'000	1994 £'000
Bareboat charter hire received, deemed to be finance lease rental under SSAP 21	–	1,216
Depreciation of tangible fixed assets	(1,149)	(1,220)
Profit share appropriation	(205)	(120)
Auditors' remuneration:		
Audit services	(265)	(330)
Non-audit services	(99)	(116)
Exceptional items:		
Recovery of shipowning bad debt previously written off	–	1,393
Rates rebate	–	341
Insurance broking provision for run-off costs	–	(1,200)
Goodwill written off	(9,365)	(309)

3 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION CONTINUED

The profit/(loss) on ordinary activities before taxation is analysed between continuing and discontinued activities as follows:

	Continuing operations	***Discontinued operations***	***Total***	*Continuing operations*	*Discontinued operations*	*Total*
	1995 £'000	***1995 £'000***	***1995 £'000***	*1994 £'000*	*1994 £'000*	*1994 £'000*
Turnover	**32,516**	**9,413**	**41,929**	29,637	11,069	40,706
Operating expenses	**(29,249)**	**(9,887)**	**(39,136)**	(26,783)	(13,570)	(40,353)
Operating profit/(loss)	**3,267**	**(474)**	**2,793**	2,854	(2,501)	353
Share of profits of associated undertakings	**255**	**–**	**255**	53	–	53
Interest receivable and similar income	**1,188**	**888**	**2,076**	1,219	1,927	3,146
Interest payable and similar charges	**(186)**	**(104)**	**(290)**	(296)	(123)	(419)
Intra-group charges	**–**	**–**	**–**	277	(277)	–
Loss on disposal of subsidiary undertakings	**–**	**(9,278)**	**(9,278)**	–	–	–
Profit/(loss) on ordinary activities before taxation	**4,524**	**(8,968)**	**(4,444)**	4,107	(974)	3,133

4 EMPLOYEES

	1995 £'000	*1994 £'000*
Salaries and commission	**19,190**	17,723
Social security costs	**1,619**	1,572
Other pension costs	**2,193**	2,034
	23,002	21,329

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

	Continuing operations	***Discontinued operations***	***Total***	
	1995 Number	***1995 Number***	***1995 Number***	*1994 Number*
UK	**188**	**154**	**342**	382
Europe	**–**	**11**	**11**	11
USA	**15**	**–**	**15**	15
Rest of World	**69**	**–**	**69**	64
	272	**165**	**437**	472

5 DIRECTORS' REMUNERATION

	1995 £'000	1994 £'000
Fees	140	139
Other emoluments (including pension contributions):		
Basic salaries	496	370
Benefits	49	37
Performance related bonuses	553	400
	1,238	946
Pension contributions	178	142
	1,416	1,088

The remuneration of the individual directors is as follows:

	Fees	*Basic salaries*	*Benefits*	*Performance related bonuses*	*Total*	
	1995 £'000	*1995 £'000*	*1995 £'000*	*1995 £'000*	*1995 £'000*	*1994 £'000*
Executive directors:						
B H Barr	–	138	22	–	160	158
H O McCoy	–	166	9	283	458	281
R D Ward	–	96	9	118	223	175
G D Weston	–	96	9	152	257	191
Non-executive directors:						
M E Beckett	50	–	–	–	50	60
A Brooks	24	–	–	–	24	22
B F Burns	10	–	–	–	10	24
R W Harrington	10	–	–	–	10	–
S L James	23	–	–	–	23	26
P Swain	23	–	–	–	23	9
	140	496	49	553	1,238	946
Pension contributions					178	142
					1,416	1,088

The performance related bonuses are calculated based on a formula, which is reviewed by the remuneration committee, measuring the improvement of earnings per share or of business areas against targets principally relating to profit before tax.

In addition to salary entitlements, but as a part of performance related bonuses, executive directors are entitled to participate in the Horace Clarkson Plc Restricted Share Plan. Awards under this plan take the form of shares which are normally held in trust for at least four years on behalf of plan participants. Performance related emoluments under the Restricted Share Plan are included in the accounts on an earned basis. Also included as a performance related bonus this year is a compensation payment of £153,491 paid to Mr H O McCoy in respect of the termination of a long-term bonus plan of which he was a member, which has been replaced by a new incentive scheme measuring improvement in earnings per share.

