DIRECTORS AND ADVISERS

1190238

DIRECTORS

M E Beckett, *Chairman**

A Brooks*

R W Harrington*

S L James*

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

PROFIT BEFORE TAX for the year ended 31 December 1997 was £3.2 million (1996: £3.9 million). Turnover was £33.1 million (1996: £33.4 million).

There was an absence in the year under review of any exceptional profits; in 1996 the profit figure was boosted by a net £0.7 million in respect of a 'loss of profits' insurance claim, hence the apparent fall in profitability.

REVIEW OF OPERATIONS

Market overview

INCREASED TURNOVER in US dollars in which most of our business was done was US$54.2 million (£33.1 million), up from US$52.5 million (£33.4 million), which reflects the strong market position the company has maintained throughout 1997 albeit based upon weaker dry cargo earnings compensated by stronger sale and purchase earnings. Tanker earnings remained relatively stable.

Dry cargo

THE YEAR OPENED on a positive note following a recovery at the end of 1996 for all sectors of the dry bulk market. The balance of 1997, however, was marked by an overall decline in panamax and handymax sector rates as the weight of new tonnage entering the market outstripped demand. The one source of support for the dry bulk market was the capesize sector, which benefited from higher steel production.

Overall, however, the dry bulk market in 1997 experienced little volatility outside a general downward trend and a marked falling off in sentiment towards the second half of the year on the back of economic difficulties in South-East Asia.

Tankers

THE YEAR UNDER REVIEW saw the development of a very strong market for crude oil tankers. Earnings increased from an average of US$27,200 a day in the previous year to an average of US$35,700 a day for modern VLCCs on the back of ongoing growth and demand coupled with limited fleet expansion.

Both suezmax and aframax earnings rose around 20%, encouraged by increased shorthaul crude production. Product tanker rates held steady during 1997. In the gas and chemical sectors, the company successfully concluded several very significant long term charters, which will contribute to revenues for many years to come.

Sale and purchase

THE SALE AND PURCHASE division again performed well with a significant base of forward order book business supplementing healthy second hand earnings. A firm outlook for the tanker market, with spot earnings generating immediate returns for owners, encouraged significant ordering of new vessels during the year and helped to re-emphasise the company's pre-eminence in the ship newbuilding market. Korean shipbuilders in particular benefited from this division's activity; a concentration on the quality shipyards should mean that, despite the economic crisis in South Korea, commission negotiated in the year under review on vessels delivering this year and next remains intact.

This division principally covers the two major bulk segments but is committed to diversifying into other expanding market segments including the container, ro-ro and ferry/passenger ship markets. These new segments are beginning to make an increasing contribution to earnings, as did the scrap team, who anticipate increased activity next year with over-supply in the dry bulk market leading to significant vessel redundancy.

Futures

THE DOMINANCE the company has enjoyed for a number of years in broking freight derivative products is continuing unabated despite increasing competition. The increasing competition should be seen as a welcome evolution since it confirms the establishment of the importance of this fast expanding market.

Areas under development include tanker forward freight agreements and options which should witness a steady growth in 1998. Our market share in LIFFE freight futures and options has increased from 30% to 35%, albeit with reduced volumes due to a weaker dry cargo market and we are now the most active company engaged in broking forward freight agreements.

Research and publications

THE YEAR CONTINUED a very important period of product development for the research and publications division during which it extended further its range of shipping registers which now covers the entire world cargo fleet, sector by sector. Through these registers and through weekly, monthly and other publications, the company disseminates key information to the industry at large as well as providing our own brokers with an invaluable in-house resource. Future developments will extend current capabilities in electronic publishing and distribution of information as well as in the growing consultancy business.

Overseas

OUR OVERSEAS operations continued to produce an encouraging contribution to earnings with particularly noteworthy performances coming from our Australian subsidiary, Austral Chartering (Pty) Limited, and Seabrokers Inc., our United States subsidiary, which underwent a significant review of its operations in 1996 and has since returned to profitability. Our Far East operations centred on Singapore, Hong Kong and Beijing continue to make good progress but are as yet unable to make a contribution to profits.

FINANCIAL

THE OVERALL tax rate for the year is 40.7% (1996: 37.8%), compared to the current effective UK corporation tax rate of 31.5%. The group continues to suffer a higher than standard rate of tax principally as a result of disallowable expenses in the UK.

Cash and deposits at 31 December 1997 of £14.2 million (1996: £15.1 million), which is a seasonal peak, are available both to meet our current liabilities and also to support the working capital requirements of the UK and various overseas companies. Cash and deposits were depleted during the year by the share buy-back programme referred to below which cost £2.1 million.

At the last annual general meeting shareholders authorised a share buy-back of up to 10% of the company's issued shares. Early in October 1997 the company acquired 2,025,000 shares at an average price of 102.5 pence per share. A resolution seeking renewal of the authority will be put to the forthcoming annual general meeting.

PROSPECTS

FOR 1998 the company anticipates that profits will be negatively affected by the downturn in trade inevitably resulting from the current economic crisis in South-East Asia. It is believed that over-supply in the dry bulk market will be particularly pronounced, whereas prospects for the tanker market are more positive. Also, the continuing strength of sterling against the US dollar, in which most of the company's revenue is earned, is a limitation to current earnings growth.