Payments made to Mr B H Barr subsequent to his retirement as a director on 25 May 1995 are included in the above table.

The pension contributions are based on the company's average pension contribution rate of 17.5 per cent of total pensionable earnings, which does not specifically relate to the funding required for each individual.

5 DIRECTORS' REMUNERATION CONTINUED

The emoluments (excluding pension contributions) of the directors fell within the following ranges:

	1995 Number	*1994 Number*
£ 5,001 – £ 10,000	**–**	1
£ 10,001 – £ 15,000	**2**	–
£ 20,001 – £ 25,000	**3**	2
£ 25,001 – £ 30,000	**–**	1
£ 45,001 – £ 50,000	**1**	–
£ 55,001 – £ 60,000	**–**	1
£155,001 – £160,000	**1**	1
£175,001 – £180,000	**–**	1
£190,001 – £195,000	**–**	1
£220,001 – £225,000	**1**	–
£255,001 – £260,000	**1**	–
£280,001 – £285,000	**–**	1
£455,001 – £460,000	**1**	–

6 INTEREST PAYABLE AND SIMILAR CHARGES

	1995 £'000	*1994 £'000*
Loans wholly repayable within five years	**290**	419

7 TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	1995 £'000	*1994 £'000*
UK corporation tax at 33% (1994: 33%)	**1,734**	1,408
UK corporation tax overprovided in prior year	**–**	(327)
Deferred taxation	**(152)**	496
	1,582	1,577
Overseas taxation	**(34)**	187
Taxation on profit/(loss) on ordinary activities	**1,548**	1,764

The effective tax rate for the current year is similar to the rate of UK corporation tax because disallowable expenses in the UK have been offset by a release of a tax provision no longer required in an overseas subsidiary.

The tax charge is analysed between continuing and discontinued activities as follows:

	1995 £'000	*1994 £'000*
Continuing activities	**1,548**	1,613
Discontinued activities	**–**	151
	1,548	1,764

8 DIVIDENDS

	1995 £'000	1994 £'000
Interim dividend paid of 1.25p per share (1994: 0.75p per share)	280	167
Final dividend proposed of 1.75p per share (1994: 1.25p per share)	391	280
	671	447

9 EARNINGS/(LOSS) PER SHARE

The calculation of earnings or loss per share arising from continuing and discontinued activities respectively is based on 22,358,246 shares, being the weighted average number of ordinary shares in issue during the year (1994: 22,358,246), and on the appropriate profit or loss after taxation as follows.

	Continuing operations 1995 £'000	*Discon-tinued operations* 1995 £'000	*Total* 1995 £'000	*Continuing operations* 1994 £'000	*Discon-tinued operations* 1994 £'000	*Total* 1994 £'000
Profit/(loss) after taxation	2,976	(8,968)	(5,992)	2,494	(1,125)	1,369
Earnings/(loss) per share	13.3p	(40.1p)	(26.8p)	11.2p	(5.1p)	6.1p

10 TANGIBLE ASSETS

	Group						*Company*
	Freehold properties £'000	*Leasehold over 50 years* £'000	*Leasehold under 50 years* £'000	*Office furniture and equipment* £'000	*Motor vehicles* £'000	*Total* £'000	*Freehold properties* £'000
ORIGINAL COST							
At 1 January 1995	1,501	19	2,655	8,612	1,237	14,024	892
Additions	–	–	63	480	261	804	–
Disposals	–	–	(60)	(5,016)	(984)	(6,060)	–
Foreign currency translation differences	(9)	–	1	7	(6)	(7)	–
AT 31 DECEMBER 1995	1,492	19	2,659	4,083	508	8,761	892
DEPRECIATION							
At 1 January 1995	137	3	420	7,012	579	8,151	99
Provided during the year	18	–	275	679	177	1,149	15
Disposals	–	–	(21)	(4,622)	(526)	(5,169)	–
Foreign currency translation differences	–	1	(1)	7	(4)	3	–
AT 31 DECEMBER 1995	155	4	673	3,076	226	4,134	114
NET BOOK VALUE AT 31 DECEMBER 1995	1,337	15	1,986	1,007	282	4,627	778
At 31 December 1994	1,364	16	2,235	1,600	658	5,873	793
Depreciation term (years)	60	over period of lease		4-15	6		60

11 INVESTMENTS

(a) Fixed asset investments

	Group				
	Associated undertakings £'000	*Listed £'000*	*Unlisted £'000*	*Own shares £'000*	*Total £'000*
Cost at 1 January 1995	8	183	87	793	1,071
Additions	–	2	46	–	48
Disposals	–	–	(87)	(5)	(92)
Adjustments	(7)	(2)	–	(37)	(46)
COST AT 31 DECEMBER 1995	1	183	46	751	981
Group's share of post acquisition retained profit and reserves:					
At 1 January 1995	126	–	–	–	126
Retained for the year	255	–	–	–	255
Distributions	(190)	–	–	–	(190)
Adjustments	3	–	–	–	3
AT 31 DECEMBER 1995	194	–	–	–	194
NET BOOK VALUE AT 31 DECEMBER 1995	195	183	46	751	1,175
At 31 December 1994	134	183	87	793	1,197

The company's own shares are listed on the London Stock Exchange. The other listed investments are not listed on the London Stock Exchange.

	Company		
	Investment in subsidiary undertakings £'000	*Own shares £'000*	*Total £'000*
Cost at 1 January 1995	16,835	793	17,628
Additions	4,050	–	4,050
Disposals	(7,424)	(5)	(7,429)
Provision for anticipated losses on exercise of share options	–	(37)	(37)
AT 31 DECEMBER 1995	13,461	751	14,212

Own shares represent 829,738 shares held by the Executive Share Purchase Trust against options granted to employees. The shares are stated at cost less provision for anticipated losses on exercise of the options and their market value at 31 December 1995 was £913,000. Dividends on the shares are paid into the trust. The expenses of the trust are included in operating expenses in the profit and loss account.

(b) Current asset investments

	Group	
	1995 £'000	*1994 £'000*
Listed investments	62	259

Market value of listed investments, including own shares held by the Executive Share Purchase Trust, at 31 December 1995 was £1,431,000 (1994: £1,544,000); if they had been sold at this value, there would have been no liability to taxation.

In no case did the shares classified as listed and unlisted exceed 10 per cent of the share capital of the company concerned.

12 DEBTORS

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade debtors	**4,503**	70,098	**–**	–
Amounts owed by associated undertakings	**169**	220	**–**	–
Other debtors	**869**	1,268	**4**	160
Prepayments and accrued income	**628**	968	**–**	–
Taxation	**13**	543	**523**	204
Owed by group companies	**–**	–	**309**	3,895
	6,182	73,097	**836**	4,259
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Other debtors	**86**	129	**–**	–
	6,268	73,226	**836**	4,259

Included in other debtors is a loan outstanding to an officer of the company amounting to £8,556 (1994: £9,756).

13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1995 £'000	Group 1994 £'000	Company 1995 £'000	Company 1994 £'000
Trade creditors	**635**	78,847	**–**	–
Other creditors	**1,021**	1,949	**84**	112
Accruals and deferred income	**3,466**	4,883	**412**	129
Bank overdrafts	**–**	3,728	**–**	2,074
Advance corporation tax on dividends	**168**	112	**168**	112
Corporation tax	**2,336**	2,664	**1**	1
Other tax and social security	**1,821**	1,318	**8**	–
Bank loans	**–**	650	**–**	650
Dividend	**391**	280	**391**	280
Owed to group companies	**–**	–	**4**	130
Lease commitments	**–**	73	**–**	–
	9,838	94,504	**1,068**	3,488

14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group	
	1995 £'000	1994 £'000
Lease commitments: amounts due between one and two years	–	74

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Group		Company	
	1995 £'000	1994 £'000	1995 £'000	1994 £'000
DEFERRED TAXATION				
United Kingdom:				
Accelerated capital allowances	411	566	–	28
Short-term timing differences	7	4	–	(3)
	418	570	–	25
Less: advance corporation tax	(98)	(112)	–	–
	320	458	–	25
Overseas:				
Short-term timing differences	(56)	(71)	–	–
Total deferred taxation	264	387	–	25
OTHER PROVISIONS				
Insurance broking provision:				
At 1 January	1,792	1,062	–	–
Provided	–	1,200	–	–
Released	–	(470)	–	–
Released on disposal	(1,792)	–	–	–
Total other provisions	–	1,792	–	–
	264	2,179	–	25

No provision has been made for deferred taxation in respect of earnings which are retained overseas.