However, the company is soundly placed to take advantage of any opportunities that may arise to acquire realistically valued businesses in the shipping services sector, and will also continue to expand its business by internal growth.

DIRECTORS

IN FEBRUARY 1998 Hugh McCoy retired as managing director. Hugh McCoy has been one of the most influential sale and purchase brokers in the industry and despite the responsibilities of being managing director of the group as well as chairman of H Clarkson & Company, his individual contribution to the ship newbuilding business has continued to be very significant indeed. He goes with our very best wishes and our appreciation for the tremendous contribution he has made to the company over the years. Gary Weston has assumed responsibility as chairman of H Clarkson & Company, the main operating company.

DIVIDEND

THE BOARD will be recommending a final dividend of 2.50 pence per share to be paid on 1 July 1998 to shareholders on the register at the close of business on 5 June 1998. This final dividend, together with the interim dividend paid in November 1997, makes a total of 4.00 pence per share, the same as last year.

STAFF

THE BOARD wishes to place on record its thanks to all members of staff at home and abroad, who have contributed to the company's continuing success.

Michael Beckett
Chairman

8 April 1998

REPORT OF THE DIRECTORS

The directors present their report and the group accounts for the year ended 31 December 1997, which were approved by them on 8 April 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of an investment holding company, whose subsidiaries were primarily involved in shipbroking and the provision of shipping services. A review of the group's performance and likely future developments is contained in the chairman's statement on pages 2 to 4.

GROUP RESULTS AND DIVIDENDS

The results of the group, giving details of the profit, dividends and retained earnings are shown on page 15. An interim dividend of 1.50 pence per share was paid in November 1997. The directors will be recommending a final dividend of 2.50 pence per share, payable on 1 July 1998 to shareholders on the register at the close of business on 5 June 1998, making a total dividend for the year of 4.00 pence per share (1996: 4.00 pence per share).

DIRECTORS

The directors of the company as at the date of this report are shown on page 1. Mr H O McCoy resigned as a director of the company on 9 February 1998.

In accordance with the company's articles of association, Mr S L James will retire by rotation at the annual general meeting and will offer himself for re-election.

No director had a material interest in any contract of significance to the group's business during the year.

NON-EXECUTIVE DIRECTORS

Mr M E Beckett (61) Chairman, was appointed a director of the company in 1988. He is a non-executive director of Viglen Technology PLC, Ashanti Goldfields Company Limited, British Borneo Petroleum Syndicate Plc, BPB plc, Foreign & Colonial Income Growth Investment Trust plc, and Queens Moat Houses plc. He is chairman of Watts Blake Bearne & Company plc and Greycoat PLC.

Mr A Brooks (62) was appointed a director of the company in October 1993 and is chairman of the remuneration committee. He is a director of Falkland Islands Holdings PLC and was previously group managing director of BPB Industries Limited and chairman of British Gypsum Limited and Anglo United PLC.

Mr R W Harrington (64) 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 (67) 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.

The non-executive directors comprise the remuneration and audit committees of the company.

SUBSTANTIAL INTERESTS

The company has been notified of the following substantial interests in its issued share capital as at 18 March 1998 (being the latest practicable date prior to the approval of these accounts).

National Westminster Investment Managers	14.54%
J Rothschild Holdings	11.77%
Fidelity International Management	10.95%
Prudential	3.00%

As at 18 March 1998, employees directly held 2.53% of the company's share capital and 25.14% was held by employee share trusts for use under the company's various incentive schemes.

The company has not received any other notifications of substantial interests in its issued share capital.

SHARE CAPITAL

Details of the company's share capital and any movements during the year are shown in note 15 to the accounts.

EMPLOYMENT POLICIES

The group operates worldwide and its employment policies vary to meet local conditions and legal requirements. It is committed to equal opportunities for all employees. In the UK, the policy of staff communication, consultation and participation has continued. Where such policies do not exist in acquired companies, steps are taken to introduce them. 'Clarkson News', the group's in-house magazine, provides employees with information about the group and staff issues.

Employees are encouraged to become involved in the financial performance of the group through the operation of share option, profit sharing and restricted share plan schemes. At 18 March 1998, employee share trusts held 5,112,555 shares for allocation to employees at a future date under share incentive schemes. Of these, 1,058,208 shares were held for employees under the Savings Related and Senior Executive Share Option Schemes, 481,927 shares on behalf of the Profit Sharing Scheme, and 3,572,420 shares under the Restricted Share Plan. Details of options granted under the H Clarkson Senior Executive Share Option Scheme are shown in note 15 to the accounts.

Full and fair consideration is given to applications for employment by those with a disability. Where an employee becomes disabled whilst in the employment of a group company, every effort is made to find continuing employment wherever possible.

CHARITABLE AND POLITICAL DONATIONS

During the year, the group made various charitable donations amounting in aggregate to £19,017 (1996: £6,110). No political contributions were made.

CORPORATE GOVERNANCE

The non-executive directors, who are each appointed for a specific term, constitute the audit and remuneration committees of the company. The remuneration committee advises on remuneration and incentive schemes for senior staff and makes recommendations for the operation of the company's profit sharing and option schemes.