16 SHARE CAPITAL

	Number of shares	*Nominal value £'000*
At 1 January and 31 December 1995		
Ordinary shares of 25p each:		
Authorised	29,000,000	7,250
Allotted, issued and fully paid	22,358,246	5,590

Options subsisting under share option schemes at 31 December 1995 were:

Share scheme	*Year option granted*	*Number of options*	*Exercise price - pence per share*	*Period during which options are exercisable*
Senior Executive Share Option Scheme (non-performance related)	1986	103,500	102.0	1989-1996
Senior Executive Share Option Scheme (non-performance related)	1989	200,000	204.4	1992-1999
Savings Related Share Option Scheme	1990	80,441	200.4	1995-1998
Senior Executive Share Option Scheme (non-performance related)	1991	275,000	206.0	1994-2001
Senior Executive Share Option Scheme (performance related)	1994	725,000	91.0	2000-2004
Savings Related Share Option Scheme	1994	628,263	69.0	1999

17 SHARE PREMIUM

	Group and Company £'000
At 1 January and 31 December 1995	1,753

18 OTHER RESERVES

	Group				*Company*
	Merger reserve £'000	*Goodwill reserve £'000*	*Profit and loss account £'000*	*Total £'000*	*Profit and loss account £'000*
At 1 January 1995:					
As previously reported	882	(22,272)	28,430	7,040	11,711
Prior year adjustment	–	–	–	–	177
As restated	882	(22,272)	28,430	7,040	11,888
Reinstatement of goodwill	–	9,365	–	9,365	–
Release of merger reserve on sale of subsidiary companies	(882)	–	882	–	–
Exchange differences on translation of net assets and results of subsidiary undertakings	–	–	36	36	–
Adjustments	–	59	–	59	–
Retained loss for the year	–	–	(6,663)	(6,663)	(4,003)
At 31 December 1995	–	(12,848)	22,685	9,837	7,885

The prior year adjustment reflects the consolidation of the Executive Share Purchase Trust into the company's own accounts.

Apart from the reserves of the share purchase trust, and the amount by which the potential loss on the exercise by employees of their share options exceeds those reserves (which together total £148,000), the company's profit and loss account is fully available for distribution.

19 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	1995 *£'000*	*1994* *£'000*
Operating profit	**2,793**	353
Depreciation charges	**1,149**	1,220
Goodwill written off	**–**	325
Loss on sale of fixed assets	**61**	189
Loss on sale of investments	**33**	84
Decrease in debtors	**34,196**	5,328
Decrease in creditors	**(34,698)**	(26,208)
Net cash inflow/(outflow) from operating activities	**3,534**	(18,709)

20 SALE OF SUBSIDIARY COMPANIES

On 19 December 1995, the group completed the sale of Horace Holman Group Limited, for a nominal consideration of £1, to a company controlled by its management.

The disposal is analysed as follows:

	£'000
Net liabilities of Horace Holman Group disposed of:	
Fixed assets	**656**
Investments	**25**
Debtors and prepayments	**32,549**
Cash	**14,286**
Bank overdrafts	**(412)**
Other creditors and accruals	**(45,168)**
Provisions	**(2,085)**
Net liabilities of Horace Holman Group at date of sale	**(149)**
Intercompany balances	**(209)**
Expenses of sale	**271**
Goodwill written off	**9,365**
Loss on sale of Horace Holman Group	**9,278**
Net cash outflows:	
Cash balances of companies sold	**14,286**
Bank overdrafts of companies sold	**(412)**
Net cash and cash equivalents of companies sold	**13,874**

During the year, Horace Holman Group utilised £172,000 of the group's operating cash flows, received £784,000 in respect of net returns on investment and servicing of finance, received £72,000 in respect of taxation, utilised £181,000 for investing activities and received £900,000 in respect of financing.