The board supports the principles behind the recommendations of the Committee on the Financial Aspects of Corporate Governance whilst recognising that some of these principles can be difficult to implement in smaller companies. The company is a member of CISCO, an organisation which is lobbying for changes to reflect the implications of corporate governance on smaller companies. Nevertheless, the board considers that the company has complied with the recommendations of the Committee on the Financial Aspects of Corporate Governance throughout the year and with section A of the Best Practice Provisions now annexed to the Listing Rules concerning remuneration committees.

GOING CONCERN

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

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the phase of assessing the risks to our business from the date change to the year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

Much of the cost of implementing the action plans will be subsumed into the recurring activities of the departments involved. The total cost of modifications to our computer hardware and software is estimated at £125,000, of which £120,000 is new software that will be capitalised and the remainder will be expensed as incurred. All this expenditure is expected to occur during 1998.

INTERNAL FINANCIAL CONTROL

The board is responsible for the establishment and ongoing implementation of the company's internal financial control mechanisms. These are designed to identify and counter the particular risks to which the company is exposed. By their very nature, these controls can provide reasonable but not absolute assurance against material mis-statement or loss.

Accordingly, a number of key procedures have been established to provide effective internal controls. These include budgeting and reporting systems; monitoring, supervision and stewardship procedures and a continuing review of the group's financial controls.

The directors confirm that they have carried out a review of the effectiveness of the system of internal financial control.

PAYMENT OF CREDITORS

The company pays its trade creditors in accordance with the terms negotiated with them. Trade creditors principally represent client balances and are settled as requested.

ANNUAL GENERAL MEETING

Resolutions will be proposed at the annual general meeting to renew the directors' authority to purchase the company's own shares. This authority was last granted at the annual general meeting in May 1997. A resolution proposing the introduction of a new senior executive share option scheme will also be proposed. Further details of these resolutions can be found in the notice of meeting on pages 31 and 32.

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

8 April 1998

REPORT OF THE REMUNERATION COMMITTEE

THE COMMITTEE

The remuneration committee is comprised of the non-executive directors, who have no day-to-day involvement with the business and no personal financial interest in matters to be recommended.

TERMS OF REFERENCE

The committee's terms of reference include the determination of executive remuneration, to consider the granting of options and allocation of restricted share scheme shares and to make appropriate recommendations to the board.

GENERAL POLICY

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

There are few, if any, comparable UK public companies involved solely in the business of providing shipping services. Comparisons are therefore made for this purpose with companies in the financial sector generally. In addition to consultation with the executive directors of the group, the remuneration committee is advised by a leading firm of executive remuneration consultants to maximise comparability with the benchmark companies.

In determining its remuneration policy, the committee has given full consideration to section B of the Best Practice Provisions annexed to the Listing Rules concerning directors' remuneration policy, service contracts and compensation.

BASIC SALARIES AND BENEFITS

Basic salaries and benefits for executive directors are reviewed annually having regard to individual performance, competitive market practice and comparable evidence of other similar companies.

ANNUAL PERFORMANCE BONUS

Executive directors participate in a bonus scheme which is linked to the achievement of group earnings per share targets. For those with divisional responsibility, bonus payments are based partly on the performance of the group as a whole and partly on the profit performance of their respective divisions. Targets are challenging, and are normally set above the prior year's results and are often set above the current year's budget.

LONG TERM INCENTIVE SCHEMES

No new long term incentive schemes have been established during the year. Existing schemes are as follows:

Restricted Share Plan

Awards under this plan are made annually to key executives by allocating a proportion of bonus entitlement towards the purchase of shares which are held in trust for at least four years and are then transferred to the executive, subject to the employee remaining with the company.

Senior Executive Share Option Scheme

The existing scheme has now expired and no new options can be granted from it. A resolution proposing the introduction of a new senior executive share option scheme is to be put at the annual general meeting. Options to purchase shares were granted in phases, generally as a proportion of salary and exercise can be subject to a performance condition. No options have been granted during the year.

Save As You Earn Share Option Scheme

This is an Inland Revenue approved sharesave scheme which enables the company to grant options to employees to purchase ordinary shares at a 20% discount to market price. These options can be exercised only with funds saved by employees over time in a qualified savings account.

Profit Sharing Scheme

This is also an Inland Revenue approved scheme whereby up to 5% of UK profits are appropriated each year to purchase ordinary shares in the market which are held in trust for a minimum period of three years before being released to individual employees. Awards under this scheme cannot exceed £3,000 per employee or, if greater, 10% of the employee's remuneration for PAYE purposes with an overall limit of £8,000.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The fees of non-executive directors are reviewed periodically by the full board after considering recommendations by the executive directors. The fee consists of an annual payment in connection with board meetings and, where relevant, an additional amount for services such as attending remuneration, audit and pension trustee committee meetings. Non-executive directors are not eligible for any other benefits or incentive schemes nor do they have service contracts with the company.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments (excluding pension benefits) are set out below:

	Basic salaries and fees 1997 £'000	***Benefits*** 1997 £'000	***Performance related bonuses*** 1997 £'000	***Total*** 1997 £'000	*Total* 1996 £'000
Executive directors:					
H O McCoy *(resigned 09.02.98)*	**196**	**9**	**37**	**242**	286
R D Ward	**131**	**9**	**47**	**187**	212
G D Weston	**116**	**9**	**62**	**187**	228
Non-executive directors:					
M E Beckett	**45**	–	–	**45**	45
A Brooks	**25**	–	–	**25**	25
R W Harrington	**23**	–	–	**23**	23
S L James	**23**	–	–	**23**	23
P Swain *(resigned 24.09.96)*	–	–	–	–	17
	559	**27**	**146**	**732**	859

Benefits include cash allowances in lieu of company cars and other benefits in kind.