21 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

(a) Capital element of finance leases received

The movement on the value for ships on long-term bareboat charter (included in debtors) consists of the following:

	1995 ***£'000***	*1994* *£'000*
At 1 January	–	1,171
Capital element of finance lease rental received	–	(1,104)
Effect of foreign exchange rate changes	–	(67)
At 31 December	–	–

(b) Repayment of loans

The movement on the value of bank loans (included in creditors) consists of the following:

	1995 ***£'000***	*1994* *£'000*
At 1 January	**650**	1,326
Repayment of loans	**(650)**	(637)
Effect of foreign exchange rate changes	–	(39)
At 31 December	–	650

22 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	1995 ***£'000***	*1994* *£'000*
Analysis of balances shown in the group balance sheet:		
Cash at bank and in hand	**15,197**	30,636
Bank overdraft (included in creditors)	–	(3,728)
	15,197	26,908
Analysis of changes during the previous and current year:		
At 1 January	**26,908**	45,500
Effect of foreign exchange rate changes	**39**	(43)
Net cash flow	**(11,750)**	(18,549)
At 31 December	**15,197**	26,908

23 DIRECTORS' INTERESTS

The beneficial interests of the directors in the share capital of the company at 31 December 1995 are as follows:

	Ordinary shares	
	1995 Number	1994 Number
M E Beckett	**2,000**	2,000
A Brooks	**2,000**	2,000
S L James	**Nil**	Nil
R W Harrington	**Nil**	Nil
H O McCoy	**98,498**	97,392
P Swain	**Nil**	Nil
R D Ward	**98,993**	97,887
G D Weston	**67,505**	66,399

There have been no changes in directors' interests between 31 December 1995 and the date of this report.

Messrs M E Beckett, H O McCoy and R D Ward are directors and/or joint trustees of H Clarkson (Trustees) Limited which acts as trustee for the shares issued under the Profit Sharing Share Scheme and subject to options under the SAYE Share Option Scheme and certain options under the Senior Executive Share Option Scheme. Details of these are shown in the Report of the Directors under employment policies.

The numbers of ordinary shares subject to options held by the directors and granted under the SAYE Share Option Scheme and Senior Executive Share Option Scheme are detailed below.

		01.01.95	Lapsed during the year	**31.12.95**	Exercise price - pence per share	Date options exercisable	Date options expire
H O McCoy	SAYE 1990	2,425	–	**2,425**	200.4	01.11.97	30.04.98
	Senior Executive 1986	21,500	–	**21,500**	102.0	12.08.89	11.08.96
	Senior Executive 1989	20,000	–	**20,000**	204.4	20.12.92	19.12.99
	Senior Executive 1989	30,000	30,000	**–**	–	–	–
R D Ward	SAYE 1994	15,000	–	**15,000**	69.0	01.06.99	30.11.99
	Senior Executive 1991	20,000	–	**20,000**	206.0	25.04.94	24.04.01
	Senior Executive 1994	25,000	–	**25,000**	91.0	31.03.00	03.11.04
G D Weston	SAYE 1990	3,772	–	**3,772**	200.4	01.11.97	30.04.98
	SAYE 1994	6,600	–	**6,600**	69.0	01.06.99	30.11.99
	Senior Executive 1989	14,000	–	**14,000**	204.4	20.12.92	19.12.99
	Senior Executive 1991	11,000	–	**11,000**	206.0	25.04.94	24.04.01
	Senior Executive 1994	25,000	–	**25,000**	91.0	31.03.00	03.11.04
	Senior Executive 1989	21,000	21,000	**–**	–	–	–

The market price of the shares at 31 December 1995 was 110p and the range during 1995 was 94p to 120p.

24 CAPITAL COMMITMENTS

Capital commitments of the group at 31 December 1995 are as follows:

	1995 £'000	1994 £'000
Capital expenditure authorised but not committed	**1,075**	642

25 CONTINGENT LIABILITIES

A subsidiary company, H Clarkson and Company Limited, and the group managing director have been joined as third parties by one of three defendants to a High Court action commenced by a client of the subsidiary. In those proceedings the client is claiming about US$78 million from three defendants who, at a time when they were officials of the client, allegedly committed fraudulent acts and misappropriated monies belonging to the client. The subsidiary company provided broking services to the client between 1986 and 1991 – during which period the alleged fraud was committed by the defendants. The client has made no complaint or claim against the subsidiary and it has been providing the client with as much assistance as possible. The subsidiary has been advised that it has a strong defence to the third party claims and, accordingly, no provision has been made for them in these financial statements.

26 PENSION FUND

The group's main pension scheme is in the UK. This is a defined benefit pension scheme, which is funded by the payment of contributions to a separately administered trust fund.

The contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the projected unit method. The results of the most recent valuation, which was carried out as at 31 March 1995, were as follows:

Main assumptions:	
Rate of return on investments (per cent per annum)	8.5 per cent
Rate of salary increases (per cent per annum)	6.5 per cent
Rate of pension increases (per cent per annum)	4.0 per cent
Rate of equity dividend increases (per cent per annum)	4.0 per cent
Market value of scheme's assets	£47.3 million
Level of funding, being the actuarial value of assets expressed as a percentage of the benefits accrued to members, after allowing for future salary increases	97 per cent

Contributions are being paid at a joint rate of 22.5 per cent of pensionable salaries and are expected to meet the shortfall over the average expected future working lifetime of the current membership. Allowance has been made in setting the contribution rate for the anticipated effects of benefit changes required under the 1995 Pensions Act.

Pension costs in relation to overseas schemes have been determined in accordance with local practice and regulations.

H Clarkson and Company Limited also operates an independent pension scheme to give staff the facility of making additional pension provision on annual bonus payments. This is a 'money purchase' pension arrangement and is entirely separate from the Horace Clarkson Plc Pension Scheme.

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

SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Company and country of incorporation and operation		*Percentage of equity shares*	*Activity*
PRINCIPAL SUBSIDIARY UNDERTAKINGS			
UK	H Clarkson and Company Limited	100	Shipbroking
	Austral Chartering (London) Limited	100	Shipbroking
	Clarkson Research Studies Limited	100	Financial services & other
	Clarkson Securities Limited	100	Financial services & other
	Diaome Limited	100	Financial services & other
	H Clarkson Shipping Group Limited	100†	Financial services & other
	Venture Securities Limited	100	Financial services & other
AUSTRALIA	Austral Chartering (Pty) Limited*	100	Shipbroking
BERMUDA	Clarkson Pacific Limited*	100	Shipbroking
HONG KONG	Clarkson Asia Limited*	100	Shipbroking
SINGAPORE	Clarkson Asia Pte Limited	91.7	Shipbroking
SOUTH AFRICA	Afromar (Pty) Limited*	100	Shipbroking
	Afromar Properties (Pty) Limited*	100	Shipbroking
USA	C F Wiborg & Company*	100	Shipbroking
	Seabrokers Inc.*	100	Shipbroking
ASSOCIATED UNDERTAKINGS			
UK	Clarkson Wolff Limited	50	Financial services & other
USA	Distribution Consulting Services Inc.*	50	Financial services & other
	Overseas Wiborg Chartering Co. (Partnership)*	50	Shipbroking