Performance related bonuses include the monetary value of awards proposed under the Restricted Share Plan.

DIRECTORS' PENSION INFORMATION

Executive directors participate in the group pension schemes which provide a pension of up to two-thirds salary on retirement dependent on length of service. Pension benefits for executive directors are provided only on basic salary and certain contractual performance related earnings. Details of directors' pension benefits are set out below:

	Additional pension earned during the year £'000	*Increase in transfer value during the year £'000*	*Accrued pension entitlement at the end of the year £'000*	*Accrued pension entitlement at the start of the year £'000*
H O McCoy	**4**	**62**	**110**	102
R D Ward	**3**	**34**	**18**	15
G D Weston	**6**	**60**	**61**	53

The accrued pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year. The additional pension earned during the year and increase in transfer value during the year excludes any increase for inflation. Members of the scheme have the option to pay additional voluntary contributions; neither the contributions nor the resulting benefits are included in the table. The pension scheme also provides dependents' pensions in the event of death, and lump sum benefits on death-in-service.

Certain directors are also members of the following money purchase schemes:

The company operates a money purchase arrangement to give staff the facility of making additional pension provision on annual bonus payments. Mr G D Weston participates in this arrangement and the company's contribution in respect of the year ended 31 December 1997 was £2,500.

The company also operates a funded unapproved retirement benefits scheme for UK members who joined the company after May 1989 and are therefore subject to Inland Revenue restrictions on their entitlement to benefit from the group's final pension scheme. Mr R D Ward participates in this arrangement and the company's contribution in respect of the year ended 31 December 1997 was £36,240.

DIRECTORS' INTERESTS IN SHARES

The beneficial interests of the directors in the share capital of the company at 31 December 1997 are as follows:

	Ordinary shares	
	1997 Number	*1996 Number*
M E Beckett	**2,000**	2,000
A Brooks	**2,000**	2,000
R W Harrington	–	–
S L James	–	–
H O McCoy	**78,509**	109,400
R D Ward	**156,528**	127,089
G D Weston	**127,886**	95,601

REPORT OF THE REMUNERATION COMMITTEE

There have been no changes in directors' interests between 31 December 1997 and the date of this report.

Messrs M E Beckett and R D Ward are directors and 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:

		01.01.97	*Granted*	*Lapsed during the year*	***31.12.97***	*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 1989	20,000	–	–	**20,000**	204.4	20.12.92	19.12.99
	SAYE 1997	–	6,802	–	**6,802**	86.0	08.05.00	07.08.00
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
	SAYE 1997	–	4,534	–	**4,534**	86.0	08.05.00	07.08.00
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
	SAYE 1997	–	6,802	–	**6,802**	86.0	08.05.00	07.08.00

Mr H O McCoy's SAYE 1997 options lapsed on 9 February 1998 when he retired from the company.

The market price of the shares at 31 December 1997 was 106.5p and the range during 1996 was 89.0p to 112.5p.

A Brooks
Remuneration Committee Chairman

8 April 1998

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 1997

We have audited the accounts on pages 15 to 29, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 19 and 20.

Respective responsibilities of directors and auditors

As described on page 12, 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 mis-statement, 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 1997 and of the results 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' statements on pages 6 and 7 concerning the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the accounts. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43(j) and 12.43(v).

We carried out our review in accordance with guidance issued by the Auditing Practices Board, and assessed 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 guidance 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 pages 6 and 7, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above 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 by Listing Rule 12.43(j).

Ernst & Young
Chartered Accountants
Registered Auditor

London
8 April 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1997

Notes		1997 £'000	1996 £'000
2	TURNOVER	**33,057**	33,363
3	OPERATING PROFIT	**2,168**	2,813
	Share of profits of associated undertakings	**62**	93
	Interest receivable and similar income	**1,019**	1,011
	Interest payable and similar charges	**(1)**	(6)
2,3	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**3,248**	3,911
6	Taxation on profit on ordinary activities	**(1,321)**	(1,480)
	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	**1,927**	2,431
	Minority interests	**–**	(11)
	PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	**1,927**	2,420
7	Dividends	**(814)**	(894)
17	RETAINED PROFIT FOR THE YEAR	**1,113**	1,526
8	EARNINGS PER SHARE	**8.82p**	10.80p
	DIVIDEND PER SHARE	**4.00p**	4.00p

The notes set out on pages 19 to 29 form part of these accounts.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1997

	1997 *£'000*	*1996* *£'000*
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND MINORITY INTERESTS	**1,927**	2,420
Foreign exchange differences	**(155)**	(862)
Total recognised gains relating to the year	**1,772**	1,558

MOVEMENT IN SHAREHOLDERS' FUNDS

for the year ended 31 December 1997

	1997 *£'000*	*1996* *£'000*
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND MINORITY INTERESTS	**1,927**	2,420
Foreign exchange differences	**(155)**	(862)
Dividends	**(814)**	(894)
Other movements:		
Goodwill	**(1)**	–
Repurchase of ordinary share capital	**(2,092)**	–
Total movements during the year	**(1,135)**	664
Shareholders' funds at 1 January 1997	**17,844**	17,180
Shareholders' funds at 31 December 1997	**16,709**	17,844

The notes set out on pages 19 to 29 form part of these accounts.