**Not audited by Ernst & Young*
†Held by Horace Clarkson Plc

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

FIVE YEAR FINANCIAL RECORD

PROFIT AND LOSS ACCOUNT

	1995 £'000	1994 £'000	1993 £'000	1992 £'000	1991 £'000
TURNOVER					
Continuing operations:					
Shipbroking	**32,456**	27,028	30,801	25,868	27,650
Shipowning	**60**	2,609	709	617	945
Total continuing operations	**32,516**	29,637	31,510	26,485	28,595
Discontinued operations:					
Insurance broking	**9,413**	11,069	10,094	10,569	13,545
	41,929	40,706	41,604	37,054	42,140
PROFIT/(LOSS) BEFORE TAXATION					
Continuing operations:					
Shipbroking	**5,387**	3,155	4,487	3,345	3,407
Shipowning	**60**	1,449	15	(111)	287
Head office and other	**(718)**	(377)	(738)	(632)	(412)
Profit sharing scheme	**(205)**	(120)	–	–	(100)
Total continuing operations	**4,524**	4,107	3,764	2,602	3,182
Discontinued operations:					
Insurance broking	**310**	(974)	(2,540)	(2,121)	1,820
Profit before loss on disposal of insurance broking division	**4,834**	3,133	1,224	481	5,002
Loss on disposal	**(9,278)**	–	–	–	–
	(4,444)	3,133	1,224	481	5,002
Taxation	**(1,548)**	(1,764)	(777)	(768)	(2,730)
Minority interests	–	–	–	(13)	(1)
Dividend	**(671)**	(447)	(391)	(338)	(1,788)
Retained profit/(loss) for the year	**(6,663)**	922	56	(638)	483

BALANCE SHEET

	1995 £'000	1994 £'000	1993 £'000	1992 £'000	1991 £'000
Fixed assets	**5,802**	7,070	6,764	6,222	7,133
Current assets	**21,527**	104,121	130,733	109,029	68,681
Current liabilities	**(9,838)**	(94,504)	(122,882)	(101,320)	(61,913)
Other long-term liabilities	**(311)**	(2,304)	(1,107)	(485)	(1,413)
Shareholders' funds	**17,180**	14,383	13,508	13,446	12,488

STATISTICS

	1995	1994	1993	1992	1991
Earnings/(loss) per share:					
Continuing activities	**13.30p**	11.20p	8.70p	6.50p	5.80p
Discontinued activities	**(40.10p)**	(5.10p)	(6.70p)	(7.80p)	4.40p
Total	**(26.80p)**	6.10p	2.00p	(1.30p)	10.20p
Dividend per share	**3.00p**	2.00p	1.75p	1.50p	8.00p

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the twenty-first annual general meeting of the members of Horace Clarkson Plc ('the company') will be held at 12 Camomile Street, London EC3A 7BP on Tuesday 11 June 1996 at 12 noon for the following purposes:

AS ORDINARY BUSINESS

1 To receive and adopt the directors' report and accounts for the year ended 31 December 1995 and the auditors' report thereon.

2 To declare a final dividend of 1.75p per ordinary share of 25p each in respect of the year ended 31 December 1995, making with the interim dividend of 1.25p per ordinary share already paid, a total dividend for the year of 3.00p per ordinary share.

3 To re-elect Mr R D Ward, who retires by rotation, as a director of the company.

4 To re-elect Mr G D Weston, who retires by rotation, as a director of the company.

5 To re-elect Mr R W Harrington, who retires having been appointed since the last annual general meeting, as a director of the company.

6 To re-appoint Ernst & Young as auditors of the company to hold office until the conclusion of the next general meeting of the company at which accounts are laid.

7 To authorise the directors of the company to fix the remuneration of the auditors.

AS SPECIAL BUSINESS

8 To consider and, if thought fit, to pass the following resolution, which will be proposed as an ordinary resolution:

That:

(a) for the purposes of section 80 of the Companies Act 1985, the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the company to allot relevant securities (as defined in the said section) up to a maximum of 6,641,754 ordinary shares, such authority to expire on the conclusion of the annual general meeting of the company in 2001 (or, if sooner, five years from the date of passing this resolution) but to be capable of previous revocation or variation from time to time by the company in general meeting and of renewal from time to time by the company in general meeting for a further period not exceeding five years;

(b) the company may make any offer or agreement before the expiry of this authority that would or might require relevant securities to be allotted after this authority has expired and the directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired; and

(c) the authority conferred by this resolution shall be in addition to, and without prejudice to, any and all previous authorities to allot relevant securities given to the directors which authorities shall remain in full force and effect to the extent the same have not previously been utilised or revoked and have not expired.