BALANCE SHEETS

as at 31 December 1997

Notes		Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
	FIXED ASSETS				
9	Tangible assets	**4,537**	4,568	**748**	763
10	Investments	**1,245**	1,290	**14,388**	14,424
		5,782	5,858	**15,136**	15,187
	CURRENT ASSETS				
11	Debtors	**5,885**	6,449	**2,836**	1,204
	Cash and deposits	**14,203**	15,147	**4**	443
		20,088	21,596	**2,840**	1,647
12	CREDITORS				
	Amounts falling due within one year	**(9,059)**	(9,362)	**(985)**	(1,068)
	NET CURRENT ASSETS	**11,029**	12,234	**1,855**	579
	TOTAL ASSETS LESS CURRENT LIABILITIES	**16,811**	18,092	**16,991**	15,766
	CREDITORS				
13	Amounts falling due after more than one year	**(7)**	(13)	–	–
14	PROVISIONS FOR LIABILITIES AND CHARGES	**(95)**	(177)	–	–
	MINORITY INTERESTS	–	(58)	–	–
		(102)	(248)	–	–
		16,709	17,844	**16,991**	15,766
	CAPITAL AND RESERVES				
15	Called up share capital	**5,083**	5,590	**5,083**	5,590
16	Share premium account	**1,753**	1,753	**1,753**	1,753
17	Other reserves	**9,873**	10,501	**10,155**	8,423
	Equity shareholders' funds	**16,709**	17,844	**16,991**	15,766

The accounts were approved by the board of directors on 8 April 1998, and signed on its behalf by:

M E Beckett, *Chairman*

R D Ward, *Finance Director*

R. D. Ward

The notes set out on pages 19 to 29 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 1997

Notes		1997 £'000	1996 £'000
18	NET CASH INFLOW FROM OPERATING ACTIVITIES	**4,409**	3,777
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	**1,002**	1,011
	Interest paid	**(1)**	(6)
		1,001	1,005
	TAXATION	**(1,943)**	(2,235)
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Purchase of tangible fixed assets	**(1,300)**	(1,296)
	Purchase of trade investments	**(9)**	(363)
	Sale of plant and machinery	**90**	128
	Sale of trade investments	**4**	195
		(1,215)	(1,336)
	ACQUISITIONS AND DISPOSALS		
	Purchase of minority interests and other businesses	**(181)**	–
		(181)	–
	EQUITY DIVIDENDS PAID	**(865)**	(726)
	MANAGEMENT OF LIQUID RESOURCES		
20	(Increase)/decrease in deposits	**(1,537)**	1,006
		(1,537)	1,006
	NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	**(331)**	1,491
	FINANCING		
	Repurchase of ordinary share capital	**(2,092)**	–
19,20	(DECREASE)/INCREASE IN FUNDS	**(2,423)**	1,491

The notes set out on pages 19 to 29 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.

The accounts of the H Clarkson (Holdings) Executive Share Purchase Trust have been included in the consolidated accounts.

(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 and commission earnings from shipping related activities, and other income arising from shipping publications and research.

(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.

The average US dollar/sterling exchange rate for the year was 1.64 (1996: 1.57).

1 STATEMENT OF ACCOUNTING POLICIES CONTINUED

(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 assets as follows:

Freehold properties	60 years
Leasehold properties	Over period of lease
Office furniture and equipment	4-15 years
Motor vehicles	4 years

(i) 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.

(j) PENSIONS

The charge to annual profits for pensions is calculated so as 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.

(k) CASH AND DEPOSITS

The group receives cash in the ordinary course of business for onward payment to its clients. The liability to clients for such cash is included in creditors due within one year.

(l) 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 SEGMENTAL INFORMATION

The group is engaged in only one class of business, namely the provision of shipping services.