9 To consider and, if thought fit, to pass the following resolution, which will be proposed as a special resolution:

That:

(a) subject to and conditional upon the passing of the resolution numbered 8 set out in the notice convening the annual general meeting of the company to be held on 11 June 1996, the directors be and they are hereby empowered, pursuant to section 95 of the Companies Act 1985 ('the Act'), to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority conferred by the said resolution or any renewal thereof as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:

(i) to the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders and holders of any other shares or securities of the company that by their terms are entitled to participate in such rights issue where the equity securities respectively attributable to the interests of all ordinary shareholders and such holders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them or into which their shares or securities are to be deemed converted in calculating the extent of their participation but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or any legal or practical problems arising under the laws of any overseas territory or the requirements of any regulating body or stock exchange; and

(ii) to the allotment (other than pursuant to sub-paragraph (a)(i) of this resolution) of equity securities up to a maximum aggregate nominal amount of £279,478.

(b) the power hereby conferred shall expire on the conclusion of the next annual general meeting following the date of passing this resolution (or, if sooner, 15 months from the date of passing this resolution) or such later date as the company may by special resolution from time to time prescribe but may be previously revoked or varied by special resolution;

(c) the power hereby conferred shall enable the company to make any offer or agreement before such power expires that would or might require equity securities to be allotted after such power expires and the directors may allot equity securities in pursuance of any such offer or agreement within the limits prescribed by paragraph (a) of this resolution as if the power hereby conferred had not expired; and the power hereby conferred shall be in substitution for and to the exclusion of all and any previous powers given to the directors to allot equity securities pursuant to section 95 of the Act which are hereby revoked, but without prejudice to any allotment, offer or agreement made or entered into prior to the passing of this resolution.

10 To consider and, if thought fit, to pass the following resolution, which will be proposed as a special resolution:

That the existing articles of association of the company be and are hereby amended by the insertion of the following new article numbered article 50A:

"PURCHASE OF OWN SHARES

50A (a) Subject to the provisions of the Companies Acts and these articles and to any confirmation or consent required by law, the company may from time to time purchase its own shares (including any redeemable shares) provided that if there are in issue any convertible shares of the company then no purchase by the company of any of its own shares shall take place unless it has been sanctioned by an extraordinary resolution passed at a separate class meeting of the holders of each class of convertible shares.

(b) Neither the company nor the board shall be required to select the shares to be purchased rateably, or in any other particular manner, as between the holders of shares of the same class, or as between them and the holders of shares of any other class, or in accordance with the rights as to dividends or capital conferred by any class of shares."

11 To consider and, if thought fit, to pass the following resolution, which will be proposed as a special resolution:

That subject to and conditional upon the passing of the resolution numbered 10 set out in the notice convening the annual general meeting of the company to be held on 11 June 1996, pursuant to section 166 of the Companies Act 1985 ('the Act') and article 50A of the company's articles of association, the company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 25p each in the capital of the company ('ordinary shares') in such manner and on such terms as the directors may determine up to a maximum aggregate amount of 2,235,824 ordinary shares at a price per ordinary share not exceeding 5 per cent above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for an ordinary share on each of the ten business days immediately preceding the day of purchase and not less than 25p per ordinary share (in each case excluding advance corporation tax, stamp duty, commissions and other expenses) provided that unless previously varied, renewed or revoked the authority conferred by this resolution shall expire at the conclusion of the next annual general meeting of the company following the date of this resolution or on the expiry of 18 months from the date of this resolution, whichever shall be the earlier (except that the company may make a contract to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract).

12 To transact any other business which may be properly transacted at an annual general meeting.

By order of the board

M C Fairley
Secretary

Registered office:
12 Camomile Street
London EC3A 7BP

3 May 1996

Notes

1 A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the company. On a poll every member is entitled to one vote for each ordinary share of which he is the holder.

2 A form of proxy for use at the annual general meeting is enclosed. To be valid, the form of proxy duly completed and executed, together with the power of attorney or other authority (if any) under which it is executed, or a notarially certified copy of such power of attorney or authority, must be returned to the company's registered office at 12 Camomile Street, London EC3A 7BP so as to be received not later than 12 noon on Sunday 9 June 1996. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting.

3 The register of directors' interests in the shares or debentures of the company and its subsidiaries and copies of all directors' service contracts with the company or its subsidiaries will be made available for inspection at the registered office of the company during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the annual general meeting and on that day, at the place of the meeting for at least fifteen minutes prior to the meeting and until its conclusion.