Turnover by geographical destination and by origin is as follows:

	By destination		By origin	
	1997 £'000	*1996 £'000*	**1997 £'000**	*1996 £'000*
UK	**8,710**	8,177	**24,693**	24,894
Europe	**7,414**	8,852	**–**	–
USA	**3,333**	2,917	**2,218**	1,776
Rest of World	**13,600**	13,417	**6,146**	6,693
	33,057	33,363	**33,057**	33,363

Group profit/(loss) and net assets are analysed as follows:

	Profit/(loss)		Net assets	
	1997 £'000	*1996 £'000*	**1997 £'000**	*1996 £'000*
UK	**2,415**	3,244	**11,746**	13,292
USA	**431**	(168)	**1,653**	678
Rest of World	**402**	835	**3,310**	3,874
	3,248	3,911	**16,709**	17,844

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after crediting/(charging):	**1997 £'000**	*1996 £'000*
Depreciation of tangible fixed assets	**(1,200)**	(977)
Auditors' remuneration:		
Audit services	**(152)**	(161)
Non-audit services	**(47)**	(62)
Exceptional items:		
'Loss of profits' insurance recovery, net of expenses	**–**	673

4 EMPLOYEES

	1997 £'000	1996 £'000
Salaries, commission and fees	16,199	15,663
Profit share appropriation	128	177
Social security costs	1,345	1,436
Other pension costs	1,748	1,619
	19,420	18,895

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

	1997 Number	1996 Number
UK	193	186
USA	15	13
Rest of World	80	74
	288	273

Details of directors' remuneration for each director, pension entitlements and share options are included on pages 9 to 11.

5 INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £'000	1996 £'000
Bank loans	1	6

6 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1997 £'000	1996 £'000
UK corporation tax	1,158	1,447
Deferred taxation	(95)	(58)
	1,063	1,389
Overseas taxation	258	91
Taxation on profit on ordinary activities	1,321	1,480

The effective tax rate for the current year is higher than the standard rate of UK corporation tax because of disallowable expenses in the UK.

7 DIVIDENDS

	1997 £'000	1996 £'000
Interim dividend paid of 1.50p per share (1996: 1.50p per share)	306	335
Final dividend proposed of 2.50p per share (1996: 2.50p per share)	508	559
	814	894

8 EARNINGS PER SHARE

The calculation of earnings per share arising from continuing activities is based on 21,848,019 shares, being the weighted average number of ordinary shares in issue during the year (1996: 22,358,246), and on the appropriate profit after taxation.

	1997 £'000	1996 £'000
Profit after taxation and minority interests	**1,927**	2,420
Earnings per share	**8.82p**	10.80p

9 TANGIBLE FIXED 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 1997	1,239	19	2,653	5,092	407	9,410	892
Additions	–	–	–	1,150	150	1,300	–
Disposals	–	–	–	(20)	(218)	(238)	–
Foreign exchange differences	1	–	2	(53)	(44)	(94)	–
AT 31 DECEMBER 1997	1,240	19	2,655	6,169	295	10,378	892
DEPRECIATION							
At 1 January 1997	128	4	934	3,604	172	4,842	129
Provided during the year	20	–	250	871	59	1,200	15
Disposals	–	–	–	(9)	(142)	(151)	–
Foreign exchange differences	–	–	2	(42)	(10)	(50)	–
AT 31 DECEMBER 1997	148	4	1,186	4,424	79	5,841	144
NET BOOK VALUE AT 31 DECEMBER 1997	**1,092**	**15**	**1,469**	**1,745**	**216**	**4,537**	**748**
At 31 December 1996	1,111	15	1,719	1,488	235	4,568	763

10 INVESTMENTS

	Group				
	Associated undertakings £'000	*Listed £'000*	*Unlisted £'000*	*Own shares £'000*	*Total £'000*
Cost at 1 January 1997	1	124	54	963	1,142
Additions	–	–	9	–	9
Disposals	–	(3)	–	(6)	(9)
Provision for anticipated losses on exercise of share options	–	–	–	(30)	(30)
COST AT 31 DECEMBER 1997	1	121	63	927	1,112
Group's share of post acquisition retained profit and reserves:					
At 1 January 1997	148	–	–	–	148
Retained for the year	62	–	–	–	62
Distributions	(81)	–	–	–	(81)
Adjustments	4	–	–	–	4
AT 31 DECEMBER 1997	133	–	–	–	133
NET BOOK VALUE AT 31 DECEMBER 1997	134	121	63	927	1,245
At 31 December 1996	149	124	54	963	1,290

The company's own shares are listed on the London Stock Exchange.

	Company		
	Investment in subsidiary undertakings £'000	*Own shares £'000*	*Total £'000*
Cost at 1 January 1997	13,461	963	14,424
Disposals	–	(6)	(6)
Provision for anticipated losses on exercise of share options	–	(30)	(30)
AT 31 DECEMBER 1997	13,461	927	14,388

Own shares represent 1,058,208 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 1997 was £1,127,000. Dividends on the shares are paid into the trust and together with the expenses of the trust are included in the profit and loss account.

Market value of listed investments, including own shares held by the Executive Share Purchase Trust, at 31 December 1997 was £1,644,000 (1996: £1,543,000); if they had been sold at this value, there would have been a liability to taxation of £18,000.

In no case did the shares classified as listed and unlisted exceed 20% of the share capital of the company concerned.

11 DEBTORS

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR				
Trade debtors	**4,123**	4,286	–	–
Amounts owed by associated undertakings	**50**	–	–	–
Other debtors	**935**	1,258	**526**	203
Prepayments and accrued income	**562**	645	–	5
Taxation	**15**	48	**674**	476
Owed by group companies	–	–	**1,636**	520
	5,685	6,237	**2,836**	1,204
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR				
Other debtors	**200**	212	–	–
	5,885	6,449	**2,836**	1,204

Included in other debtors is a loan outstanding to an officer of the company amounting to £6,156 (1996: £7,356).

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1997 £'000	Group 1996 £'000	Company 1997 £'000	Company 1996 £'000
Trade creditors	**729**	1,006	–	–
Other creditors	**1,280**	1,209	**1**	1
Accruals and deferred income	**3,873**	3,092	**263**	114
Advance corporation tax on dividends	**203**	224	**203**	224
Corporation tax	**1,072**	1,631	**10**	–
Other tax and social security	**1,385**	1,632	–	–
Dividend	**508**	559	**508**	559
Owed to group companies	–	–	–	170
Owed to associated undertakings	**9**	9	–	–
	9,059	9,362	**985**	1,068

13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1997 £'000	Group 1996 £'000
Other creditors	7	13

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Group 1997 £'000	Group 1996 £'000
DEFERRED TAXATION		
United Kingdom:		
Accelerated capital allowances	262	360
Short-term timing differences	–	–
	262	360
Less: advance corporation tax	(127)	(140)
	135	220
Overseas:		
Short-term timing differences	(40)	(43)
Total deferred taxation	95	177

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

15 SHARE CAPITAL

	Number of shares	Nominal value £'000
At 1 January 1997		
Ordinary shares of 25p each:		
Authorised	29,000,000	7,250
Allotted, issued and fully paid	22,358,246	5,590
At 31 December 1997		
Ordinary shares of 25p each:		
Authorised	26,975,000	6,744
Allotted, issued and fully paid	20,333,246	5,083

The authorised, allotted, issued and fully paid share capital were reduced by repurchase and subsequent cancellation of 2,025,000 ordinary shares of 25p each by the company in October 1997.

Options subsisting under share option schemes at 31 December 1997 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)	1989	176,000	204.4	1992-1999
Senior Executive Share Option Scheme (non-performance related)	1991	230,000	206.0	1994-2001
Senior Executive Share Option Scheme (performance related)	1994	520,000	91.0	2000-2004
Savings Related Share Option Scheme	1994	521,900	69.0	1999
Savings Related Share Option Scheme	1997	405,950	86.0	2000

16 SHARE PREMIUM

	Group and Company £'000
At 1 January and 31 December 1997	1,753

17 OTHER RESERVES

	Group				Company		
	Capital redemption reserve £'000	Goodwill £'000	Profit and loss account £'000	Total £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 1997	–	(12,791)	23,292	10,501	–	8,423	8,423
Foreign exchange differences	–	–	(155)	(155)	–	–	–
Arising on acquisition, including minority interest	–	(1)	–	(1)	–	–	–
Arising on share repurchase	507	–	(2,092)	(1,585)	507	(2,092)	(1,585)
Adjustments	–	(23)	23	–	–	–	–
Retained profit for the year	–	–	1,113	1,113	–	3,317	3,317
AT 31 DECEMBER 1997	507	(12,815)	22,181	9,873	507	9,648	10,155

Apart from the reserves of the share purchase trust (£77,000), the company's profit and loss account is fully available for distribution.

18 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1997 £'000	1996 £'000
Operating profit	2,168	2,813
Depreciation charges	1,200	977
(Profit)/loss on sale of fixed assets	(3)	27
Loss on sale and provision against investments	35	48
Dividends received from associates	81	92
Decrease/(increase) in debtors	619	(627)
Increase in creditors	309	447
Net cash inflow from operating activities	4,409	3,777

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	1997 £'000	1996 £'000
(Decrease)/increase in cash	(2,423)	1,491
Foreign exchange differences	(35)	(423)
Movement in net debt	(2,458)	1,068
Net funds at 1 January	6,143	5,075
Net funds at 31 December	3,685	6,143

20 ANALYSIS OF NET FUNDS

	At 1 January 1997 £'000	*Cash flow £'000*	*Foreign exchange differences £'000*	*At 31 December 1997 £'000*
Cash	6,143	(2,423)	(35)	3,685
Deposits	9,004	1,537	(23)	10,518
	15,147	(886)	(58)	14,203

21 PENSION SCHEMES

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:	
Annual rate of return on investments	8.5%
Annual rate of salary increases	6.5%
Annual rate of pension increases	4.0%
Annual rate of equity dividend increases	4.0%
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	97.0%

Contributions are being paid at a joint rate of 22.5% of pensionable salaries and are expected to meet the shortfall over the average expected future working life 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.

The group operates a funded unapproved retirement benefits scheme for UK members who joined the company after May 1989 and are therefore subject to Inland Revenue restrictions on their entitlement to benefit.

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

The group also operates a bonus pension scheme which is a 'money purchase' pension arrangement to give staff the facility of making additional pension provision on annual bonus payments.

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

22 SUBSIDIARY AND ASSOCIATED UNDERTAKINGS

Company and country of incorporation and operation		*Percentage of equity shares*	*Activity*
PRINCIPAL SUBSIDIARY UNDERTAKINGS			
UK	H Clarkson & Company Limited	100	Shipbroking
	Clarkson Securities Limited	100	Financial services & other
	Clarkson Mortgage Company Limited	100	Financial services & other
	Clarkson Shipping Group Limited	100†	Financial services & other
	Clarkson Overseas Holdings 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	100	Shipbroking
SOUTH AFRICA	Afromar (Pty) Limited*	100	Shipbroking
	Afromar Properties (Pty) Limited*	100	Financial services & other
USA	C F Wiborg & Company*	100	Shipbroking
	Seabrokers Inc.*	100	Shipbroking
ASSOCIATED UNDERTAKINGS			
UK	HC Shipping & Chartering Limited*	25	Shipbroking
USA	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	**1997 £'000**	1996 £'000	1995 £'000	1994 £'000	1993 £'000
TURNOVER					
Continuing operations:					
Shipbroking	**33,057**	33,363	32,456	27,028	30,801
Shipowning	**–**	–	60	2,609	709
Total continuing operations	**33,057**	33,363	32,516	29,637	31,510
Discontinued operations:					
Insurance broking	**–**	–	9,413	11,069	10,094
	33,057	33,363	41,929	40,706	41,604
PROFIT/(LOSS) BEFORE TAXATION					
Continuing operations:					
Shipbroking	**3,838**	4,708	5,387	3,155	4,487
Shipowning	**–**	–	60	1,449	15
Head office and other	**(462)**	(620)	(718)	(377)	(738)
Profit sharing scheme	**(128)**	(177)	(205)	(120)	–
Total continuing operations	**3,248**	3,911	4,524	4,107	3,764
Discontinued operations:					
Insurance broking	**–**	–	(8,968)	(974)	(2,540)
	3,248	3,911	(4,444)	3,133	1,224
Taxation	**(1,321)**	(1,480)	(1,548)	(1,764)	(777)
Minority interests	**–**	(11)	–	–	–
Dividend	**(814)**	(894)	(671)	(447)	(391)
Retained profit/(loss) for the year	**1,113**	1,526	(6,663)	922	56

BALANCE SHEET	**1997 £'000**	1996 £'000	1995 £'000	1994 £'000	1993 £'000
Fixed assets	**5,782**	5,858	5,802	7,070	6,764
Current assets	**20,088**	21,596	21,527	104,121	130,733
Current liabilities	**(9,059)**	(9,362)	(9,838)	(94,504)	(122,882)
Other long term liabilities	**(102)**	(248)	(311)	(2,304)	(1,107)
Shareholders' funds	**16,709**	17,844	17,180	14,383	13,508

STATISTICS	**1997**	1996	1995	1994	1993
Earnings/(loss) per share:					
Continuing activities	**8.82p**	10.80p	13.30p	11.20p	8.70p
Discontinued activities	**–**	–	(40.10p)	(5.10p)	(6.70p)
Total	**8.82p**	10.80p	(26.80p)	6.10p	2.00p
Dividend per share	**4.00p**	4.00p	3.00p	2.00p	1.75p

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the twenty-third annual general meeting of the members of Horace Clarkson PLC ('the company') will be held at 12 Camomile Street, London EC3A 7BP on Tuesday 19 May 1998 at 11.00 am for the following purposes:

AS ORDINARY BUSINESS

1 To receive and adopt the directors' report and accounts for the year ended 31 December 1997 and the auditors' report thereon.

2 To declare a final dividend of 2.50p per ordinary share of 25p each in respect of the year ended 31 December 1997, making with the interim dividend of 1.50p per ordinary share already paid, a total dividend for the year of 4.00p per ordinary share.

3 To re-elect Mr S L James, who retires by rotation, as a director of the company.

4 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 and to authorise the directors of the company to agree their remuneration.

AS SPECIAL BUSINESS

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

That:

a) the adoption of the Horace Clarkson Senior Executive Share Option Scheme 1998 ('the Scheme') the main features of which are summarised in the appendix to the letter from the chairman dated 8 April 1998 and the rules of which are produced to the meeting and signed by the chairman for the purposes of identification be and are hereby approved;

b) the directors be and are hereby authorised (i) to do all such acts and things as they may consider necessary or expedient to carry the Scheme into effect, and (ii) to vote, and be counted in the quorum, on any matter connected with the Scheme, notwithstanding that they may be interested in the same (except that no director may be counted in a quorum or vote in respect of his own participation).

Explanatory Note to Resolution 5:

This new Senior Executive Share Option Scheme replaces the current scheme which has expired. Further details regarding the Scheme can be found in the chairman's letter which accompanies these accounts. The directors consider that the introduction of a new scheme is in the best interests of the company and its shareholders and is necessary to retain and motivate key senior executives.

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

That 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 3,049,986 ordinary shares at a price per ordinary share not exceeding 5% 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 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).

Explanatory Note to Resolution 6:

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. This authority will expire at the conclusion of the next annual general meeting of the company or in 18 months after the passing of the resolution, whichever is the earlier. It is the board's intention to seek to renew the authority at the next annual general meeting and to make such renewal part of the regular business of the annual general meeting.

7 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

8 April 1998

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, 12 Camomile Street, London EC3A 7BP so as to be received not later than 11.00 am on Sunday 17 May 1998. 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.

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Annual general meeting – 19 May 1998

Final dividend payable – 1 July 1998

Interim results for 1998 announced – early September 1998

Interim dividend payable – November 1998

Final results for 1998 announced – late March 1999